ANNUAL REPORT ***2010***

AnaeCo

AnaeCo Limited
ABN 36 087 244 228

Corporate Directory

Directors
Prof. Michael Dureau (Chairman)
Mr Thomas Rudas (Managing Director)
Mr Gianmario Alessio ("Les") Capelli (Non-executive Director)
Dr Ian Campbell (Non-executive Director)
Mr Richard Rudas (Executive Director)

Company Secretary
Mr David Lymburn

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Auditor
Ernst & Young
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PERTH WA 6000

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Glossary

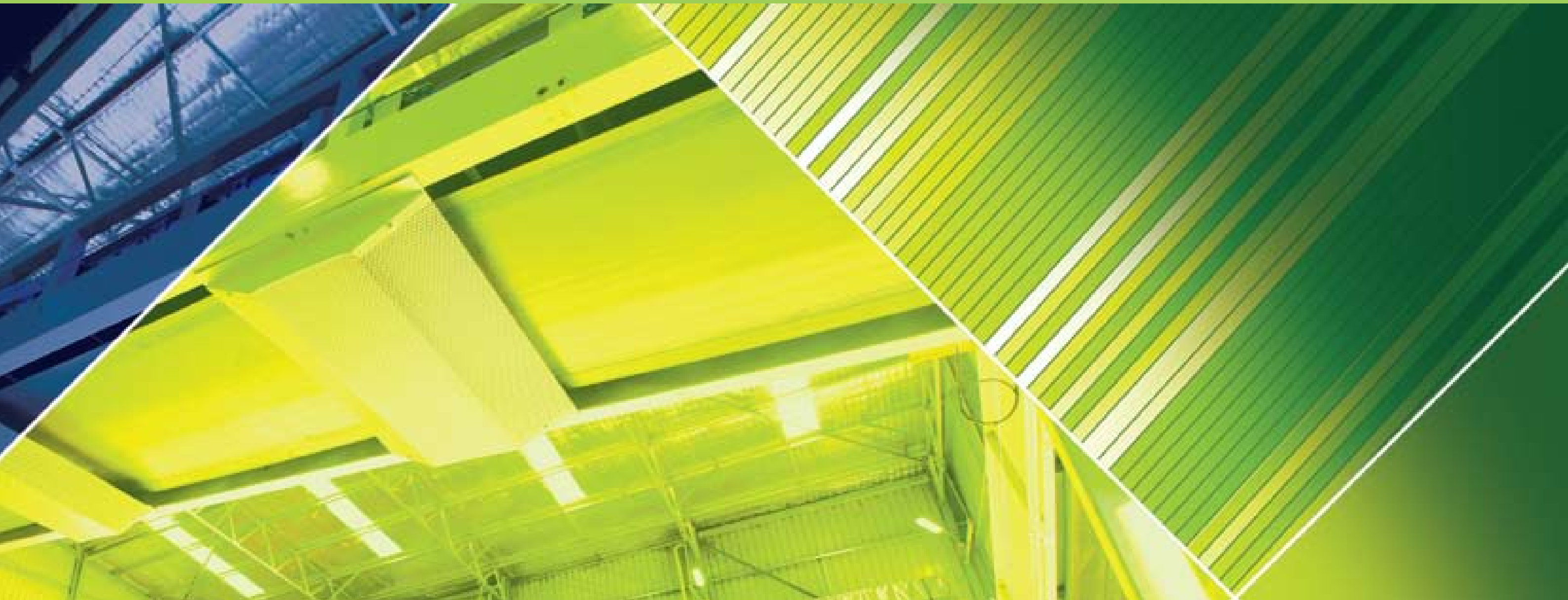
AWT – alternative waste technology

MSW – municipal solid waste

Palisade – investment manager Palisade Investment Partners Limited, and funds managed by it

WMRC – Western Metropolitan Regional Council

Chairman's Letter



The DiCOM technology has been thoroughly trialled and examined by third parties and we are now closer than ever to the point where it can be launched into the **global waste management market**.

Professor Michael Dureau
Chairman

Dear Shareholder,

The 19th Century American philosopher Walter Elliott once said "perseverance is not a long race; it is many short races one after the other".

Without question development of a new technology requires perseverance and if one word sums up AnaeCo's performance over the past year it is perseverance.

Perseverance has enabled AnaeCo to achieve a number of important steps with the DiCOM technology in its application at the ground breaking WMRC JFR McGeough Resource Recovery Facility in Shenton Park, and I agree with Tom Rudas that the technology is now in the best shape it has ever been. The DiCOM technology has been thoroughly trialled and examined by third parties and we are now closer than ever to the point where it can be launched into the global waste management market. Time delays to our commercialisation agenda caused by factors beyond our control are frustrating and no doubt have an impact on a small company with scarce resources, but do not diminish the fundamental positive achievements of technological advancement and success.

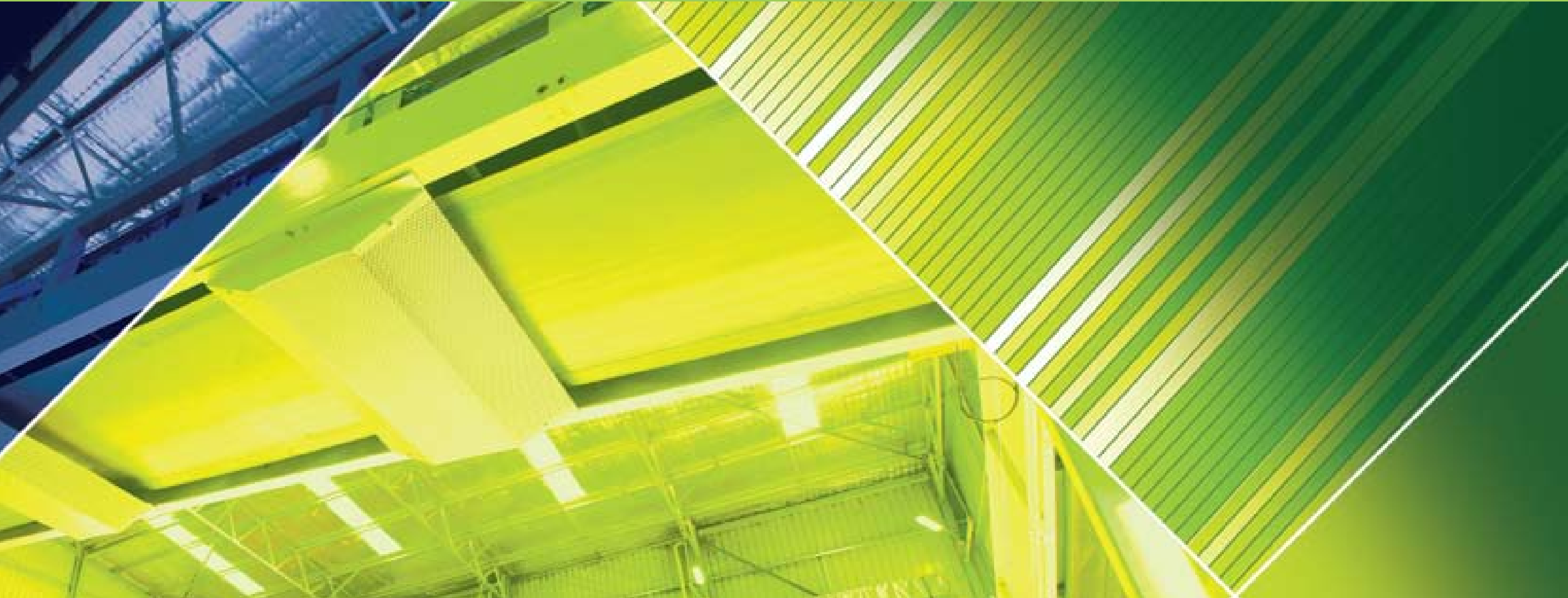
We have also made progress with refinements to our business model in preparation for future commercial growth, and in developing key counterparty relationships. I particularly welcome the formation of the design & construct joint venture with Monadelphous Group Limited for the delivery of DiCOM facilities throughout Australia and New Zealand. Teaming up with quality businesses will continue to be a feature of our development.

In the near future we expect to be re-commencing construction activities on the WMRC Stage 2 expansion project and this will be a further important phase of the commercialisation programme. In the meantime we are also preparing the DiCOM technology to enable commercial exploitation by way of technology transfer and licensing.

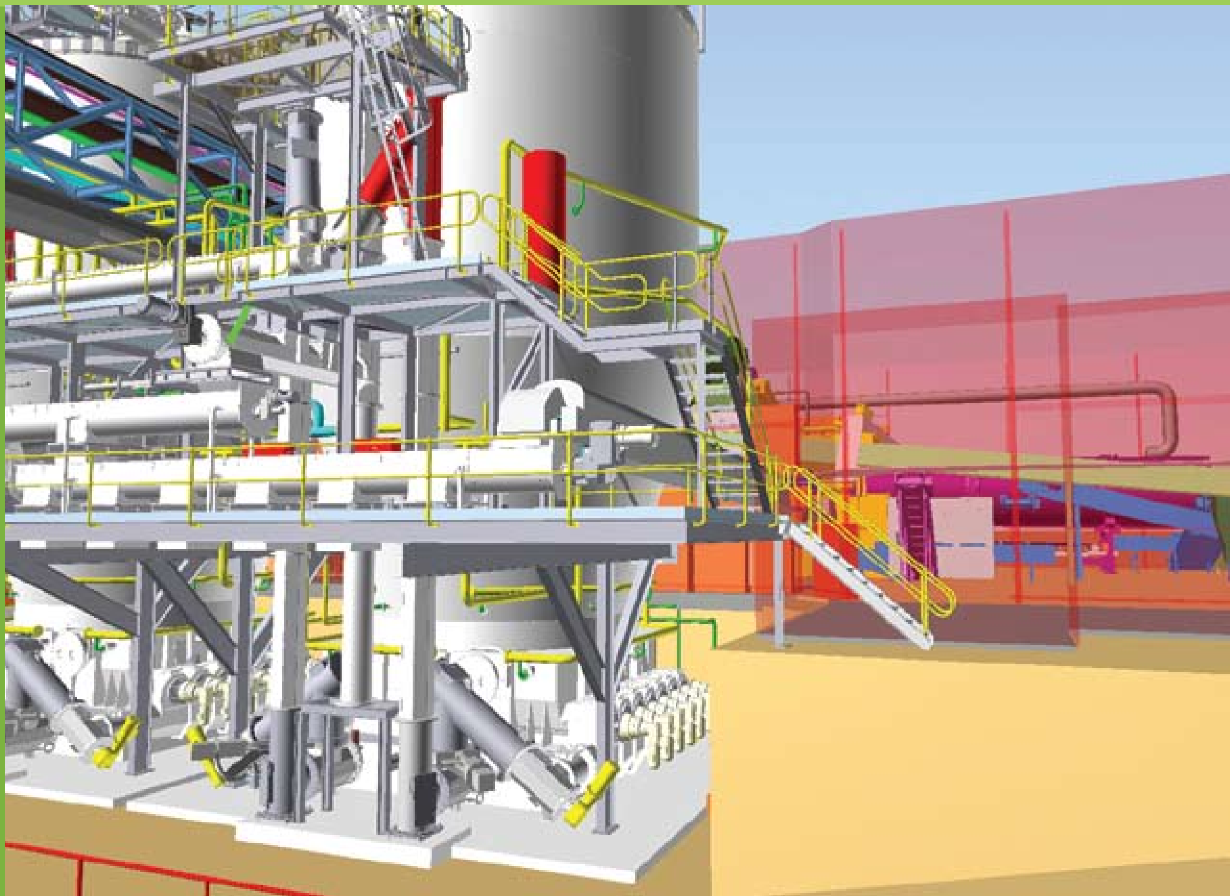
I commend my fellow directors, management and staff for their perseverance and for the progressive achievements which this delivers. I also thank all shareholders for your continued support of the Company.

Professor Michael Dureau FTSE, Hon FIEAust, FAICD, FIChE, FAIE, CPEng, JP
Chairman

Managing Director's Review



We are…poised to enter into construction activities for the WMRC Stage 2 expansion which will lead to the **first fully operation DiCOM facility** in 18 months time



Tom Rudas
Managing Director

Introduction

The Review of Operations for the 2010 financial year which is included in the Directors' Report explains the Company's activities for the year. I do not wish to repeat all of that here but I will note the highlights as;

- Verification of the DiCOM Bioconversion process at full commercial scale by successful completion of the performance trials at WMRC Stage 1, including issue of the Final Certificate of Satisfaction by Sinclair Knight Merz the independent engineer to the project,
- Completion of plant and process design for the WMRC Stage 2 expansion project adopting all experience gained in Stage 1, and
- Formation of a design & construct joint venture with Monadelphous Group Limited (JV) for the intended turnkey roll-out of DiCOM facilities in Australia and New Zealand, with potential for regional expansion.

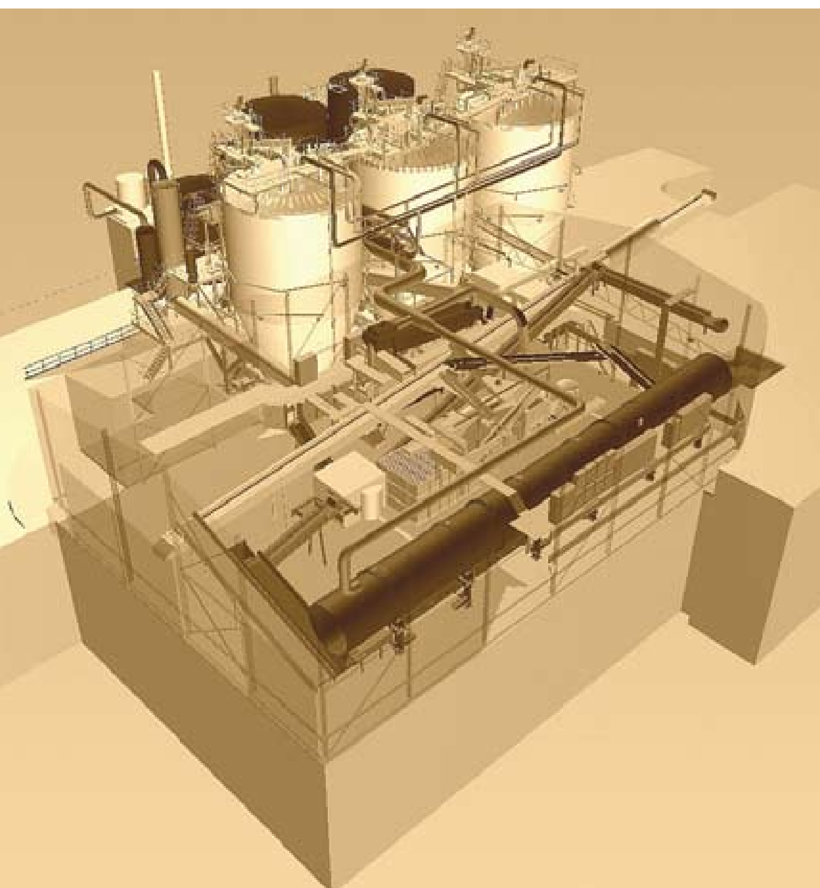
We had hoped to be well into WMRC Stage 2 construction by now but unfortunately the availability of funding as a result of the global financial crisis, and the regulatory approvals process, made it very difficult to raise the debt finance in the timeframe anticipated. Palisade are now planning to fund Stage 2 construction from equity sources and in August 2010 gave "in principle approval" to proceed with the work required to obtain final investment approval, which is subject to satisfactory completion of due diligence and documentation. Much of the due diligence has already been completed and this includes two further independent engineering reviews of the DiCOM technology applied to this project; one commissioned by Palisade and the other commissioned by the WMRC. Current planning has the final investment decision scheduled for November 2010.

We are therefore poised to enter into construction activities for the WMRC Stage 2 expansion which will lead to the first fully operation DiCOM facility in 18 months time, capable of processing 55,000 tpa of mixed MSW. This will be another key milestone in the commercialisation of the DiCOM technology.

Business Model Review

As many of our long standing shareholders will appreciate there are many milestones in technology development and this brings many challenges. One of those challenges is to maintain a clear vision on the best business strategy and business model to follow. It is not always clear what products and services may

Managing Director's Review



arise from a new technology, or what are the best ways to match the product and service capability with market and customer needs. In last year's report I commented that we had been examining our business model, "identifying and confirming those business opportunities potentially open to us, relative to those in which we do not wish to be directly involved." We had already identified that project equity investment should not be a core driver of our business model so early in our corporate life hence the investment alliance formed with Palisade (Alliance). In the current year we formed the JV with Monadelphous as we recognise that AnaeCo is not equipped to manage construction and the aspects of product delivery that go with it. These two steps are part of the evolution of AnaeCo's business model.

During the past year we have spent considerable time analysing the prospective business opportunities available to us and so have continued to examine our business model. This included the benefit of experience from being in the Australian waste market as a provider of innovative technology, attempting to prove and commercialise the technology on a real life project, and at the same time trying to build a new business with funding support from equity markets. One clear lesson we have learned is that the "project by project" business model is challenging for a company with a small balance sheet and exposes us to significant risks beyond our control. For example, the decision processes and timeframes which drive local government through expression of interest, calling and awarding tenders make it difficult to set your own business agenda. On top of this the investment and funding capability and decision making processes of banks and infrastructure investment funds can also be challenging. These are two key business interfaces (local government and funders) which the project business model is dependent upon, but which are both mostly beyond our control as technology solution provider to the waste management industry.

Accordingly we have resolved to pursue a "product and licensing" business model in parallel to the project model.

This means that in addition to pursuing build, own and operate project opportunities with our Alliance and JV partners we will also develop a channel of business that will accelerate the wider (global) market take up of the DiCOM technology. This will be achieved through a platform of technology transfer that will position DiCOM technology on the global market and enable AnaeCo to generate revenue from sales of technology licenses, process control software systems and technical support. This product and licensing model requires the WMRC project to proceed successfully and requires the DiCOM technology transfer package to be prepared for sale through license and technology transfer agreements.

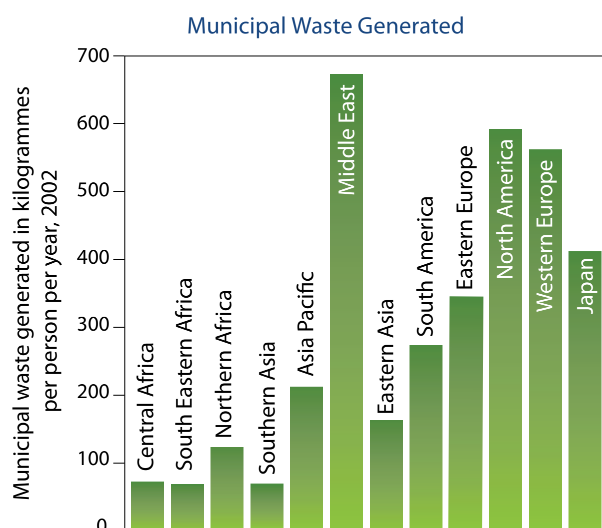
It will also require the formation of key relationships in regional markets with businesses which can provide marketing, engineering design, project delivery and plant operations services. It will be through these relationships that the DiCOM product will be made available to the broader waste management market. All of this will need the investment of more time and resources and for this we shall be seeking to raise new funding which may come from the equity markets or may come from a cornerstone shareholder who has a synergistic interest in one of these relationship segments, or may be a direct player in the waste management industry itself. These business positioning activities will be a key focus for the senior management team in the coming year.

It is our firm belief that pursuing a parallel project and product licensing business model is the best way to accelerate the global adoption of DiCOM technology, which in turn should create the greatest potential for creating shareholder value.

All of this is predicated on the growth opportunities available to DiCOM in the global market.

Global Market

The global market for application of the DiCOM System is immense. The waste management industry is non-cyclical and consequently does not experience downturns such as those that occur in the resource, construction and commodities market sectors.



Influencing this large market are a range of drivers and trends which point to increasing adoption of alternative waste technology such as DiCOM, thereby enhancing the global market opportunities and prospects for AnaeCo. Different drivers apply to different markets.

Social Trends

- Greater awareness and improved attitudes towards recycling and the need to do something better than landfill;
- Higher participation in source segregation of waste in developed countries;
- Most waste is generated by the most developed countries therefore increased economic development leads to more waste;
- Increasing acceptance of the high cost of waste disposal in developed countries; and
- Developing countries increasingly recognising health and social problems of untreated waste in landfill.

Economic Trends

- Increasing recognition of MSW as the source of valuable resources (biogas for electricity generation, compost as soil improver/organic fertiliser, biomass for combustion/gasification), recyclables;
- Land restrictions (availability/value/alternative uses) putting pressure on the opening of new landfill sites; and
- Heightened awareness of food security in highly populated developing economies is elevating agricultural productive capacity as a primary issue. This has driven up the market for chemical fertiliser in the past decade and therefore compost/organic soil improver produced as a bi-product of waste has a higher value where it can displace expensive chemical fertiliser.

Technological Trends

- Proliferation of many alternatives to landfill, without any one yet gaining traction as a market standard;
- Higher prices paid for disposal in developed world is accommodating the introduction of some otherwise inferior technologies; and
- Restrictions in capabilities can drive behaviour change for waste generation and collection (source segregation effort is forced on to consumer).

Political, Legal and Regulatory

- Developed world introducing penalties to drive disposal away from landfill (e.g. EU Landfill Directive); and
- Developed world creating market mechanisms to sponsor greenhouse gas abatement in developing world thereby supporting financial viability (e.g. UN Clean Development Mechanism).

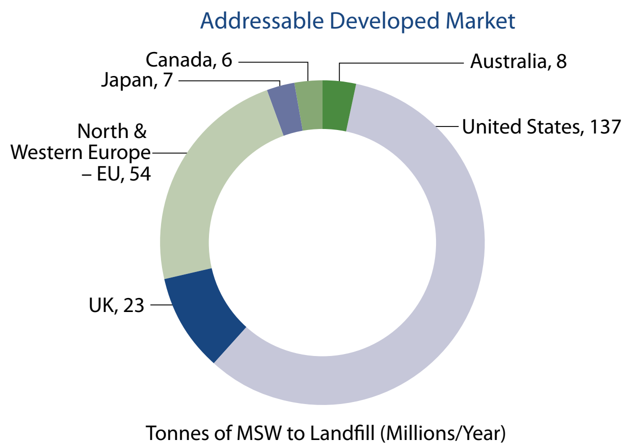
Given the size of the market and the range of drivers influencing the market what is the scale of the opportunity AnaeCo is presented with?

Scale of Opportunity

Based on;

- an estimated cost per tonne of MSW – $100 to $250 to collect, process, dispose; and
- typical MSW per person – 0.5 to 1 tpa,

we estimate the addressable market opportunity in the developed world may be in the order of 140 DiCOM plants if we achieve 5% market share.

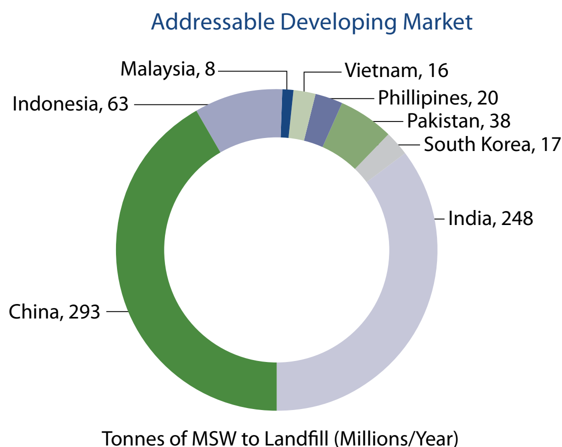


- **Australian Market ~ 8 million tpa**
- **Total Market >200 million tpa**
- **5% Market Share = 140 DiCOM plants (@75k tpa)**

Based on;

- estimated cost per tonne of MSW – $10 to $50 to collect, process, dispose; and
- typical MSW per person – 0.2 to 0.5tpa,

we estimate the addressable market opportunity in the developing world to be in the order of 500 DiCOM plants if we achieve 5% market share.



- **Total Market >700 million tpa**
- **Up to 95% of biodegradable waste can be diverted**
- **5% Market Share = 500 DiCOM plants (@75k tpa)**

Given my earlier comments regarding preparing the DiCOM System for technology transfer and developing the platform for the product and licensing business model, there is substantial work to be done before we can tangibly access these addressable market opportunities. However we are now laying the groundwork for the future by developing market relationships.

For example, in the past six months alone we have had dealings with potential counterparties and end users in India, Indonesia, Malaysia, Thailand and Vietnam. The rapid economic growth and urbanisation of Asia is undoubtedly creating a demand for modern urban infrastructure including waste treatment technology.

It is too early to talk of customers and projects but the market interest in DiCOM is certainly there and one of the underlying reasons for this is in a way a validation of some of DiCOM's competitive strengths. In most of these markets waste disposal is presently very cheap and so displacing landfill as a means of waste disposal cannot be justified on gate fees. Projects in these countries will need to depend upon the revenue streams which are secondary to projects in the developed world. By this I mean the value of electricity which can be generated from the biogas output or by burning the biomass as a renewable refuse derived fuel. Alternatively the biomass may have a market as nitrogen rich compost. Energy and food production are major drivers in these economies therefore a waste process which can consistently produce high quality organic fertiliser and renewable energy will have an advantage. DiCOM with its advanced process control system is precisely that; an industrialised, sophisticated system that can produce consistent quality outputs.

Summary and conclusion

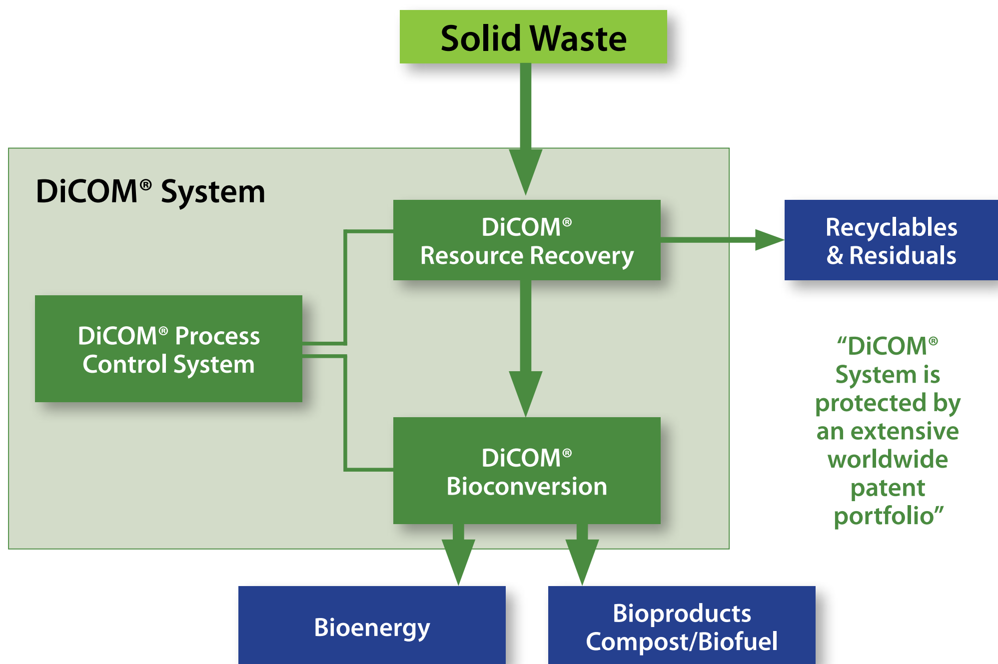
In concluding I would like to comment that I, and the Board, are fully aware of the fatigue which investors are experiencing through what at times must seem like a series of timetable extensions, and new challenges. The share market often seems a barren place for a small technology developing Company. However I am very excited by the size of the opportunity rather than daunted by the challenges we have to deal with.

- There is no question that the DiCOM technology is now in better shape than it has ever been. We are well ahead of where we were 12 months ago in terms of the technology (design, process, systems, proven-ness, third party verification and delivery capability) and I remain convinced DiCOM has substantial advantages over any peer product.
- The market opportunity remains huge and we are getting closer all the time to being able to tap into it.

I look forward to the challenges of the coming year and sharing the successes with you.

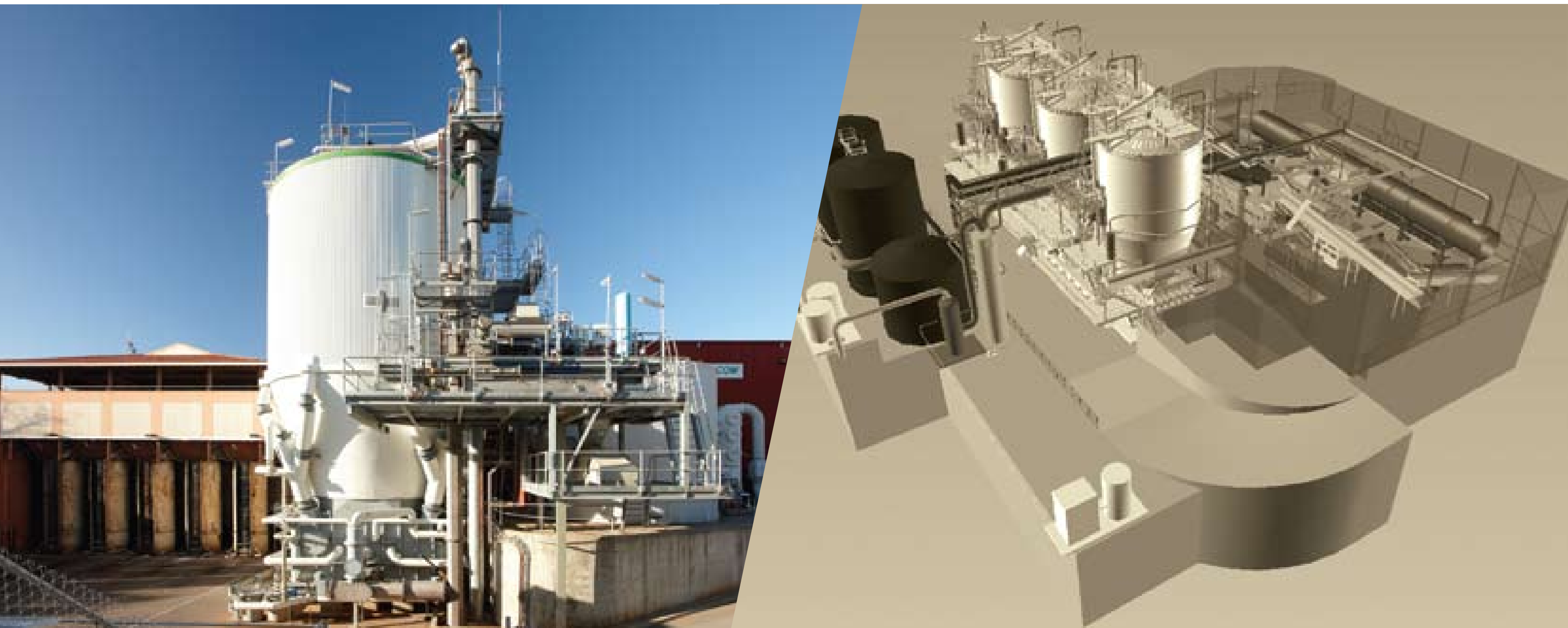
Tom Rudas
MD.

The DiCOM® System – Material Flows



"DiCOM® System is protected by an extensive worldwide patent portfolio"

"DiCOM® Resource Recovery removes major contaminants ahead of the DiCOM® Bioconversion ensuring high quality compost …"



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 2010.

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.

Professor Michael Dureau – Chairman

BE (Chem)USyd, MAppSc (Env Pollution Control) UNSW, FTSE, Hon FIEAust, CPEng, FIChemE, CE, CSci, FAICD

Professor Michael Dureau is a former Managing Director of ABB Power Generation and ALSTOM Power and has extensive experience with international organisations, as well as the public sector. His experience extends to the fields of design, production and project management, sales and marketing, supply management, logistics, quality and risk management across the chemical, water and waste control, instrumentation and power industries. At the University of Sydney he is an Adjunct Professor of Engineering and the executive director of the Warren Centre for Advanced Engineering.

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

- Ceramic Fuel Cells Limited – appointed 8 December 2005, resigned 24 November 2009.

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.

Dr Ian Lindsay Campbell – Non-executive Director

BSc, B Eng(Hons), PhD (Electrical engineering)

Dr Campbell was a co-founder of the CPS group of companies, a business primarily engaged in 'build, own and operate' software based services, typically processing high transaction volumes and forging enduring relationships with large corporates.

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

- Powerlan Ltd – appointed 28 November 2005

Thomas Rudas – Managing Director

BSc (Hons), MBA

Thomas Rudas is the inventor of the patented DiCOM process. He has a degree in biotechnology and an MBA, and has previously been involved in developing, commissioning and operating large scale anaerobic digestion and windrow composting systems for municipal solid waste.

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

- ORT Limited – appointed 4 December 2003, resigned 30 May 2007

Richard Rudas – Executive Director

BE, MEngSc, MIE Aust, CP Eng

Richard Rudas is a corporate member of the Institution of Engineers, Australia and has over 30 years of professional and managerial experience at senior levels, including 14 years as managing director of private and public companies.

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

- ORT Limited – appointed 4 December 2003, resigned 30 May 2007

COMPANY SECRETARY and CHIEF FINANCIAL OFFICER

David Lymburn – ACA

David Lymburn has been the company secretary of AnaeCo Limited since January 2004. He is a Chartered Accountant with over twenty 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.

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors of the Company held during year ended 30 June 2010 and the number of meetings attended by each director is as follows:

	Meetings held during tenure	Meetings attended
Les Capelli	8	8
Ian Campbell	8	8
Michael Dureau	8	8
Thomas Rudas	8	8
Richard Rudas	8	8

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

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

	Fully Paid Ordinary Shares	Options Over Ordinary Shares (Quoted)	Incentive Options Over Ordinary Shares (Unquoted)
		Class B	
Les Capelli	10,124,152	955,396	750,000
Michael Dureau	1,888,889	220,834	750,000
Ian Campbell	22,582,809	–	750,000
Thomas Rudas	141,480	–	2,750,000
Richard Rudas	13,387,159	1,653,137	825,000

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 DiCOM System).

OPERATING AND FINANCIAL REVIEW

The net loss after income tax of the Group for the financial year was $7,097,258 (2009: loss $6,506,321).

Review of Operations

Commercialisation of DiCOM® System at the WMRC project

The principle focus of the Company during this financial year has been the commercialisation of the DiCOM® 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) diversified infrastructure investment fund. The project is being constructed in two stages. Stage 1 comprised the construction of a single DiCOM® vessel and a preliminary front end sorting system. Stage 2 involves the construction of two additional DiCOM® vessels and the complete front end sorting system. Construction of Stage 1 was completed in the previous financial year.

Following construction and commissioning the Stage 1 plant, AnaeCo undertook performance trials. This involved putting six batches of municipal solid waste (MSW) through the hybrid aerobic/anaerobic bioconversion process, efficiently converting the organic fraction of MSW into biogas and stabilised compost in a 21 day cycle. These trials commenced in April 2009 and were completed by December 2009.

The performance trials were completed successfully and in February 2010 Sinclair Knight Merz (SKM) the independent engineer appointed to the WMRC Stage 1 project by Palisade issued the Final Certificate of Satisfaction.

This certificate is independent verification that the DiCOM® Bioconversion process satisfactorily met the contractual performance requirements during the trials.

The independent certification validated key technical claims made by AnaeCo about the DiCOM® Bioconversion process including its production of renewable energy in excess of the plant's internal requirements as well as the ability to produce high quality compost from organic material sourced from mixed household waste.

Engineering design of Stage 2 commenced in October 2009 and continued throughout the second half of the financial year. This encompassed the completion of plant and process design, preparation of tender packages and construction drawings. During this period there was significant time and cost invested in designing equipment and systems which will become part of the standard DiCOM® System product line. This included utilising the substantial experience gained during Stage 1 performance trials and incorporating that knowledge in the Stage 2 design and at the same time embedding it in the standard designs of future facilities.

Following independent certification of Stage 1 performance trials AnaeCo had been expecting to proceed to Stage 2 with funding approval in the second half of the financial year. However raising bank debt finance for a new technology based project proved challenging in the prevailing economic climate and we were advised towards the end of the financial year by Palisade that it had elected to evaluate financing the project during construction by applying its own equity resources. In August 2010 Palisade advised in-principle approval to fund Stage 2 of the WMRC project.

A final investment commitment approval to enable construction commencement will be provided on satisfactory resolution of remaining conditions and due diligence, expected by October 2010. Given this advice AnaeCo is forecasting commencement of construction in November 2010.

Design & Construct Joint Venture

As part of the strategy to develop the DiCOM® System as a product, in order to ensure delivery of reliable, replicable facilities, AnaeCo identified the need to enhance its project delivery capability. This involved identifying, then partnering with a proven performer in the mechanical fabrication and construction industry.

In March 2010 Monadelphous Group Limited (ASX:MND) and AnaeCo formed a joint venture to deliver design-and-construct waste management solutions using AnaeCo's patented DiCOM® System.

The joint venture will target projects for local government authorities and waste service companies seeking alternative waste technology (AWT) solutions to reduce their reliance on landfill disposal of municipal and commercial waste.

Under the joint venture, AnaeCo will provide the technology and design services and Monadelphous will provide fabrication and construction services.

The Monadelphous-AnaeCo joint venture initially applies to Australia and New Zealand and the companies have also agreed to explore ways to collaborate on construction projects using the DiCOM® System in other markets. The first design and construction activity to be undertaken by the joint venture will be WMRC Stage 2.

Technology Development

The completion of Stage 1 and progressing to Stage 2 has been a pivotal event in the development of the DiCOM® System as a product.

The success of Stage 1 at the WMRC project has been the catalyst to take the Stage 1 prototype design and convert it into a "product" through high levels of innovation and value engineering in order to develop a complete design and delivery package that can be utilised to deploy the DiCOM® System in any location in the world.

One of the key areas of focus for the AnaeCo engineering team has been that of process control. The DiCOM® System represents the first fully automated, industrialised process for the bioconversion of solid organic waste in a single vessel arrangement whereby a modular hybrid aerobic/anaerobic system delivers both biogas for electricity generation as well as stable, nutrient rich organic fertiliser. At the core of this is the ability of the process control system to continuously adapt to process conditions in order to maintain optimum conditions for the microorganisms responsible for the bioconversion of the organic material.

To achieve all of this, AnaeCo has grown its technical delivery capacity and now hosts a full complement of in-house technical capabilities, including mechanical, chemical, civil, and electrical and process engineering, mechanical drafting and a strong biotechnology team working closely with Murdoch University. The depth of this technical capacity has grown over the last 12 months with the AnaeCo team able to convert the lessons and designs of the Stage 1 WMRC facility into a robust design for the DiCOM® System as a complete waste management solution for municipal and industrial solid waste.

In addition to the engineering design capability to develop the product and produce specific design solutions for projects, AnaeCo has been working closely with JV construction partner Monadelphous to refine the design in terms of constructability. This construction and fabrication focus is necessary to ensure cost and time efficiency for project delivery on site.

The development of the total design and construction package for the DiCOM® System means that AnaeCo can now begin to make the technology available to a wide variety of potential end-users worldwide as an engineered complete solution. Hence, the next phase of AnaeCo's growth will be through global technology transfer, which will empower end users to utilise the DiCOM® System in multiple applications and provide AnaeCo with significant revenue potential.

Review of Financial Condition

During the year the Company did not earn any revenue from engineering or technology licensing activities. The engineering fee for WMRC Stage 1 was fully invoiced in previous financial years and the Stage 2 engineering revenue will not commence until financial close which will occur after the final investment decision by Palisade. Accordingly during the 2010 financial year AnaeCo has carried the full cost of completing the Stage 1 performance trials, Stage 2 engineering design and DiCOM® product development cost as well as corporate, administrative and business development overheads. All of this was funded by equity and borrowings.

In summary the sources and applications of cash for the 2010 year have been as follows:

	$'000
Sources	
Equity raised by placement and SPP, net of costs	4,232
Inflow from borrowings net of repayments	1,582
Reduction in cash at bank	2,905
	8,719
Applications	
Project expenditure (WMRC Stage 1 and 2)	2,803
Technology development (total of expense and capitalised as intangible asset)	2,277
Corporate, administration and business development overheads	3,044
Equipment and software purchases	266
Finance costs	329
	8,719

At 30 June 2010 the Company had cash reserves of $1,350,595 and net current liabilities of $2,532,893.

The design and construct contract for WMRC Stage 2 is expected to commence in November 2010 and the estimated fee AnaeCo will earn form that contract is $2,000,000.

The Company recently advised the Australian Securities Exchange it is likely to have negative operating cash flows in the two quarters ending 31 December 2010 but at levels substantially lower than previous quarters. Bridging loan support from directors and sale of investments will be utilised to provide funding for these negative operating cash flows.

- At a Board meeting held on 11th August 2010 directors Mr Ian Campbell and Mr Les Capelli agreed to provide bridging loan support to the Company amounting to $1.5 million. These bridging loans will be repayable at the earlier of 31 December 2010 or sooner if the Company raises sufficient new equity to enable repayment, with an election for the loan to be converted to equity subject to shareholder and regulatory approval.
- AnaeCo owns a 16.4% minority interest in the stapled entities which own the DiCOM facility installed at the WMRC waste transfer station. This investment cost approximately $2.5 million. At the Board meeting held on 11th August 2010 it was resolved to seek a buyer for this investment. Further details about these entities is provided in note 11 to the financial statements. The investment has a book value of $2,517,749 which represents cost adjusted for equity accounted share of the entities net profits.

  On 21 September 2010 the Board resolved to accept an offer from Palisade Regional Infrastructure Fund (the owner of the majority 83.6% ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station) to purchase AnaeCo's 16.4% interest. The Palisade offer is subject to the WMRC Stage 2 expansion project reaching financial close as well as other conditions which are typical for the sale of a minority equity investment. The offer price is $2,200,000 and is subject to adjustment depending on the valuation of the project at financial close.

It is likely that the Company will be seeking to replenish working capital to sustain ongoing operating costs, overheads and business development costs. However the timing of such recapitalisation is to some extent dependant on the timing of commencement of work on WMRC Stage 2 and the sale of the 16.4% investment in the entities which own the WMRC project.

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 Board has established a Technical and Risk Committee as a standing sub-committee of the Board. However, due to the early stage of development of the Group's business and the present Board composition during the 2010 year the entire Board undertook the function of this committee. Further commentary on the Technical and Risk Committee is contained within the Corporate Governance Statement.

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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

The Group raised additional equity funding as follows;

- 13,822,219 shares were placed at $0.225 raising $3,109,999 between February and May 2010.
- 6,666,667 shares were issued pursuant to a Share Purchase Plan raising $1,500,000 in May 2010.

(refer to note 18 to the financial statements for further information on movements in equity)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the forthcoming financial year include;

- Execution of a Design and Construct contract and commencement of construction activities at the WMRC Stage 2 expansion project,
- Development of new opportunities for DiCOM facilities both in Australia and overseas,
- Further development of the DiCOM System and its component parts as a technology based product capable of being installed and constructed by third parties through technology transfer and licensing arrangements.

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, other than;

- On 11 August 2010 the Board resolved to offer for sale the Group's minority ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station. Further details about these entities is provided in note 11 to the financial statements.

  On 21 September 2010 the Board resolved to accept an offer from Palisade Investment Partners Limited to purchase AnaeCo's 16.4% interest. Palisade is a fund manager representing the owner of the majority 83.6% ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station. The Palisade offer is subject to the WMRC Stage 2 expansion project reaching financial close as well as other conditions which management consider are typical for the sale of a minority equity investment. The offer price is $2,200,000 and is subject to adjustment depending on the valuation of the project at financial close.

- On 31 August 2010 the Group entered into new loan arrangements with entities controlled by Directors. This comprised a new $1,000,000 loan facility with CF2 Pty Ltd as trustee for the CF Trust, an entity controlled by Mr Ian Campbell and a new loan facility for $500,000 with Nichol Bay Holdings Pty Ltd, a company controlled by Mr Les Capelli. Terms of both these loans are the same and are as follows:
  - Repayment: earlier of 31 December 2010 and the date on which AnaeCo's cash flow position will enable it to safely make the repayment and continue to meet its other cash commitments as and when they fall due.
  - If AnaeCo is unable to repay the loan at 31 December 2010 the lender may at its election call for the loan to be extinguished by the issue of shares at a price which will be the 5 day volume weighted average for the 5 trading days immediately prior to a shareholder resolution approving the issue of the shares.
  - Interest rate: 12% per annum, calculated daily and paid monthly in cash on drawn funds.
  - Security: none.
  - Loan establishment fee: 7%

- In September 2010 the Group issued 728,334 fully paid ordinary shares to employees under its employee loyalty bonus scheme. (The portion of this share issue attributable to the 2010 financial year was accounted for at year end.)

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 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 Group, and includes up to five executives in the Group and Company receiving the highest remuneration.

For the purposes of this report, the term 'executive' includes the Managing Director, Executive Director and the Chief Financial Officer. Therefore the Key Management Personnel are Les Capelli, Ian Campbell, Michael Dureau, Thomas Rudas, Richard Rudas and David Lymburn.

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 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

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.

Currently the Chairman and other Non-executive directors receive a fixed annual remuneration of $70,000 each, inclusive of superannuation. Presently there are no additional fees for participation in Board committees.

In addition, each Non-executive director has been issued 750,000 options over ordinary shares in a previous financial year. Details of the terms and conditions of these options are provided elsewhere in this Remuneration Report. These options have been issued to incentivise the Non-executives to drive the Group to achieve its goals and to have this represented by growth in shareholder value.

Executive remuneration

Objective

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

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

Structure

In determining the level and make-up of executive remuneration, the Board reviews current industry and wider market practices, and may if it is considered appropriate, engage external consultants to provide independent advice.

The Group has entered into a detailed contract of employment with the Managing Director, the Executive Director and the Chief Financial Officer. Details of these contracts are provided below.

Remuneration consists of the following key elements:

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

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

Fixed remuneration

Objective

Fixed remuneration is reviewed annually 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.

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 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 granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met, and are subject to Board discretion and overall Group performance. The targets consist of a number of Key Performance Indicators (KPIs) which may cover financial and non-financial, corporate and individual measures of performance.

The current KPIs include key milestones such as successful completion of WMRC Stage 2 and other commercialisation and business development milestones. These measures were chosen as they represent the key drivers for short term success of the business and provide a platform for delivering long term value. The setting of renewed KPIs is a matter currently under consideration by the Board.

On an annual basis, after consideration of performance against KPIs, the Board will determine, in accordance with the executive's STI contractual guidelines, the amount if any of the short term incentive to be paid to each executive, and will establish revised or new KPIs for the succeeding year.

The consideration of performance against KPIs is conducted by the Board and at this stage of the Group's development is largely a matter of determining achievement of significant milestone events relative to a plan, taking into consideration any mitigating circumstances. This process is intended to occur in December each year.

The maximum STI bonus that may be payable under the current contracts is expressed as a percentage of annual fixed remuneration including mandatory superannuation. For Thomas Rudas that maximum percentage is 50% and for each of Richard Rudas and David Lymburn that percentage is 30%.

STI bonuses for 2009 and 2010 financial years

There have been no STI bonuses awarded to executives for the 2009 and 2010 financial years.

Whilst significant progress has been achieved in demonstrating the successful development of the DiCOM System including successful completion of the performance trials for Stage 1 of the WMRC project, the Group has still to reach a sustainable level of commercial business operations. Accordingly, and based on overall performance of the Group, in the opinion of the Board the award of STI bonuses for the 2010 financial year was not appropriate.

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. As such, LTI grants are generally only made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives are delivered in the form of share options.

The Group has also put in place an Employee Share Option Plan (ESOP). The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of the Group. Each option under the plan will be issued free of charge.

The exercise price for options granted under the ESOP is fixed by the Board prior to the grant of the option, from time to time. The Board will also determine appropriate performance hurdles as vesting conditions prior to the grant of options. The performance hurdles set as vesting conditions for these options are share price based. The options do not vest to directors or employees until the share price reaches particular levels. The reason for choosing share price as the vesting criteria is to align director and employee incentives with shareholder value creation.

The terms and conditions of director, executive and employee options are the same, subject to the share price vesting hurdles and the exercise prices for the Series 2 options being higher that the Series 1 options. Details of the number and terms and conditions of all these options is provided elsewhere in this Remuneration Report.

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

During the financial year the Group issued options to employees under the ESOP (2,850,000 options were granted in June 2010). There were no issues of options to key management personnel during the year.

The number of options granted during the 2010 financial year was determined after following the rationale and policies adopted in previous grants of employee incentive options. The Company also maintains a watch on current market practices as applied by other public listed companies.

There is no provision in any of the executive contracts or employment contracts which specify or require the future grant of any specific quantity of options, or any specific terms and conditions for options.

In addition the Group rewards employee loyalty by the issue of shares to employees under the Employee Loyalty Share Bonus Scheme. Under this scheme all employees who have a served a minimum qualifying period of 3 months are eligible to participate in the annual loyalty bonus award of shares which is conducted on 31 July each year. There are no performance conditions attached to the award.

Under this scheme the Board may grant a loyalty bonus to employees of up to 10% of their annual base salary and this bonus is settled by the issue of fully paid ordinary shares at an issue price calculated using a volume weighted average for the five days preceding the award date. The Board has resolved to grant a 5% award at 31 July 2010 and using a fair value issue price of $0.18 per share this results in the issue of 715,905 shares to employees, including 185,069 issued to Key Management Personnel. These shares were issued on 3 September 2010.

The Group's financial performance during the 2010 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).

	2010	2009	2008	2007	2006
Net loss after tax	7,097,258	6,506,321	5,110,804	4,398,348	620,681
(loss) per share (cents)	(4.4)	(5.2)	(5.8)	n/a [1]	n/a [1]

[1] The Company was not listed in this year and EPS was not calculated.

Employment contracts

The Group has entered into executive service agreements with Thomas Rudas (as Managing Director), Richard Rudas (as Executive Director – Projects) and David Lymburn (as Chief Financial Officer). The agreement with Thomas Rudas is dated 4 July 2007 and the agreements with Richard Rudas and David Lymburn are dated 24 September 2009. Under the agreements the executives will receive fixed remuneration of, respectively, $256,250, $205,000 and $205,000 per annum (excluding mandatory superannuation). These amounts of fixed remuneration were increased during 2010 from $250,000, $200,000 and $200,000 respectively as part of an across the board CPI review. The executive service agreements provide for CPI increases annually. There are no contracted increases to the levels of fixed remuneration in these service agreements, although there are provisions for adjustment following performance reviews.

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

The agreements have a term of 3 years in the case of Richard Rudas and David Lymburn and 5 years in the case of Thomas Rudas. The agreements may be terminated by the Group if the relevant executive has an illness that prevents him from working or in the event of serious misconduct.

If the Group terminates an agreement (other than for serious misconduct or illness) then the relevant executive is entitled to be paid his full salary and entitlements for the then unexpired period of the Agreement (limited to a period of 2 years in the case of Thomas Rudas and 1 year in the case of either Richard Rudas or David Lymburn).

Details of the nature and amount of each element of the emoluments of each Director of the Group and the Chief Financial Officer received for the financial period are presented in the following table.

2010	Short term benefits			Post employment benefits	Share based payments		Long term benefits		
	Salary and fees $	Cash bonus $	Non monetary benefits $	Superannuation benefits $	Options $	Loyalty share bonus[1] $	Long service leave $	Total $	% performance related
Non-executives									
Les Capelli	35,083	–	–	34,917	–	–	–	70,000	–
Michael Dureau	70,000	–	–	–	–	–	–	70,000	–
Ian Campbell	64,220	–	–	5,780	–	–	–	70,000	–
Executives									
Thomas Rudas[2]	285,389	–	30,530	35,474	–	12,813	7,622	371,828	–
Richard Rudas[2]	201,027	–	19,692	23,201	–	10,250	6,400	260,570	–
David Lymburn[2]	214,712	–	6,006	21,817	–	10,250	–	252,785	–
Total remuneration	870,431	–	56,228	121,189	–	33,313	14,022	1,095,183	

(1) Under the loyalty share bonus scheme on 3 September 2010, 71,181 shares were awarded to Thomas Rudas, and 56,944 shares were awarded to each of Richard Rudas and David Lymburn. The portion of the value of the bonus scheme share issue which relates to the 2010 financial year (11/12ths) is included in the remuneration report for the current year.

(2) During the 2010 year the Company paid back-pay to the executives relating to increases in salaries for the period February 2008 to November 2008 but which were not authorised for payment until the current financial year, and for this reason the reported remuneration comprising salary and non-monetary benefits in the table above exceeds the executives' contracted salary sum explained under Employment Contracts.

2009	Short term benefits			Post employment benefits	Share based payments			Long term benefits		
	Salary and fees $	Cash bonus $	Non monetary benefits $	Superannuation benefits $	Converting Shares $	Options $	Loyalty share bonus[1] $	Long service leave $	Total $	% performance related[1]
Non-executives										
Les Capelli	–	–	–	40,833	–	750	–	–	41,583	2%
Michael Dureau	69,996	–	–	–	(100,000)	13,500	–	–	(16,504)	16%
Ian Campbell	8,665	–	–	780	–	750	–	–	10,195	7%
Jerome Rowley	53,517	–	–	4,817	(100,000)	18,750	–	–	(22,916)	–
Executives										
Thomas Rudas	209,928	–	27,713	20,400	–	49,500	11,458	21,946	340,945	15%
Richard Rudas	173,574	–	18,092	17,250	–	14,850	9,167	10,358	243,291	6%
David Lymburn	170,835	–	4,832	33,250	–	14,850	9,167	–	232,934	7%
Total remuneration	686,515	–	50,637	117,330	(200,000)	112,950	29,792	32,304	829,528	

(1) The percentage of performance related remuneration is entirely due to options granted as share based payments and excludes the effect of the converting shares which expired during the year.

(2) Under the loyalty share bonus scheme on 31 August 2009, 48,077 shares were awarded to Thomas Rudas, and 38,462 shares were awarded to each of Richard Rudas and David Lymburn. The portion of the value of the bonus scheme share issue which relates to the 2009 financial year (11/12ths) is included in the remuneration report for the current year.

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

Unquoted options comprising long term incentive (LTI) remuneration

During the year the Company did not issue any options or share incentives to KMP.

None of the unquoted long term incentive options held by KMP were exercised or lapsed during the year.

At the date of this report there are 6,650,000 unquoted options held by KMP which are subject to the following vesting conditions.

The Options shall vest with the KMP in equal portions of one half respectively upon the achievement of each of two vesting hurdles, subject to the KMP remaining as a director or employee of the Group 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 (or 31 December 2009 for those options granted subsequent to 31 December 2008).
- Share price trades at an average of $1.00 or higher on any consecutive 10 day period, after 31 December 2009.

None of the options had vested and therefore none had been exercised during the year or at the date of this report.

END OF REMUNERATION REPORT

SHARE OPTIONS

Share Options

At the date of this report, details of issued options over ordinary shares are as follows.

Quoted Options

Class	Number	Expiry	Exercise price
Class B	13,737,832	31 May 2012	$1.00

Unquoted Options

	Number	Expiry	Exercise price
Series 1	10,500,000	31 December 2011	$0.25
Series 2	2,850,000	31 December 2012	$0.35

During the year 500,000 Series 1 unquoted options lapsed 30 days following the cessation of an employment contract.

Details of unquoted options issued to directors, executives and employees are provided in the Remuneration Report.

Details of all movements in share options are provided in note 18 to the financial statements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Group paid a premium 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 actions. The premium for this policy is $27,314.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Once completed, operation of the DiCOM facility at Shenton Park (and any subsequent DiCOM facility established in Australia) will be subject to provisions of an operating licence issued by the relevant Government Department. A similar licensing procedure will apply to a DiCOM facility constructed in any other country in which the entity operates.

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 21 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; $11,000.

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

Tom Rudas
Managing Director

Perth, Western Australia
28 September, 2010

Auditor's Independence Declaration

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11 Mounts Bay Road
Perth WA 6000 Australia
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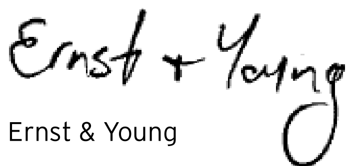
Auditor's Independence Declaration to the Directors of AnaeCo Limited

In relation to our audit of the financial report of AnaeCo Limited for the financial year ended 30 June 2010, 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

P McIver
Partner
Perth
28 September 2010

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).

To assist the Board carry out its responsibilities it has established two standing committees. They are;

- Technical and Risk Committee
- Audit, Remuneration and Nominations Committee

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 five directors, with one being independent and four non-independent. Professor Michael Dureau is an independent director whereas Mr Les Capelli, Mr Ian Campbell, Mr Tom Rudas and Mr Richard Rudas are not independent directors. Although Mr Capelli and Mr Campbell are Non-executive directors they are deemed not independent under ASX guidelines by virtue of their shareholding interest in the Company. Accordingly the Board structure does not presently comply with ASX Corporate Governance Principles and Recommendations, or the Board Charter. The Board has stated it is intention to expand the Board with the addition of one or more independent directors.

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

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

The Chairperson is selected by the full Board.

Principle 3 – Promote ethical and responsible decision making

Companies should actively promote ethical and responsible decision making.

The Group has a Code of Conduct which is applicable to all directors, management and staff.

The Group also has a written policy governing directors, management and employees dealing in the Company's securities.

Copies of the Code of Conduct and the Policy for Trading in Company Securities are published on the Group's website.

Principle 4 – Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The CEO and CFO are required to provide written undertakings 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. They are also required to provide written assurances that the financial reports are based on a sound system of internal controls, and to explain any significant weaknesses in internal controls.

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

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

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

Principle 5 – Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the Group.

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

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

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

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

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

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

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

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

Principle 7 – Recognise and manage risk

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

The Board has resolved to establish the Technical and Risk Committee as a standing committee of the Board. This committee is chaired by Prof. Michael Dureau and its purpose is to establish policies for the oversight and management of material risks of a technical and operational nature. The Audit Committee will have responsibility for oversight of internal controls that affect the Group's commercial activities and financial transactions.

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. The Technical and Risk Committee Charter and a summary of policies on risk oversight and management of material business risks will be published on the Group's website once complete and in force.

In conjunction with their annual and half yearly sign off on the financial statements, the CEO and CFO 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 2010

	Notes	Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
Revenue	3	74,739	387,374
Project delivery costs	4(e)	(1,963,282)	(4,733,072)
Technology development expense	4(f)	(1,111,212)	–
Depreciation and amortisation expense	4(a)	(233,543)	(71,126)
Finance costs	4(b)	(329,444)	(213,335)
Employee benefits expense	4(c)	(1,498,555)	(1,284,263)
Other expenses	4(d)	(1,739,472)	(1,330,016)
Share of (loss)/profit of investment accounted for using the equity method	11	(15,239)	90,128
Loss before income tax expense		(6,816,008)	(7,154,310)
Income tax (expense)/benefit	5	(281,250)	647,989
Net loss after tax attributable to members of AnaeCo Limited and total comprehensive expense for the period	21	(7,097,258)	(6,506,321)
Earnings per share for loss attributable to the ordinary equity holders of the Company	31		
Basic loss per share		(4.4) cents	(5.2) cents
Diluted loss per share		(4.4) cents	(5.2) cents

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2010

	Notes	Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,350,595	4,255,293
Trade and other receivables	7	472,772	704,902
Other	8	16,301	43,877
TOTAL CURRENT ASSETS		1,839,668	5,004,072
Non Current Assets			
Receivables	7	203,758	203,758
Property, plant and equipment	9	186,592	150,780
Intangible assets	10	2,112,421	949,531
Investments in joint controlled entities	11	2,517,749	2,532,988
TOTAL NON CURRENT ASSETS		5,020,520	3,837,057
TOTAL ASSETS		6,860,188	8,841,129
LIABILITIES			
Current liabilities			
Trade and other payables	14	941,965	1,353,166
Provision for loss on EPCM contract	15	1,161,552	2,001,000
Interest bearing loans and borrowings	16	2,063,768	526,440
Provisions	17	205,276	206,337
TOTAL CURRENT LIABILITIES		4,372,561	4,086,943
Non Current Liabilities			
Interest bearing loans and borrowings	16	66,998	30,269
Provisions	17	280,988	217,318
TOTAL NON CURRENT LIABILITIES		347,986	247,587
TOTAL LIABILITIES		4,720,547	4,334,530
NET ASSETS		2,139,641	4,506,599
Equity			
Contributed equity	18	27,369,715	22,859,067
Reserves	19	411,451	191,799
Accumulated losses	21	(25,641,525)	(18,544,267)
TOTAL EQUITY		2,139,641	4,506,599

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2010

	Notes	Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
Cash flows from operating activities			
Receipts from customers		37,503	628,568
R & D Rebate received		–	733,203
Interest received	3	37,236	60,468
Payments to suppliers and employees		(7,197,948)	(6,260,864)
Interest paid		(162,656)	(16,898)
Net cash flows (used in) operating activities	22	(7,285,865)	(4,855,523)
Cash flows from investing activities			
Funds released from term deposit		–	1,000,000
Purchases of property, plant and equipment	9	(122,060)	(11,430)
Purchases of computer software classified as intangible assets	10	(144,213)	–
Expenditure on Technology Development capitalised as intangible assets	10	(1,165,973)	–
Purchase of investments		–	(132,356)
Net cash flows (used in)/from investing activities		(1,432,246)	856,214
Net cash flows from financing activities			
Proceeds from the issue of shares	18	4,610,489	7,798,014
Costs of fundraising		(378,721)	(573,779)
Proceeds from borrowings		2,157,287	500,000
Repayment of borrowings		(575,642)	(22,075)
Net cash flows from financing activities		5,813,413	7,702,160
Net (decrease)/increase in cash and cash equivalents		(2,904,698)	3,702,851
Cash and cash equivalents at beginning of period		4,255,293	552,442
Cash and cash equivalents at end of period	6	1,350,595	4,255,293

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2010

Consolidated

For the year ended 30 June 2010

	Issued capital $	Accumulated losses $	Employee benefits reserve $	Total equity $
At the beginning of the year	22,859,067	(18,544,267)	191,799	4,506,599
Loss for the period	–	(7,097,258)	–	(7,097,258)
Total comprehensive (expense) for the period	–	(7,097,258)	–	(7,097,258)
Transactions with owners in their capacity as owners				
Issue of share capital	4,623,471	–	–	4,623,471
Costs of capital raising	(238,721)	–	–	(238,721)
Share based payment	125,898	–	219,652	345,550
At the end of the year	27,369,715	(25,641,525)	411,451	2,139,641

Consolidated

For the year ended 30 June 2009

	Issued capital $	Accumulated losses $	Employee benefits reserve $	Total equity $
At the beginning of the year	15,352,876	(12,037,946)	158,459	3,473,389
Loss for the period	–	(6,506,321)	–	(6,506,321)
Total comprehensive (expense) for the period	–	(6,506,321)	–	(6,506,321)
Transactions with owners in their capacity as owners				
Issue of share capital	7,798,013	–	–	7,798,013
Costs of capital raising	(377,341)	–	–	(377,341)
Share based payment	85,519	–	33,340	118,859
At the end of the year	22,859,067	(18,544,267)	191,799	4,506,599

Notes to the Financial Statements

for the year ended 30 June 2010

1 Corporate Information

The financial report of AnaeCo Limited ("the Company") and its controlled entities ("the Group") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 21 September 2010.

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

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

The financial report presents the Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity of the Group for the year ended 30 June 2010 and the Statement of Financial Position of the Group at that date. Comparative figures are for the year ended 30 June 2009.

2 Summary of significant accounting policies

(a) Basis of Preparation

The 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 financial report is presented in Australian dollars.

Going Concern

The consolidated entity has net assets of $2,139,641 (previous period, $4,506,599) has net current liabilities of $2,532,893 (previous period net current assets of $917,129) and incurred an operating loss after income tax of $7,097,258 (previous period, loss of $6,506,321) for the year ended 30 June 2010.

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 DiCOM System and specifically with respect to the application of the DiCOM System at the WMRC project. This progress is feeding through to increased interest in the Group's technology from other prospective customers and accordingly the Group has a pipeline of project opportunities emerging. This provides confidence for the Group's prospects of generating positive cash flow from operations in the future.
- On 11 August 2010 the Board resolved to offer for sale the Group's 16.4% minority ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station. Further details about these entities is provided in note 11 to the financial statements. The investment has a book value of $2,517,749 which represents cost adjusted for equity accounted share of the entities net profits.
- On 21 September 2010 the Board resolved to accept an offer from Palisade Investment Partners Limited to purchase AnaeCo's 16.4% interest. Palisade is a fund manager representing the owner of the majority 83.6% ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station. The Palisade offer is subject to the WMRC Stage 2 expansion project reaching financial close as well as other conditions which management consider are typical for the sale of a minority equity investment. The offer price is $2,200,000 and is subject to adjustment depending on the valuation of the project at financial close.
- Whilst the Board cannot determine the final outcome of this sale transaction it has confidence it is a fair and orderly sale process and accordingly it should be able to realise a fair market value.
- 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, and certain directors have confirmed short term bridging financial support should it be necessary prior to such a capital raising.

- On 31 August 2010 the Group entered into new loan arrangements with entities controlled by Directors. This comprised a new $1,000,000 loan facility with CF2 Pty Ltd as trustee for the CF Trust, an entity controlled by Mr Ian Campbell and a new loan facility for $500,000 with Nichol Bay Holdings Pty Ltd, a company controlled by Mr Les Capelli. Further details of these loans are provided in note 29. If the lenders do not elect to convert the loans to equity and the Group is unable to make full repayment on 31 December 2010 the lenders and the Group will be required to negotiate a variation and/or extension of the repayment terms.

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 Group to generate profit and positive cash flows;
- obtaining additional funding as and when required;
- receiving the continued support of its shareholders and creditors; and
- realising by sale its minority ownership position in the entities which own the DiCOM facility installed at the WMRC waste transfer station (further details of this investment in joint controlled entities are in note 11). A decision to sell this investment was made subsequent to the end of the financial year.

Should the Group not achieve the matters set out above there is significant uncertainty whether the Group will continue as going concerns and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. 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 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 2009, the consolidated entity has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009.

Only the adoption of the standards and interpretations below resulted in a change in the relevant accounting policies of the Group or presentation of the financial statements.

AASB 101 Presentation of Financial Statements – The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 8 Operating Segments – AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

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.

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: • has primary responsibility for providing the goods or service; • has inventory risk; • has discretion in establishing prices; • bears the credit risk.	1 January 2010	1 July 2010

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-5 (con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 January 2010	1 July 2010

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-9	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: • exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets • exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 *Determining whether an Arrangement contains a Lease* when the application of their national accounting requirements produced the same result.	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	1 July 2010
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are 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. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.	1 January 2013	1 July 2013

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9 (con't)	Financial Instruments	(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • two categories for financial assets being amortised cost or fair value • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition • reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	1 July 2013

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	1 January 2011	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	1 July 2010

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	1 July 2011
AASB 2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 July 2010	1 July 2010

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Government and State, Territory and Local Governments.	1 July 2013	1 July 2013
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	1 July 2013

Notes to the Financial Statements

for the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	1 July 2010	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 July 2010

* The Group has not yet determined the potential impact of these new or amended Australian Accounting Standards and Interpretations not yet effective at the reporting date.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of AnaeCo Limited and its controlled entities as at 30 June each year (the Group).

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments owned in controlled entities by the parent company are held at cost.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with Group policy and generally accepted accounting principles in Australia.

The Group comprises the Company and its wholly owned controlled entities Brockway DiCOM Facility Pty Ltd, AnaeCo UK Limited and AnaeCo Inc.

- Brockway DiCOM Facility Pty Ltd is an Australian incorporated company with net assets of $1. Its sole purpose is to act as trustee of the DiCOM AWT Investment Trust.
- AnaeCo UK Limited (a United Kingdom incorporated company) and AnaeCo Inc (a United States incorporated company) have not yet commenced business operations and to date have only incurred minimal corporate and administrative expenditure.

(d) Revenue recognition

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

Long term contracts

Revenue from engineering, procurement and construction management (EPCM) 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.

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 other than those relating to qualifying assets are recognised as an expense when incurred.

(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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

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

(i) Long term contracts

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

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

Financial Assets

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

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

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

Financial Liabilities

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

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

(k) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Financial assets carried at cost

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

(l) Income tax

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

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

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

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

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

(m) Other taxes

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

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

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

Cash flows are included in the Cash Flow Statement on a net 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 unless the asset's value in use can be estimated to be close to its fair value. 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 the income statement 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 after initial recognition and, when allowed and appropriate, re-evaluates this designation at financial year-end.

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) Investments in joint controlled entities

Where the Group has investments in entities over which it has the capacity to exert significant influence or joint control that are not controlled entities, it accounts for those investments using the equity method. The Group generally deems is has significant influence if it has over 20% of the voting rights and participates in management through Board representation.

Under the equity method, investments in associates and joint controlled entities are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates and joint controlled entities. If applicable, goodwill relating to an associate or joint controlled entity is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates and joint controlled entities.

The Group's share of its associates' and joint controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from associates and joint controlled entities are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate or joint controlled entity equals or exceeds its interest in the associate or joint controlled entity, including any unsecured long-term receivables and loans the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint controlled entity.

The reporting dates of the associates, joint controlled entities and the Group are identical and their accounting policies conform to those used by the consolidated entity for like transactions and events in similar circumstances.

(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 and the ability to measure reliably the expenditure attributable to the intangible asset during its development. 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 and licences	Development costs
Useful lives	Finite	Finite
Method used	Amortised up to 20 years on straight-line basis.	Amortised up to 20 years on straight-line basis.
Internally acquired or generated	Acquired	Internally generated
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.

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 income statement 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 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 the income statement 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 the income statement 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

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

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

(v) Pensions and other post-employment benefits

The Group makes contributions to superannuation funds on behalf of employees in accordance with Superannuation Guarantee Contribution obligations, recognising employee choice of fund as required. None of these arrangements give rise to defined benefit obligations by the consolidate 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:

Each Non-executive director, each key management personnel and all eligible employees have been granted options to acquire shares in the Group based on the incentive option scheme. Details of this scheme and the number of options which have been issued under this scheme 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 monte carlo model.

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the consolidate 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. 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 value of the 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 options is reflected as additional share dilution in the computation of earnings per share.

(x) Contributed equity

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

(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 and the asset's value in use cannot be determined to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

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

(z) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

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

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.

Deferred tax assets

Deferred tax assets have been estimated based on tax losses and net temporary differences. However the estimated value of deferred tax assets has not been brought to account as management presently cannot conclude it is probable that future taxable profits will be available to utilise those tax losses and net temporary differences.

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;

Long term contracts

The Group accounts for long term engineering, procurement and construction management (EPCM) 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.

Long service leave

Assumptions are formulated when determining the Group's long service leave obligations. This requires estimation of the probability of current employees attaining the service period required to qualify for long service leave benefits.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is generally determined by an external valuer using a Monte Carlo model.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as lease terms for leased equipment and turnover policies for motor vehicles. In addition the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(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 as expenses, 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.

(bb) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been considered based on the information provided to the chief operating decision makers, being the executive management team. Throughout 2010 the Group had one operating segment operating in the organic solid waste treatment industry in Australia.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 will be reported separately. However an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2010

		Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
3.	**Revenue**		
	EPCM services	–	270,000
	Interest income	37,236	60,468
	Other revenue	37,503	56,906
		74,739	387,374
4 (a)	**Depreciation and amortisation expense**		
	Depreciation of property, plant & equipment	86,248	59,926
	Amortisation of patents, licences and intellectual property	147,295	11,200
		233,543	71,126
4 (b)	**Finance costs**		
	Interest paid to other parties arising on finance leases and hire purchase contracts	17,759	3,133
	Interest expense on loans from related parties	137,040	7,587
	Interest expense on loans from others	269	6,177
	Loan establishment fee paid to related parties	140,000	–
	Other finance costs	34,376	196,437
		329,444	213,335
4 (c)	**Employee benefits expense**		
	Wages and salaries	3,337,342	2,396,848
	Defined contribution superannuation plan expense	268,038	182,121
	Less labour costs allocated to projects and technology development	(2,662,376)	(1,583,204)
	Non-executive directors remuneration	210,000	169,639
	Share based payments expense	345,551	118,859
		1,498,555	1,284,263
4(d)	**Other expenses**		
	Premises and related expenses	316,804	299,633
	Consultants and professional advisors	591,166	475,206
	Travel	186,286	211,768
	Other overheads	645,216	343,409
		1,739,472	1,330,016
4(e)	**Project delivery costs**		
	Expenditure incurred on long term engineering contracts	1,101,730	2,732,072
	Provisions for costs to complete	861,552	2,001,000
		1,963,282	4,733,072
4(f)	**Technology development expense**		
	Expenditure on technology development	2,277,185	–
	Less capitalised as an intangible asset	(1,165,973)	–
		1,111,212	–

Notes to the Financial Statements

for the year ended 30 June 2010

	Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
5. Income Tax		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax (charge) /benefit	(281,250)	647,989
Deferred income tax		
Relating to origination and reversal of temporary differences	–	–
Income tax benefit as reported in the income statement	(281,250)	647,989
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	(6,816,008)	(7,154,310)
At the statutory income tax rate of 30% (2009:30%)	2,044,802	2,146,293
Expenditure not allowable for income tax purposes	(111,604)	(38,636)
Income not assessable for income tax purposes	–	27,038
R & D tax concession rebate	(281,250)	647,989
Unrecognised tax losses	(1,933,198)	(2,134,695)
	(281,250)	647,989
Deferred income tax		
Deferred tax assets not recognised		
Unrecognised tax losses	5,995,348	3,381,128
Temporary differences	363,252	947,908
	6,358,600	4,329,036
Temporary differences comprises:		
Provision for completion of long term contract	348,466	600,300
Unamortised balance of business related expense deductions	366,756	355,916
Employee benefits provisions	145,879	127,096
Other	103,611	129,509
Intangibles – development expenditure	(601,459)	(264,913)
	363,253	947,908

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.

Notes to the Financial Statements

for the year ended 30 June 2010

		Consolidated June 30 2010 $	Consolidated June 30 2009 $
6.	**Cash and Cash Equivalents**		
	Cash at bank and in hand	1,350,595	4,255,293
7.	**Trade and Other Receivables**		
	Current		
	Trade receivables	24,545	9,167
	Loans receivable – DiCOM AWT Investment Trust	307,284	262,923
	Other receivables	140,943	151,562
	Income tax refund	–	281,250
		472,772	704,902

Trade receivables at 30 June 2010 is in accordance with the terms of the contract and no impairment loss is expected.

The loan receivable from DiCOM AWT Investment Trust is unsecured, does not bear interest and is repayable at debt financial close of Stage 2 of the WMRC Project.

Other receivables is 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.

Receivables – Non current

	2010 $	2009 $
Loan receivable – DiCOM AWT Investment Trust	203,758	203,758

The loan receivable from DiCOM AWT Investment Trust is unsecured, does not bear interest and is repayable at bank test completion of Stage 2 of the WMRC Project. The recoverability of this loan is not impaired.

		2010 $	2009 $
8.	**Other Assets (Current)**		
	Prepayments	16,301	43,877
9.	**Property, Plant and Equipment**		
	Property, plant and equipment at cost	566,109	534,420
	Less accumulated depreciation	(468,650)	(422,366)
		97,459	112,054
	Property, plant and equipment purchased under hire purchase or finance lease	147,584	57,214
	Less accumulated depreciation	(58,451)	(18,488)
		89,133	38,726
	Total Property, plant and equipment at cost	713,693	591,634
	Less accumulated depreciation	(527,101)	(440,854)
	Net carrying amount of property, plant and equipment	186,592	150,780

Notes to the Financial Statements

for the year ended 30 June 2010

		Consolidated June 30 2010 $	Consolidated June 30 2009 $
9.	**Property, Plant and Equipment (continued)**		
	Movements in carrying values during the year:		
	Balance at 1 July 2009	150,780	199,276
	Additions	122,060	11,430
	Disposals	–	–
	Depreciation expense	(86,248)	(59,926)
	Net carrying amount at 30 June 2010	186,592	150,780
	Refer to note 16 for details of encumbrances over property, plant and equipment being purchased under finance lease of hire purchase.		
10.	**Intangibles**		
	Reconciliation of carrying amounts:		
	Development expenditure (i)		
	At beginning of period	883,043	883,043
	Capitalised during the period	1,165,973	–
	At end of period	2,049,016	883,043
	Amortisation expense	(102,451)	–
	At end of period, net of accumulated amortisation	1,946,565	883,043
	Patents and trademarks		
	At beginning of period, net of accumulated amortisation	61,353	66,969
	Amortisation expense	(5,616)	(5,616)
	At end of period, net of accumulated amortisation	55,737	61,353
	Computer software		
	At beginning of period, net of accumulated amortisation	5,135	10,719
	Capitalised during the period	144,213	–
	At end of period	149,348	10,719
	Amortisation expense	(39,228)	(5,584)
	At end of period, net of accumulated amortisation	110,120	5,135
	At cost (gross carrying amount)		
	Development expenditure	2,049,016	883,043
	Patents and trademarks	101,143	101,143
	Computer software	158,172	13,959
	Accumulated amortisation	(195,909)	(48,614)
	Net carrying amount	2,112,421	949,531

Notes to the Financial Statements

for the year ended 30 June 2010

10. Intangibles (continued)

(i) This intangible asset represents that portion of expenditure incurred in development of the Group's DiCOM waste management 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 a value in use calculation, concluded there was no impairment of the intangible asset.

The Group had made significant progress with the commercialisation of the DiCOM technology in the period. This includes successful completion of the performance trials at the WMRC Stage 1 project in December 2009, which was verified by the issue of an Independent Engineer's Certificate of Satisfaction in February 2010.

From October 2009 the Group has been working on the engineering design for Stage 2 of the WMRC project as well as investing time and cost into the development of the DiCOM technology by creating new designs, standards and systems that will enable the technology to be applied across many projects as a product, or set of sub products. Where costs have been identified as directly relating to the creation of future benefits as product designs and systems these costs have been capitalised as an intangible asset.

The progression from Stage 1 of the WMRC project to Stage 2 is expected to occur by November 2010 with the commencement of a new Design & Construct contract. This amounts to evidence of commercialisation of the DiCOM technology.

The completion of the Stage 1 performance trials is also seen as a transition point in the evolution of the technology development, signalling the application of proven technology in commercial project applications. Accordingly from 1 January 2010 amortisation of the technology development cost capitalised as an intangible asset has commenced. The amortisation term is 10 years.

	Consolidated June 30 2010 $	Consolidated June 30 2009 $
11. Investment in joint controlled entities		
Units in DiCOM AWT Investment Trust, at cost	2,409,490	2,409,490
Share of net result	100,679	102,408
Carrying value of investment in joint controlled entities	2,510,169	2,511,898
Shares in DiCOM AWT Operations Pty Ltd, at cost	24,056	24,056
Share of net result	(16,476)	(2,966)
Carrying value of investment in joint controlled entities	7,580	21,090
Total investments in joint controlled entities	2,517,749	2,532,988
The fair value of investments accounted for using the equity method approximate their carrying value.		
Ownership interest in investments accounted for using the equity method at balance date	16.4%	16.4%

The Group considers it is appropriate to apply the equity method of accounting to its interests in DiCOM AWT Investment Trust and DiCOM AWT Operations Pty Ltd although it holds less than 20% at 30 June 2009 because;

- It has the right to 50% representation on the Board of the trustee of DiCOM AWT Investment Trust and DiCOM AWT Operations Pty Ltd and this did not change when the ownership interest reduced,
- There is a unitholders' agreement and a shareholders' agreement which govern key aspects of the business operations of the two entities and these agreements contain provisions which protect the interest of minority shareholders such that AnaeCo's approval is required for certain key decisions to be carried.

Notes to the Financial Statements

for the year ended 30 June 2010

	Consolidated June 30 2010 $	Consolidated June 30 2009 $
11. Investment in joint controlled entities (continued)		
Movement in carrying value of investments in joint controlled entities		
Balance at 1 July 2009	2,532,988	2,310,501
Increased investment at cost	–	132,359
Share of net result for current year	(15,239)	90,128
Balance at 30 June 2010	2,517,749	2,532,988
Summarised financial information		
The following table illustrates summarised financial information relating to the Group's investments in joint controlled entities		
Extract from the statements of financial position of investments in joint controlled entities		
Current assets	42,865	414,605
Non-current assets	16,220,176	15,845,586
	16,263,041	16,260,191
Current liabilities	(683,261)	(807,302)
Non-current liabilities	(203,758)	(203,758)
	(887,019)	(1,011,060)
Net assets	15,376,022	15,249,131
Share of net assets of investments in joint controlled entities	2,526,280	2,500,857
Extract from statements of comprehensive income of investments in joint controlled entities		
Revenue	135,603	919,969
Net (loss)/profit	(153,859)	398,267

12. Investment in controlled entities

	Company June 30 2010 equity interest %	Company June 30 2010 cost $	Company June 30 2009 equity interest %	Company June 30 2009 cost $
Brockway DiCOM Facility Pty Ltd (incorporated in Australia)	100	1	100	1
AnaeCo UK Ltd (incorporated in United Kingdom)	100	200	100	200
AnaeCo Inc. (incorporated in United States)	100	1	100	1
		202		202

Notes to the Financial Statements

for the year ended 30 June 2010

		2010 $	2009 $
13.	**Parent Entity Information**		
	Information relating to AnaeCo Limited:		
	Current assets	1,847,859	5,007,266
	Total assets	6,784,379	8,745,083
	Current liabilities	4,372,562	4,086,943
	Total liabilities	4,720,548	4,334,530
	Contributed equity	27,369,715	22,859,067
	Accumulated losses	(26,825,009)	(18,640,313)
	Employee equity benefits reserve	411,452	191,799
	Total shareholders' equity	2,063,831	4,410,553
	Net loss of the parent entity	(7,077,023)	(6,593,055)
	Total comprehensive (loss) of the parent entity	(7,077,023)	(6,593,055)

Details of contingent liabilities of the parent entity are provided in note 23.

		Consolidated June 30 2010 $	Consolidated June 30 2009 $
14.	**Trade and Other Payables**		
	Trade payables	664,756	892,987
	Other payables and accrued expenses	277,209	460,179
		941,965	1,353,166

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.

		Consolidated June 30 2010 $	Consolidated June 30 2009 $
15.	**Provision for loss on EPCM contract**		
	Provision for costs to complete	1,161,552	2,001,000
	Movement in provision for costs to complete		
	At beginning of period	2,001,000	1,633,604
	Project expenditure applied against the provision	(1,701,000)	–
	Provision arising in the period	861,552	367,396
	At the end of the period	1,161,552	2,001,000

The provision for costs to complete at 30 June 2010 is included in the expected losses on the EPCM contract that have been recognised in the current year as it is considered probable that the total contract cost will exceed the total contract revenue.

The increase in the provision for costs to complete is a result of the inclusion of the total forecast revenue and forecast costs for the Stage 2 expansion of the WMRC DiCOM facility subsequent to the estimated project financial close in October 2010.

Stage 1 of the WMRC project was completed during the year with the Independent Engineer issuing the Certificate of Satisfaction of the Stage 1 performance trials in February 2010. The Company has been working on the Stage 2 engineering design and other preliminary works since October 2009 and construction of Stage 2 is expected to commence following financial close in October 2010.

Notes to the Financial Statements

for the year ended 30 June 2010

	Consolidated June 30 2010 $	Consolidated June 30 2009 $
15. Provision for loss on EPCM contract (continued)		
Completion of the Stage 2 expansion of the WMRC DiCOM facility is not estimated to occur until the first half of calendar year 2012.		
Additional disclosures for contracts in progress at balance date		
Aggregate costs incurred to date	9,924,348	7,960,528
Less losses recognised	(8,174,348)	(6,210,528)
	1,750,000	1,750,000
Progress billings	(1,750,000)	(1,750,000)
	–	–
16. Interest Bearing Loans and Borrowings		
Current		
Loans from related parties (refer note 25(c))	2,000,000	507,588
Hire purchase liabilities (i)	63,768	18,852
	2,063,768	526,440
Non Current		
Hire purchase liabilities (i)	66,998	30,269

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

	Consolidated June 30 2010 $	Consolidated June 30 2009 $
17. Provisions (Current and Non Current)		
(Current)		
Employee benefits – annual leave	205,276	206,337
(Non Current)		
Employee benefits – long service leave	280,988	217,318
Number of employees at reporting date	25	18

	Company June 30 2010 $	Company June 30 2009 $
18. Contributed Equity		
Issued Capital		
177,811,913 (2009 ; 156,911,302) fully paid ordinary shares	28,559,246	23,809,878
Costs of capital raising	(1,189,531)	(950,811)
	27,369,715	22,859,067

Notes to the Financial Statements

for the year ended 30 June 2010

18. Contributed Equity (continued)

Movements in issued capital

Ordinary fully paid shares

	Date	2010 Shares	2010 $	2009 Shares	2009 $
Balance at 1 July 2008		–	–	109,700,515	15,926,345
Share issue – Placement	Nov '08	–	–	10,040,000	1,004,000
Conversion of options	Nov '08	–	–	18	14
Share issue – Placement	Jan '09	–	–	17,940,000	1,794,000
Share issue – Placement	June '09	–	–	19,230,769	5,000,000
Shares to be issued post balance date		–	–	–	85,519
Balance at 30 June 2009		156,911,302	23,809,878	156,911,302	23,809,878
Employee share bonus	July '09	358,821	7,774		
Share issue – Placement	Dec '09	51,925	12,981		
Share issue – Placement	Feb/May '10	11,111,108	2,499,999		
Share Purchase Plan	Feb/May '10	6,666,667	1,500,000		
Share issue – Placement	May'10	2,711,111	610,000		
Conversion of options		979	490		
Shares to be issued post balance date		–	118,124		
		177,811,913	28,559,246		

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.

Converting Shares

Movements in converting shares

	2010 No of Shares	2010 $	2009 No of Shares	2009 $
Balance at beginning of the financial period	–	–	200,000	–
Lapsed upon expiry (30 Sept 2008)	–	–	(200,000)	–
Closing balance at the end of financial period	–	–	–	–

Share Options

As at 30 June 2010 details of share options on issue is as follows;

Class	Number	Expiry	Exercise price
Class B quoted	13,737,832	31 May 2012	$1.00
Unquoted director and employee incentive options (Series 1)	10,500,000	31 December 2011	$0.25
Unquoted director and employee incentive options (Series 2)	2,850,000	31 December 2012	$0.35

Notes to the Financial Statements

for the year ended 30 June 2010

18. Contributed Equity (continued)

The vesting hurdles applicable to the Series 1 and 2 director and employee incentive options are as follows:

	First 50% become exercisable	Second 50% become exercisable
Series 1	Share price trades above $0.50 for ten consecutive days	Share price trades above $1.00 for ten consecutive days
Series 2	Share price trades above $0.60 for ten consecutive days	Share price trades above $1.20 for ten consecutive days

	Class A quoted		Class B quoted	
	2010 No of Options	2009 No of Options	2010 No of Options	2009 No of Options
Movements in share options				
Balance at beginning of the financial period	13,737,832	13,737,841	13,737,832	13,737,841
Exercised	(979)	(9)	–	(9)
Lapsed upon expiry at 31 May 2010	13,736,853	–	–	–
Closing balance at the end of financial period	–	13,737,832	13,737,832	13,737,832

	Unquoted director and employee options	
	2010 No of Options	2009 No of Options
Movements in share options		
Balance at beginning of the financial period	11,000,000	–
Granted, 1 September 2008 (Series 1)	–	9,850,000
Granted 16 April 2009 (Series 1)	–	700,000
Granted 25 June 2009 (Series 1)	–	1,500,000
Granted 14 June 2010 (Series 2)	2,850,000	–
Lapsed (Series 1)	(500,000)	(1,050,000)
Closing balance at the end of financial period	13,350,000	11,000,000

Capital Management Policy

In managing capital the Board's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders. It is also an underlying objective that the Group should operate with a capital structure that ensures the lowest cost of capital available to the Group.

In 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.

Gearing ratio (net debt/total capital) is calculated as follows.

	Group June 30 2010 $	Group June 30 2009 $
Total borrowings	2,130,766	556,709
Less cash and cash equivalents (to the extent required to cover borrowings)	(1,350,595)	(556,709)
Net debt	780,171	–
Total equity	2,139,641	4,506,599
Total capital	2,139,641	4,506,599
Gearing ratio	36%	0%

Notes to the Financial Statements

for the year ended 30 June 2010

		Consolidated June 30 2010 $	Consolidated June 30 2009 $
19.	**Reserves**		
	Employee equity benefits reserve	411,451	191,799
	Employee equity benefits reserve		
	Balance at beginning of period	191,799	158,459
	Director and employee incentive option grants – vesting expense for period	219,652	233,340
	Expiry of converting shares	–	(200,000)
	Balance at end of the period	411,451	191,799

20. Share based payments

In June 2010 the Group granted incentive options to eligible employees. The terms and conditions of these options are explained in note 18.

The grant of options is independently valued using generally accepted option valuation models (all three used the Monte Carlo model), which takes into account factors such as share price at the date of grant, exercise price of the option, volatility of the share price, risk free interest rate and time period until expiry. Accounting standards require the value of options granted be brought to account over the expected term of vesting of the option benefits to the option holder.

A summary of the key assumptions used in applying the Monte Carlo model to the grant of options, the total value of options granted in the 2010 financial year and the allocation of the expense of the valuation over time periods to expiry is as follows.

Summary of assumptions

Date of grant	Share price at date of grant	Exercise price	Volatility of share price [1]	Risk free interest rate	Option life (years)
14 June 2010	$0.18	$0.35	81%	4.63%	2.5

(1) As the Company only listed in February 2008 there is limited data available to determine share price volatility. Therefore volatility has been determined by reference to comparable listed companies, and using volatility values published by the Australian Graduate School of Management for the respective quarters.

Valuation

Date of grant	Number of options granted	Independent valuation of options granted
14 June 2010	2,850,000	$109,440

20. Share based payments

Summary of accounting treatment

Year in which vesting and therefore expense occurs	Value of benefit expensed in income statement ($)
30 June 2010	3,384
30 June 2011	77,195
30 June 2012	28,861
Total	109,440

The weighted average remaining contractual life for the share options outstanding at 30 June 2010 is 20.5 months.

The range of exercise prices for the incentive options is $0.25 to $0.35. The Series 1 options are exercisable at $0.25 and the Series 2 options are exercisable at $0.35.

The weighted average fair value of options granted during the year was $0.038 per option.

Notes to the Financial Statements

for the year ended 30 June 2010

		Consolidated June 30 2010 $	Consolidated June 30 2009 $
21.	**Accumulated Losses**		
	Opening balance	(18,544,267)	(12,037,946)
	Current year loss attributable to members of the parent entity	(7,097,258)	(6,506,321)
	Closing balance	(25,641,525)	(18,544,267)
22.	**Reconciliation of the loss to the net cash flows from operations**		
	Loss after tax	(7,097,258)	(6,506,321)
	Non-cash items:		
	Depreciation and amortisation	233,543	71,126
	Consulting fee settled in shares	13,169	–
	Share based payment expenses	219,652	33,340
	Accrual for employee bonus shares issued after year end	118,124	85,519
	Reversal of tax refund receivable recorded in prior year	281,250	(281,250)
	Net movement in provision for costs to complete on EPCM contract	(839,448)	367,396
	Share of associated entities' net results	15,239	(90,128)
	Capital raising expenses classified as cash flows of financing activities	140,000	196,437
	Changes in net assets and liabilities:		
	(Increase)/decrease in trade and other receivables	(49,120)	415,099
	(Increase)/decrease in prepayments	27,576	27,173
	Increase/(decrease) in trade and other payables	(411,201)	609,377
	Movement in provision for employee benefits	62,609	216,709
	Net cash flow (used in) operating activities	(7,285,865)	(4,855,523)

Notes to the Financial Statements

for the year ended 30 June 2010

23. 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 2011 at which time the Group as lessee has an option to renew for a further 5 year term. 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;

	Company and Consolidated June 30 2010 $	Company and Consolidated June 30 2009 $
Within one year	142,076	140,537
After one year but not more than five years	18,589	130,544
After more than five years	–	–
	160,665	271,081

Hire purchase and finance lease commitments

The Group has hire purchase and finance lease contracts for plant and equipment, with a carrying value of $122,184. The contracts expire within 1 to 4 years. The fair value of hire purchase and finance lease contracts approximate their carrying amount. There are no restrictions placed upon the lessee's business operations by entering into these leases.

Future payments under hire purchase agreements at balance date are:

	Company and Consolidated June 30 2010 $	Company and Consolidated June 30 2009 $
Within one year	71,419	21,985
After one year but not more than five years	78,643	32,097
After more than five years	–	–
Total repayments	150,062	54,082
Less future finance charges	(19,296)	(4,961)
Present value of minimum payments	130,766	49,121

Capital commitments

There are no capital commitments at the date of this report.

Contingencies

1 On 15 August 2007 AnaeCo and Brockway DiCOM Facility Pty Ltd as trustee of the DiCOM AWT Investment Trust entered into the EPCM Agreement for the engineering design, construction management, and project management of the DiCOM facility to be constructed for the WMRC Project.

This contract relates to both Stage 1 and Stage 2 EPCM services. The EPCM Agreement is structured as a normal arm's length arrangement and as such AnaeCo will have certain project delivery obligations in terms of cost, timetable and performance of the facility.

To secure these obligations, from the commencement of the EPCM Agreement until the expiry of an as yet unspecified defect liability period after commissioning, AnaeCo has provided security by way of a registered mortgage over its investments in units of DiCOM AWT Investment Trust and shares of DiCOM AWT Operations Pty Ltd.

2 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.

Notes to the Financial Statements

for the year ended 30 June 2010

24. Key Management Personnel Disclosures

(a) Compensation for Key Management Personnel

	Company and Consolidated June 30 2010 $	Company and Consolidated June 30 2009 $
Short term employee benefits	926,659	737,152
Long term employee benefits (LSL)	14,022	32,304
Post-employment benefits	121,189	117,330
Share based payment	33,313	(57,258)
Total compensation	1,095,183	829,528

(b) Option holdings of Key Management Personnel

i) Quoted options Class A

30 June 2010	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other (lapsed)[1]	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2009				30 June 2010			
Non-executives								
Les Capelli	955,396	–	–	(955,396)	–	–	–	–
Ian Campbell	–	–	–	–	–	–	–	–
Michael Dureau	220,834	–	–	(220,834)	–	–	–	–
Executives								
Thomas Rudas	–	–	–	–	–	–	–	–
Richard Rudas	1,653,137	–	–	(1,653,137)	–	–	–	–
David Lymburn	193,900	–	–	(193,900)	–	–	–	–
Total	3,023,267	–	–	(3,023,267)	–	–	–	–

[1] The Class A options expired on 31 May 2010.

30 June 2009	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2008				30 June 2009			
Non-executives								
Les Capelli	–	–	–	[1]955,396	955,396	955,396	955,396	–
Ian Campbell	–	–	–	–	–	–	–	–
Michael Dureau	220,834	–	–	–	220,834	220,834	220,834	–
Jerome Rowley	229,900	–	–	[2](229,900)	–	–	–	–
Executives								
Thomas Rudas	–	–	–	–	–	–	–	–
Richard Rudas	1,653,137	–	–	–	1,653,137	1,653,137	1,653,137	–
David Lymburn	193,900	–	–	–	193,900	193,900	193,900	–
Total	2,297,771	–	–	725,496	3,023,267	3,023,267	3,023,267	–

[1] Net change : options owned at time of director appointment.
[2] Net change : resignation as a director

Notes to the Financial Statements

for the year ended 30 June 2010

24. Key Management Personnel Disclosures (continued)

ii) Quoted options Class B

30 June 2010	Balance at beginning of period	Granted as remunera-tion	Options exercised	Net change other	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2009				30 June 2010			
Non-executives								
Les Capelli	955,396	–	–	–	955,396	955,396	955,396	–
Ian Campbell	–	–	–	–	–	–	–	–
Michael Dureau	220,834	–	–	–	220,834	220,834	220,834	–
Executives								
Thomas Rudas	–	–	–	–	–	–	–	–
Richard Rudas	1,653,137	–	–	–	1,653,137	1,653,137	1,653,137	–
David Lymburn	193,900	–	–	–	193,900	193,900	193,900	–
Total	3,023,267	–	–	–	3,023,267	3,023,267	3,023,267	–

30 June 2009	Balance at beginning of period	Granted as remunera-tion	Options exercised	Net change other	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2008				30 June 2008			
Non-executives								
Les Capelli	–	–	–	[(1)]955,396	955,396	955,396	955,396	–
Ian Campbell	–	–	–	–	–	–	–	–
Michael Dureau	220,834	–	–	–	220,834	220,834	220,834	–
Jerome Rowley	229,900	–	–	[(2)](229,900)	–	–	–	–
Executives								
Thomas Rudas	–	–	–	–	–	–	–	–
Richard Rudas	1,653,137	–	–	–	1,653,137	1,653,137	1,653,137	–
David Lymburn	193,900	–	–	–	193,900	193,900	193,900	–
Total	2,297,771	–	–	725,496	3,023,267	3,023,267	3,023,267	–

[(1)] Net change : options owned at time of director appointment.
[(2)] Net change : resignation as a director

Notes to the Financial Statements

for the year ended 30 June 2010

24. Key Management Personnel Disclosures (continued)

iii) Incentive Options

30 June 2010	Balance at beginning of period	Granted as remunera-tion	Options exercised	Net change other	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2009				30 June 2010			
Non-executives								
Les Capelli	750,000	–	–	–	750,000	750,000	–	750,000
Ian Campbell	750,000	–	–	–	750,000	750,000	–	750,000
Michael Dureau	750,000	–	–	–	750,000	750,000	–	750,000
Executives								
Thomas Rudas	2,750,000	–	–	–	2,750,000	2,750,000	–	2,750,000
Richard Rudas	825,000	–	–	–	825,000	825,000	–	825,000
David Lymburn	825,000	–	–	–	825,000	825,000	–	825,000
Total	6,650,000	–	–	–	6,650,000	6,650,000	–	6,650,000

30 June 2009	Balance at beginning of period	Granted as remunera-tion	Options exercised	Net change other	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2008				30 June 2009			
Non-executives								
Les Capelli	–	750,000	–	–	750,000	750,000	–	750,000
Ian Campbell	–	750,000	–	–	750,000	750,000	–	750,000
Michael Dureau	–	750,000	–	–	750,000	750,000	–	750,000
Jerome Rowley	–	750,000	–	(750,000)	–	–	–	–
Executives								
Thomas Rudas	–	2,750,000	–	–	2,750,000	2,750,000	–	2,750,000
Richard Rudas	–	825,000	–	–	825,000	825,000	–	825,000
David Lymburn	–	825,000	–	–	825,000	825,000	–	825,000
Total	–	7,400,000	–	(750,000)	6,650,000	6,650,000	–	6,650,000

The incentive options will become exercisable upon achievement of the vesting conditions, as follows.

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

At the date of this report neither of the vesting hurdles had been achieved.

Notes to the Financial Statements

for the year ended 30 June 2010

24. Key Management Personnel Disclosures (continued)

(c) Shareholdings of Key Management Personnel

i) Ordinary shares

30 June 2010	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period
	1 July 2009				30 June 2010
Non-executives					
Les Capelli	9,643,152	–	–	[1] 481,000	10,124,152
Ian Campbell	14,376,155	–	–	[2] 8,206,654	22,582,809
Michael Dureau	1,666,667	–	–	[3] 222,222	1,888,889
Executives					
Thomas Rudas	–	–	–	[4] 70,299	70,299
Richard Rudas	13,225,087	–	–	[5] 105,128	13,330,215
David Lymburn	1,551,189	–	–	[6] 124,728	1,675,917
Total	40,462,250	–	–	9,210,031	49,672,281

[1] Net change: on market purchases
[2] Net change: placement and underwriting of Share Purchase Plan
[3] Net change: placement
[4] Net change: employee loyalty share award plus Share Purchase Plan
[5] Net change: employee loyalty share award plus Share Purchase Plan
[6] Net change: employee loyalty share award, Share Purchase Plan and market purchases

30 June 2009	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period
	1 July 2008				30 June 2009
Non-executives					
Les Capelli	–	–	–	[1] 9,643,152	9,643,152
Ian Campbell	–	–	–	[2] 14,376,155	14,376,155
Michael Dureau	1,666,667	–	–	–	1,666,667
Jerome Rowley	1,739,193	–	–	[3] (1,739,193)	–
Executives					
Thomas Rudas	–	–	–	–	–
Richard Rudas	13,225,087	–	–	–	13,225,087
David Lymburn	1,551,189	–	–	–	1,551,189
Total	18,182,136	–	–	22,280,114	40,462,250

[1] Net change : shares owned at time of director appointment
[2] Net change : includes shares owned at time of director appointment, plus shares acquired in placement at 29 June 2009.
[3] Net change : resignation as a director.

(d) Loans to Key Management Personnel

The Group did not make any loans to key management personnel during or since the end of the financial year.

Notes to the Financial Statements

for the year ended 30 June 2010

25. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions, no more favourable then those available to other parties, unless otherwise stated.

(a) Directors' Remuneration and Retirement Benefits

Details of directors' remuneration and retirement benefits are disclosed in the Remuneration Report and note 24.

(b) Director Related Entities

In February 2010 the Company issued a Share Purchase Plan to raise up to $1,500,000 by the issue of shares at $0.225 each. The Share Purchase Plan was underwritten by CF2 Pty Ltd as trustee for the CF Trust, an entity controlled by Mr Ian Campbell. The Company paid a fee to the underwriter equivalent to 6% of the amount underwritten ($90,000 underwriting fee). At closure of the Share Purchase Plan in May 2010 the underwriter subscribed for a shortfall of 3,762,210 shares.

There were no other transactions with director related entities in the financial year.

(c) Loans from directors

At the beginning of the year the Company had borrowed $500,000 from Nichol Bay Holdings Pty Ltd, a company controlled by Mr Les Capelli. The loan was unsecured and bore interest at a rate equivalent to the Commonwealth Bank standard overdraft rate. The loan was repaid on 22 September 2009.

On 29 October 2009 the Company borrowed $500,000 from Nichol Bay Holdings Pty Ltd, a company controlled by Mr Les Capelli. This loan is unsecured and bears interest at 12% per annum. The Company paid an establishment fee equivalent to 7% of the loan sum to the lender ($35,000 establishment fee). The loan was due for repayment by 31 March 2010 but was re-negotiated and is now due for repayment by 31 December 2010. At 31 August 2010 a loan extension fee of 4% ($20,000 loan extension fee) was paid to extend the repayment date to 31 December 2010. At 31 August 2010 the Company also entered into a new additional loan facility with Nichol Bay Holdings Pty Limited for $500,000. Details of this are provided in note 29.

On 24 November 2009 the Company borrowed $1,500,000 from CF2 Pty Ltd as trustee for the CF Trust, an entity controlled by Mr Ian Campbell. This loan is unsecured and bears interest at 12% per annum. The Company paid an establishment fee equivalent to 7% of the loan sum to the lender ($105,000 establishment fee). At 31 August 2010 a loan extension fee of 4% ($60,000 loan extension fee) was paid to extend the repayment date to 31 December 2010. At 31 August 2010 the Company also entered into a new additional loan facility with CF2 Pty Ltd as trustee for the CF Trust for $1,000,000. Details of this are provided in note 29.

(d) Controlled entities

Details of controlled entities are provided in note 12. There were no material transactions with controlled entities during the period.

(e) Joint controlled entities

Details of joint controlled entities are provided in note 11.

A summary of the transactions during the period between AnaeCo Limited and DiCOM AWT Investment Trust is as follows;

- Work continued under the EPCM Agreement awarded in a previous financial year by DiCOM AWT Investment Trust for the provision of design engineering and project management services for the design and construction of the WMRC Project. The contract value for Stage 1 is $1,750,000 was fully invoiced in previous periods. The project achieved the critical milestone of Stage 1 completion with the award of the Independent Engineers Certificate of Satisfaction with the Stage 1 performance trials in February 2010.
- AnaeCo has provided a loan to DiCOM AWT Investment Trust of $203,758 which relates to funding of early construction work on site. This amount is non-interest bearing and is scheduled to be repaid upon bank test completion of the WMRC Project.

Notes to the Financial Statements

for the year ended 30 June 2010

25. Related Party Transactions (continued)

- AnaeCo has provided funding to DiCOM AWT Investment Trust of $262,923 in relation to payment of financing fees in relation to Stage 1 of the WMRC project. This amount is unsecured and bears no interest. It is repayable to AnaeCo at debt financial close of Stage 2 of the WMRC project.
- AnaeCo has provided short term loan funding to DiCOM AWT Investment Trust to meet its 16.4% share of ongoing third party consultant costs as the project prepares to commence the Stage 2 expansion. The amount of this loan at 30 June 2010 was $44,361.

26. Segment Reporting

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Managing Director and his management team in assessing performance and in determining the allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

During the year ended 30 June 2010 the Group did not receive any revenue from engineering services or from the commercial exploitation of the DiCOM technology. In the previous financial year 100% of the revenue from engineering services was received from a single customer that is based in Australia.

During the year the Group operated solely in the organic solid waste treatment industry in Australia.

The Group considers the segment assets and liabilities to be consistent with those disclosed in the financial statements.

27. Remuneration of Auditors

	Company and Consolidated 2010 $	Company and Consolidated 2009 $
Amounts paid or due and payable to the auditors of the parent Company for:		
Audit services, including half year audit review services	73,220	67,821
Other assurance and tax services	11,000	7,000
	84,220	74,821

28. Financial Instruments

(a) Financial risk management objectives and policies

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

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

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

The Group does not have any financial derivatives, hedges or other off balance sheet products in place at 30 June 2010.

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.

Notes to the Financial Statements

for the year ended 30 June 2010

28. Financial Instruments (continued)

(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. While the Group does have policies in place to ensure that sales of its products are made to customers with an appropriate credit rating, it does presently have a concentration of credit risk. This concentration of credit risk arises because of the early stage of development of the Group as it commercialises its technology and therefore products, customer relationships and markets. At 30 June 2010 the Group had one revenue generating contract in place which means a total concentration of credit risk for sales and receivables. The Group anticipates this concentration to dissipate in coming years. Trading terms with customers generally involves payment at milestone events.

Cash and term deposits are only held with mainstream Australian banks.

(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:

	Company and Consolidated 2010 $	Company and Consolidated 2009 $
Within one year	3,053,384	1,882,739
One year or later and no later than five years	78,643	32,097
Later than five years	–	–
	3,132,027	1,914,836

The provision for loss on the EPCM contract of $1,161,552 (2009: $2,001,000) has not been included in the contractual maturity analysis. This provision is expected to be utilised over the next two years.

Notes to the Financial Statements

for the year ended 30 June 2010

28. Financial Instruments (continued)

(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:

Consolidated 30 June 2010	Weighted average interest rate	Floating interest rate $	Fixed interest maturing in less than 1 year $	Fixed interest maturing in greater than 1 and less than 5 years $	Non-interest bearing $	Totals $
Financial Assets						
Cash	3.6%	1,350,595	–	–	–	1,350,595
Trade and other receivables		–	–	–	472,772	472,772
Receivables – Non current		–	–	–	203,758	203,758
Total Financial Assets		1,350,595	–	–	676,530	2,027,125
Financial Liabilities						
Payables		–	–	–	941,965	941,965
Interest bearing liabilities	11.8%	–	2,063,768	66,998	–	2,130,766
Total Financial Liabilities		–	2,063,768	66,998	941,965	3,072,731
Net Financial Assets (30 June 2010)		1,350,595	(2,063,768)	(66,998)	(265,435)	(1,045,606)

Consolidated 30 June 2009						
Financial Assets						
Cash	3.1%	4,255,293	–	–	–	4,255,293
Trade and other receivables		–	–	–	704,902	704,902
Receivables – Non current		–	–	–	203,758	203,758
Total Financial Assets		4,255,293	–	–	908,660	5,163,953
Financial Liabilities						
Payables		–	–	–	1,353,166	1,353,166
Interest bearing liabilities	9.7%	507,588	18,852	30,269	–	556,709
Total Financial Liabilities		507,588	18,852	30,269	1,353,166	1,909,875
Net Financial Assets (30 June 2009)		3,747,705	(18,852)	(30,269)	(444,506)	3,254,078

Notes to the Financial Statements

for the year ended 30 June 2010

28. Financial Instruments (continued)

(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 2010 and 2009.

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

	Carrying amount	Interest rate risk -1%		Interest rate risk +1%	
Consolidated 30 June 2009	$	Profit $	Equity $	Profit $	Equity $
Financial Assets					
Cash	1,350,595	(13,506)	(13,506)	13,506	13,506
Trade and other receivables	472,772	–	–	–	–
Receivables – Non current	203,758	–	–	–	–
Financial Liabilities					
Payables	941,965	–	–	–	–
Interest bearing liabilities	2,130,766	21,308	21,308	(21,308)	(21,308)
Total increase/(decrease)		7,802	7,802	(7,802)	(7,802)
Consolidated 30 June 2010					
Financial Assets					
Cash	4,255,293	(42,553)	(42,553)	42,553	42,553
Trade and other receivables	704,902	–	–	–	–
Receivables – Non current	203,758	–	–	–	–
Financial Liabilities					
Payables	1,353,166	–	–	–	–
Interest bearing liabilities	556,709	5,567	5,567	(5,567)	(5,567)
Total increase/(decrease)		(36,986)	(36,986)	36,986	36,986

(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 net fair values, determined in accordance with the accounting policies disclosed in note 2.

29. 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, other than;

- On 11 August 2010 the Board resolved to offer for sale the Group's minority ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station. Further details about these entities is provided in note 11 to the financial statements.
- On 21 September 2010 the Board resolved to accept an offer from Palisade Investment Partners Limited to purchase AnaeCo's 16.4% interest. Palisade is a fund manager representing the owner of the majority 83.6% ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station. The Palisade offer is subject to the WMRC Stage 2 expansion project reaching financial close as well as other conditions which management consider are typical for the sale of a minority equity investment. The offer price is $2,200,000 and is subject to adjustment depending on the valuation of the project at financial close.

Notes to the Financial Statements

for the year ended 30 June 2010

29. Significant Events After Balance Date (continued)

- On 31 August 2010 the Group entered into new loan arrangements with entities controlled by Directors. This comprised a new $1,000,000 loan facility with CF2 Pty Ltd as trustee for the CF Trust, an entity controlled by Mr Ian Campbell and a new loan facility for $500,000 with Nichol Bay Holdings Pty Ltd, a company controlled by Mr Les Capelli. Terms of both these loans are the same and are as follows:
  - Repayment: earlier of 31 December 2010 and the date on which AnaeCo's cash flow position will enable it to safely make the repayment and continue to meet its other cash commitments as and when they fall due.
  - If AnaeCo is unable to repay the loan at 31 December 2010 the lender may at its election call for the loan to be extinguished by the issue of shares at a price which will be the 5 day volume weighted average for the 5 trading days immediately prior to a shareholder resolution approving the issue of the shares.
  - Interest rate: 12% per annum, calculated daily and paid monthly in cash on drawn funds.
  - Security: none.
  - Loan establishment fee: 7%
- In September 2010 the Company issued 728,334 fully paid ordinary shares to employees under its employee loyalty bonus scheme.

30. Dividends

No dividends have been paid or declared during the year.

31. Earnings Per Share

	Company and Consolidated 12 months 2010 $	Company and Consolidated 12 months 2009 $
Basic earnings/(loss) per share (cents)	(4.4) cents	(5.6) cents
Weighted average number of shares used in the calculation of basic earnings per share	160,987,966	123,900,610
Diluted earnings/(loss) per share (cents)	(4.4) cents	(5.2) cents
Securities on issue at balance date which are potentially dilutive to earnings per share		
	Number	Number
Quoted class A options	–	13,737,832
Quoted class B options	13,737,832	13,737,832
Unquoted director and employee options	13,350,000	11,000,000
Total potentially dilutive securities	27,087,832	38,475,664
(Loss) used in determination of basic and diluted earnings per share	(7,097,258)	(6,506,321)

These potentially dilutive securities have not been used in calculating diluted earnings per share, since the net result is a loss and a loss per share cannot be attributed to convertible securities which have not yet converted to ordinary shares.

728,334 shares have been issued in the period subsequent to 30 June 2010 and up to the date of this report.

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 Company and of the Group are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the Company's and Group's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
      ii. complying with Accounting Standards 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 2010.

On behalf of the Board

Tom Rudas

Managing Director

Perth, 28 September 2010

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Independent auditor's report to the members of AnaeCo Limited

Report on the Financial Report

We have audited the accompanying financial report of AnaeCo Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the 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 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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by a scheme approved under Professional Standards Legislation

Auditor's Opinion

In our opinion:

1. the financial report of AnaeCo Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and

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

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

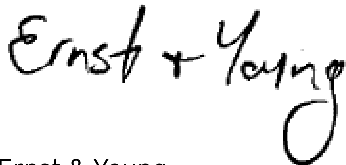
We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of AnaeCo Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(a) in the financial report which indicates that the consolidated entity incurred losses of $7,097,258 during the year ended 30 June 2010 and at that date its current liabilities exceeded its current assets by $2,532,893. As a result there is significant uncertainty whether it will continue as a going concern, and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. 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

P McIver
Partner
Perth
28 September 2010

Additional Information

required by ASX Listing Rule 4.10

The following is information required to be disclosed by ASX Listing Rule 4.10 which is not already disclosed elsewhere in the annual report. This information is current as of 8 October 2010.

The number of holders and voting rights of each class of security

Class of security	Number of holders	Voting rights
Ordinary shares	1,274	Voting – one vote per share
Quoted options Class B	927	Non-voting
Unquoted incentive options	27	Non-voting

Distribution schedule of the number of holders in each class of security

Range of shares	Ordinary shares	Class B options	Unquoted options
1 – 1,000	152	433	–
1,001 – 5,000	216	281	–
5,001 – 10,000	226	63	–
10,001 – 100,000	470	117	–
100,001 and over	210	33	27
Total	**1,274**	**927**	**27**

The number of holders holding less than a marketable parcel of ordinary shares at 8 October 2010 was 334.

The names of the twenty largest holders of each class of quoted security

Top 20 ordinary shareholders

Name	Shares	% interest
CPS Group Investments (No 1) Pty Ltd	10,530,000	5.90
CF2 Pty Ltd	8,206,654	4.60
Flourish Holdings Pty Ltd <Capelli Family a/c>	7,424,543	4.16
M R Technology Pty Ltd <Rudas Family a/c>	7,145,908	4.00
M R Technology Pty Ltd <Rudas Super Fund>	5,731,479	3.21
National Nominees Limited	5,199,252	2.91
Ian Lindsay Campbell	3,846,155	2.15
Alcardo Investments Limited	3,799,389	2.13
Osborne Properties Pty Ltd	3,312,836	1.86
Flourish Holdings Pty Ltd <Capelli Super Fund>	3,199,609	1.79
Neo Limited	3,050,000	1.71
Janusz Krzysztof Fulara	2,858,298	1.60
Angora Lane Pty Ltd	2,741,522	1.54
Jerzy Przemyslaw Sawicki	2,133,582	1.20
Absolute Investment Funds SPC	2,111,112	1.18
Biagio Secola & Priscilla May Secola	2,057,380	1.15
Rasmus Pedersen	2,055,419	1.15
Darryl John Butcher	2,002,321	1.12
Alan Jonathon Berrick	1,757,286	0.98
Kassett Pty Ltd	1,737,750	0.97
Total	**80,900,495**	**45.31**

Additional Information

required by ASX Listing Rule 4.10

Top 20 holders of class B options

Name	Options	% interest
Neo Limited	951,781	6.93
M R Technology Pty Ltd <Rudas Family a/c>	893,239	6.50
Flourish Holdings Pty Ltd	805,443	5.86
M R Technology Pty Ltd <Rudas Super Fund a/c>	708,102	5.15
Alcardo Investments Limited	523,660	3.81
Osborne Properties Pty Ltd	414,105	3.01
Janusz Krzysztof Fulara	357,288	2.60
Martin Place Securities Staff Superannuation Fund Pty Ltd	348,303	2.54
Biagio Secola & Priscilla May Secola	257,173	1.87
National Nominees Limited	255,186	1.86
Jerzy Przemyslaw Sawicki	254,198	1.85
Darryl John Butcher	251,396	1.83
Offa Pty Ltd	230,748	1.68
Jerome Reginald Rowley	226,150	1.65
Michael Dureau	220,834	1.61
Kassett Pty Ltd	217,219	1.58
Suzanne Knowles	212,977	1.55
Rocco Figliomeni	174,245	1.27
Fiona McDonald	171,875	1.25
T & J Secola Pty Ltd	169,482	1.23
Total	**7,643,404**	**55.64**

The number of unquoted securities on issue and the number of holders is as follows.

Class of security	Number on issue	Number of holders
Unquoted incentive options	13,350,000	27

There is no current on market buy-back

Details of substantial shareholders

Name of substantial shareholder	Shares in which there is a relevant interest
Ian Lindsay Campbell	22,582,809
Gianmario Alessio Capelli	10,624,152

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