Annual Report **09**

AnaeCo Limited ABN 36 087 244 228

Corporate Directory

Directors
Prof. Michael Dureau (Chairman)
Mr Tom 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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Chairman's Letter

The Board and management has set realistic objectives for the next year…and completion of these goals in the next year will have the Company well positioned for future growth.

Professor Michael Dureau
Chairman

From my perspective the future for AnaeCo is full of promise.

Dear Shareholder,

It is my pleasure to present this 2009 Annual Report as Chairman of your Company, having been elected to this office on 31 August 2009.

I have served as a non-executive director since 2005 and it has been personally very rewarding to have participated in the Company's development over that time, and especially now as we are meeting some of the major objectives we have been striving for. Nothing is easy or straightforward for emerging companies developing and commercialising new technology, and it is only by experiencing the journey that you can fully appreciate the achievements.

As Tom Rudas explains in his Managing Director's Review achieving the Interim Certificate of Satisfaction from independent engineer Sinclair Knight Merz, after three (out of six) performance trials on the WMRC project is a great milestone achievement. It is the most substantial representation yet of the capability of the DiCOM System, a breakthrough in solid organic waste management.

I commend management and staff on their achievements.

I thank the Board for their stewardship, support and guidance over the past year. I welcome the new directors who joined the Board this year (Les Capelli and Ian Campbell) and thank our former Chairman Jerome Rowley who resigned in April.

From my perspective the future for AnaeCo is full of promise. The DiCOM technology is 'best of breed' and the market is ready. Capitalising on this opportunity is not without its challenges, but I believe we are equipping ourselves to meet these challenges ably. The Board and management has set realistic objectives for the next year as explained in Tom Rudas's review, and completion of these goals in the next year will have the Company well positioned for future growth.

Thank you to all shareholders for your continued support.

Professor Michael Dureau
Chairman

Managing Director's Review

Tom Rudas
Managing Director

The past year has seen major progress in the delivery of DiCOM technology with the highlight being successful demonstration of the system in processing waste at the Western Metropolitan Regional Council (WMRC) project.

The WMRC Stage 1 DiCOM facility has successfully;

- separated the organic fraction from mixed municipal solid waste (MSW),
- processed the organic waste through the hybrid aerobic/anaerobic system, producing biogas and compost, with
  - the biogas being of sufficient quantity and quality that it confirms the facility is a net energy producer, and
  - the compost meeting the requirements of a compost industry end user.
- replicated this operation in a number of batches whilst undertaking the Stage 1 performance tests and achieved the Interim Certificate of Satisfaction from the independent engineer (Sinclair Knight Merz).

This successful demonstration of operational performance of the DiCOM System at full scale is a major milestone of achievement for the Company. It not only positions the WMRC project to progress to Stage 2, it also provides a very important reference facility from which we can demonstrate and promote the DiCOM System to other potential customers.

WMRC facility: construction and successful trials

The WMRC Stage 1 project dominated activity for the past year and whilst we experienced some timetable slippage relative to our targets from 12 months ago, we are overall satisfied with our achievements.

Construction was completed at WMRC Stage 1 in November 2008, with an official opening held on 28 November. Commissioning was already underway at that time and by the end of January 2009, once the Licence to Operate was finally received from the WA Department of Environment and Conservation, the plant was ready to receive MSW. Commissioning continued and following rectification of some minor mechanical issues the plant was commissioned and ready to commence the performance trials on 27 April 2009. These trials involve processing six separate batches of waste to demonstrate the efficacy of the DiCOM System, as a contractual precursor to commencement of Stage 2.

In each trial MSW collected from WMRC member councils is processed through the sorting system, separating out the organic fraction which is then fed into the DiCOM bioconversion vessels. The aerobic and anaerobic phases then take place, producing biogas and compost. Each batch cycle takes 21 days. At the time of writing this report we have completed five trials. The first three trials have been examined by an Independent Engineer (Sinclair Knight Merz) appointed by the Principal, and an Interim Certificate of Satisfaction has been issued which verifies these first three trials as complying with the project requirements. Upon completion of all six trials the Independent Engineer will finalise the review and then issue a Final Certificate.

AnaeCo and investment partner Palisade Regional Infrastructure Fund (PRIF) are already working on the Stage 2 development which will increase the capacity of the facility three times. Engineering design is well underway as is planning and preparation for construction activities to recommence. Subject to receipt of the Final Certificate (and financier approval) we expect Stage 2 construction to commence in the first quarter of 2010. Allowing for a 12 month construction programme this should see the commencement of full commercial operations at the WMRC project in the first quarter of 2011.

As we approach commencement of WMRC Stage 2 we are also busily working on the pre-development phases of other projects, and responding to a number of expressions of interest from Australian councils who are seeking to install waste processing and recycling facilities.

DiCOM in Victoria

In September 2008 Barwon Regional Waste Management Group (Barwon) selected DiCOM as the successful technology for a waste facility to be constructed in Geelong, Victoria. Progressing with a project at Barwon is subject to demonstrating successful operation of the DiCOM System at WMRC, and completion of the WMRC Stage 1 performance trial phase will deliver this. In anticipation of this AnaeCo, PRIF and Barwon have been working together on early stage development matters. A site for the proposed plant has been selected and studies to support environmental and works approval have been scoped. Preliminary design has commenced and preparation of the project documentation is well advanced. The Barwon project is being prepared to start as soon as the WMRC Stage 1 performance trial condition has been satisfied.

The other Victorian project we announced in November 2008 is the proposed facility for CityWide Services at their Dynon Road waste transfer station in Melbourne. AnaeCo and CityWide agreed to explore the feasibility of installing a DiCOM facility at this site, and work continued during the year. Proceeding with this project will again be subject to demonstrating successful completion of WMRC Stage 1, and other approvals. This project is at an earlier stage of development than Barwon, and we anticipate proceeding to project definition in the first half of calendar year 2010, with construction to follow soon after.

DiCOM in UK

It is our view that the DiCOM System has significant competitive advantages which make it a globally attractive proposition. We have identified the United Kingdom as the primary international market in which we would like to establish a DiCOM presence. The European Union for some time has legislated to encourage member countries to reduce the amount of biodegradable waste sent to landfill, and the UK has been one of the slower countries to respond. Given the common language and business practices, it is an ideal point of entry for Europe. Like many other EU countries the UK has introduced financial incentives and penalties to induce local authorities to reduce the amount of biodegradable waste going to landfill. The UK Landfill Tax (currently £48 per tonne of biodegradable waste sent to landfill) and the LATS (Landfill Allowance Trading Scheme) are making landfilling of such waste costly to the point of being prohibitive. These penalties are also having the desired effect of rendering capital investment into alternative waste technologies (AWT) as financially viable. Accordingly the UK market for AWT is already quite active with a number of new technology aspirants for biological and incineration systems gaining market entry. This is where AnaeCo wishes to compete with DiCOM and we believe its unique attributes give it a competitive advantage. Notably the small plant footprint and lower capital and operating expenditure should enable it to compete successfully in a niche where other AWTs cannot. For example, local authorities who have lower volumes of waste (less than 100,000 tpa), or are geographically isolated, or have land constraints, or only operate a waste transfer station, may be unable to construct the larger facilities often demanded by the economics of other technologies.

For some time we have been analysing UK market trends and opportunities, identifying potential local authorities or existing waste operators with a higher propensity to be attracted to a DiCOM System. In 2009 we visited and presented to a number of such potential clients. Interest in DiCOM is always strong and we are confident that with the proven demonstration of operational success at WMRC Stage 1, and the reference site this represents, we will be able to establish traction for DiCOM in the UK market in 2010.

DiCOM in India

In addition to the UK we have been developing a relationship in an entirely different international market; India. Through a relationship with Sindicatum Carbon Capital (SCC) we have been exploring the possibility of adapting DiCOM to Clean Development Mechanism (CDM) projects in India. CDM is a UN Climate Change initiative whereby the funders of qualifying clean technology projects in developing countries can generate tradeable carbon credits. The potential to use DiCOM technology in waste projects in India may generate qualifying CDM credits, and this is currently under review by SCC. Depending upon the outcome of this review, and subject to identification of finance-able projects, it is a possibility that DiCOM may have a presence in the Indian waste to energy market in the future.

We continue to field enquiries from many other international markets, and expect this interest to increase as we leverage the WMRC reference site as a marketing opportunity.

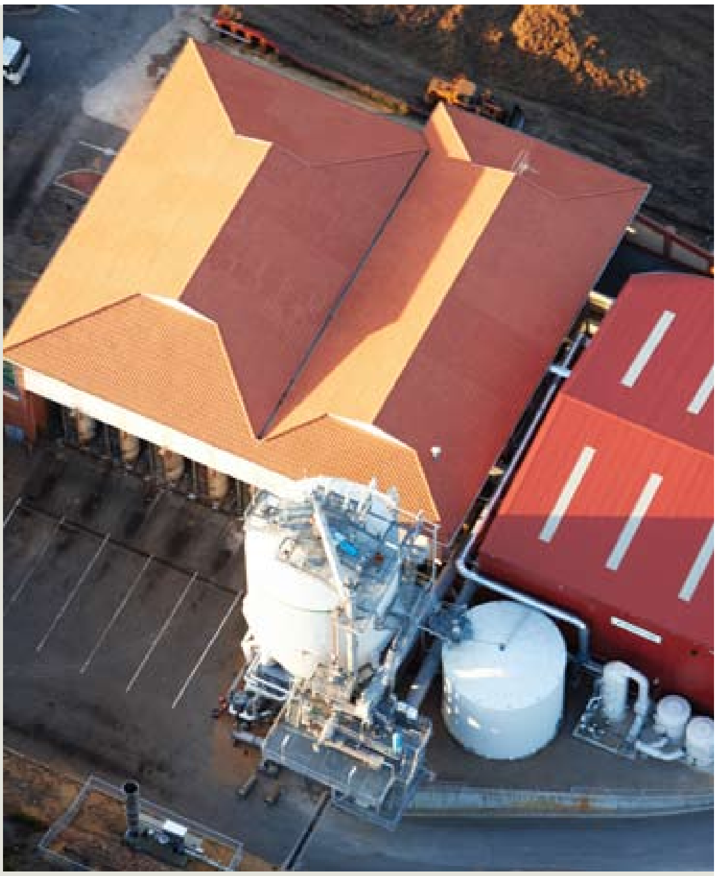
Growth

Given the work we have on hand with WMRC Stage 2, Barwon and the emerging pipeline of project opportunities in Australia and internationally, it is not surprising the Company is growing. Since the completion of WMRC Stage 1 construction we have expanded our capabilities in terms of staff and systems resources. We now have 25 staff and this comprises a full design and drafting team, a plant operating/commissioning team, technical/scientific resources, business development and administration. These internal resources are complemented by a number of key alliances and relationships which have been cultivated over time with suppliers, consultants and technical resources. As an organisation our critical mass has grown in the past 12 months, and this will continue to meet the needs of our business growth.

Until now the Company has been sustained financially by shareholder equity and whilst some revenue has been earned from engineering and project management services on the WMRC project we are yet to generate positive cash flow from continuing operations. With formal commencement of the WMRC Stage 2 and Barwon projects following financial close, we expect a significant increase in cash flow (in 2010). As other projects emerge from the business development pipeline and momentum builds in the business operating model this should lead to generation of sustained positive cash flow within 1 – 2 years.

Developing DiCOM as a reliable, replicable product

In this phase of the Company's evolution we are also 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 have already identified that we should not seek to control equity investment into DiCOM project facilities, rather we should leave this to the established market of infrastructure investors. Hence the investment alliance with Palisade Regional Infrastructure Fund. A second area that we do not wish to become heavily directly involved in is project construction activities. However there are two important aspects of this which are integral to our core objectives. Firstly, we do not consider it to be necessary or beneficial to AnaeCo's business model, or the DiCOM System, for each individual project to be the subject of a tender process, likely involving different constructors and suppliers on each project. We see this as inefficient and potentially diluting the DiCOM intellectual property as well as risking inferior construction and supply. Secondly, it is our goal to develop DiCOM as product: a reliable, replicable product as opposed to a unique case by case construction installation. This requires a focus on standardisation, such as fabrication of key components in modules off site rather than on site. We are therefore planning to evolve the DiCOM project delivery model towards this product-led approach as we work on the next few projects. Benefits of this will be increased reliability, lower capital cost, shorter site construction and installation time, all of which will lead to improved marketability as of DiCOM as a solution for customers. In time the stability in the product created through the project delivery model will enable wider roll out of the product through technology transfer and licensing arrangements.



Managing Director's Review (continued)

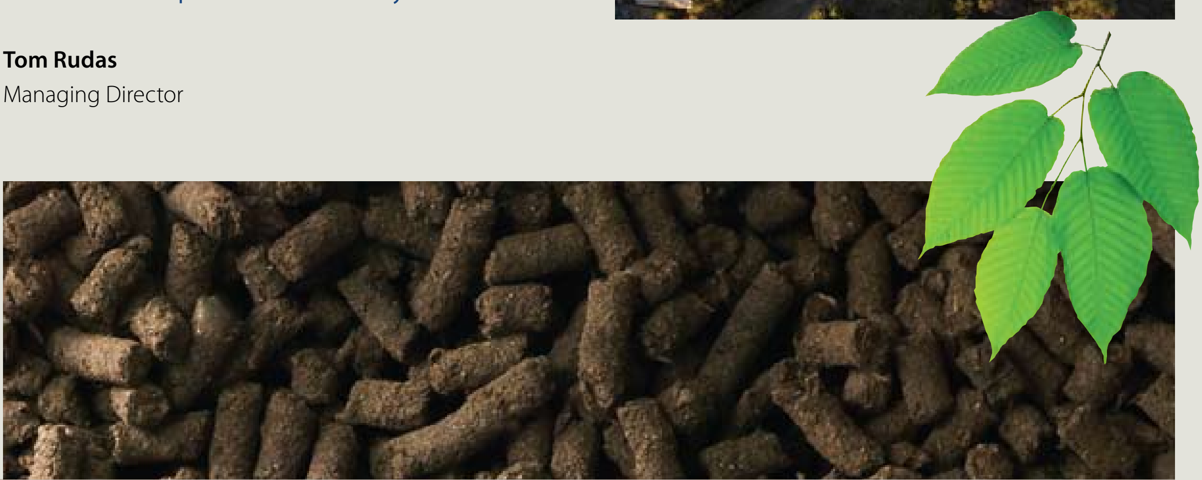
In closing I wish to make special mention of our staff who have put in a huge effort this year working on the WMRC project and other areas, both directly and in all support functions. There have been many long days, nights and weekend shift worked, without which we could not have achieved our successes. I also thank my fellow directors for their valued guidance and support, and of course loyal shareholders for your faith in our vision.

Key objectives for 2010

The final word is to look forward and in summary our key objectives for 2010 are;

- Conclude WMRC Stage 1 and commence construction of Stage 2
- Commence construction at the Barwon project
- Achieve project definition with CityWide Services on a proposed project at their Dynon Road transfer station
- Leverage the WMRC Stage 1 reference site and;
  - Succeed in at least 1 other Australian tender,
  - Achieve project definition in 1 international project
- Further develop the 'Product Delivery Model'

Tom Rudas
Managing Director



We continue to field enquiries from many other international markets, and expect this interest to increase as we leverage the WMRC reference site as a marketing opportunity.

The DiCOM® System

At the core of the DiCOM® System lays the DiCOM® Bioconversion process, which is a patented, hybrid biological process which converts the organic content of MSW into organic fertiliser, biofuel and biogas with highly efficient use of energy, site, and infrastructure.

A key feature of DiCOM® Bioconversion is the creation of specific biological conditions for micro-organisms that accelerate natural bioconversion of organic material.

An AWT facility based on the DiCOM® System (DiCOM® AWT facility) can be located close to local communities – in many cases, retrofitted into existing waste transfer stations – and produces outputs of organic fertiliser (or alternatively dry renewable biofuel) and biogas, which can be used to generate renewable energy.

MSW delivered to a DiCOM® AWT facility is processed via 2 key steps:

STEP 1

Resource Recovery - MSW arrives and is deposited at the DiCOM® AWT facility. Inert, recyclable items such as metals, plastics and glass are recovered by primary manual sorting as well as a mechanical drum separator. Approximately 80% of MSW delivered to the facility can be diverted from landfill through this process.

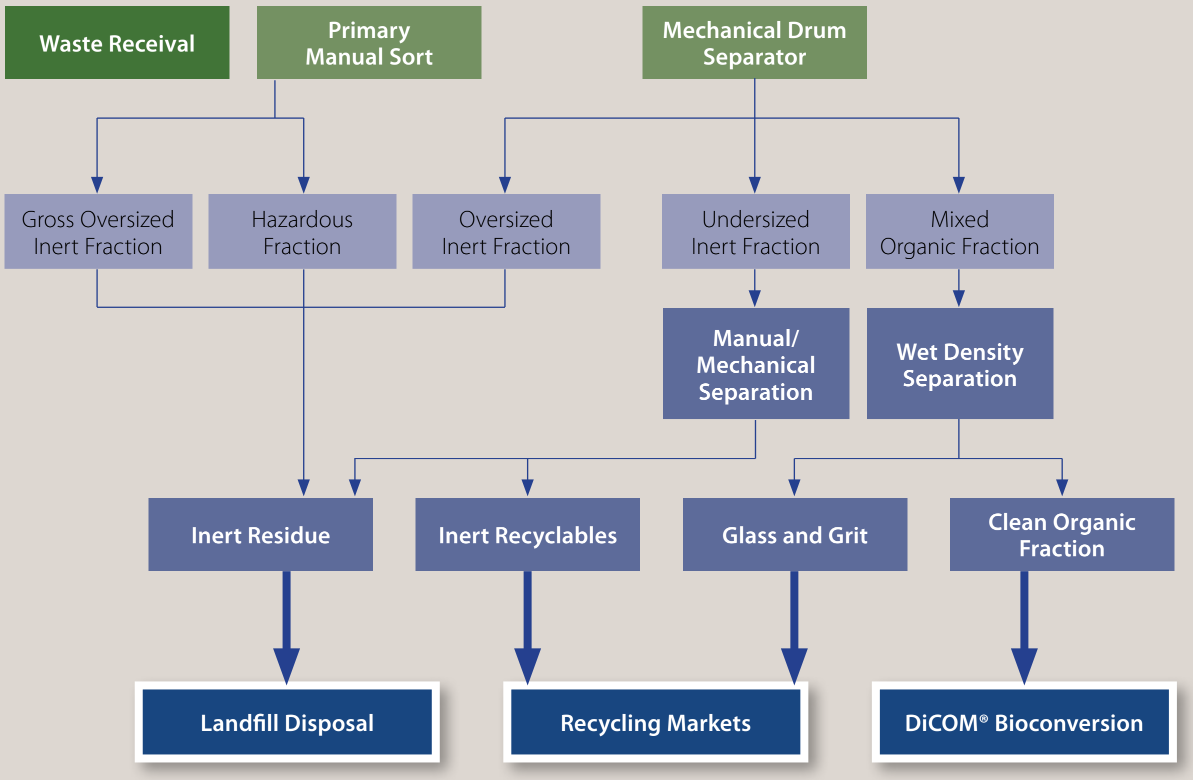


Figure 1: DiCOM® System – Resource Recovery process

The DiCOM® System

STEP 2

DiCOM® Bioconversion – a 4-stage bioconversion process for the recycling of solid organic waste into organic fertiliser and renewable energy:

a. Aerobic processing. After organic material is mixed and pulverised it is loaded into a treatment vessel where it undergoes aerobic treatment.

b. Anaerobic processing. This occurs in the same vessel through the introduction of carefully regulated bacterial inoculum in the form of inoculum solution. This part of the process produces methane gas used to generate electricity to meet plant needs. Surplus can be sold to the electricity grid.

c. Secondary aerobic processing. After anaerobic processing, the inoculum is drained from the vessel, air is reintroduced and secondary aerobic processing occurs to convert the material into compost.

d. Removal. Compost is removed from the treatment vessel available for retail sale, or use in agriculture. Alternatively, in certain markets this dry organic material may be used as a renewable biofuel for example co-fired to a coal fired power station or a cement kiln. Vessels and system are prepared for next cycle.

The DiCOM® Bioconversion cycle occurs over a 21 day period and is managed by a fully-automated control system that constantly monitors and adjusts vessel conditions to deliver an optimal result.

		Loading	Anaerobic Digestion	Aerobic Composting	Unloading and Maintenance
From loading to unloading, the DiCOM® process takes 21 days	**Timing**	**5 Days**	**7 Days**	**7 Days**	**2 Days**
	Inputs	• Organic waste • Air	• Anaerobic bacterial liquid	• Air • Heat	
DiCOM® process is a fully automated control system that monitors and adjusts the vessels' conditions	**Process**	• Organic material is loaded into a vessel and undergoes aerobic treatment resulting in the generation of heat	• Anaerobic bacterial liquid (sourced from adjoining vessel) is added to organic mass with no oxygen present	• Air is re-introduced into the vessel to aerobically stabilise the material and remove odour	• 1 day for compost removal • 1 day for maintenance of the vessel and systems
	Outputs	• Heat • Organic waste preconditioned for anaerobic digestion	• Biogas (mainly methane) • Bacterial liquid (transferred to next vessel)	• Stabilized, nitrogen rich organic material	• Organic Fertiliser

Figure 2: DiCOM® System – DiCOM® Bioconversion process

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 2009.

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

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

Jerome Rowley

FSIA, FAICD

Mr Rowley was appointed to the AnaeCo Board on 23 August 2005 and served as Chairman until his resignation on 30 April 2009.

Jerome Rowley has been a career banker since the early 1970s with Citigroup, Morgan Grenfell and ABN Amro. He has been active in both wholesale and investment banking domestically and internationally. From 1992 until 2002, he served as Managing Director and CEO of ABN Amro Australia and Head of Relationship Management and Structured Finance for ABN Amro, Asia Pacific.

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

- A.V. Jennings Limited – appointed 22 March 2007
- Natural Fuels Limited – appointed 15 September 2006, resigned 30 October 2007

Directors' Report

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 2009 and the number of meetings attended by each director is as follows:

	Meetings held during tenure	Meetings attended
Les Capelli	4	4
Ian Campbell	1	1
Michael Dureau	9	9
Thomas Rudas	9	9
Richard Rudas	9	9
Jerome Rowley	8	7

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 A	Class B	
Les Capelli	9,643,152	955,396	955,396	750,000
Michael Dureau	1,666,667	220,834	220,834	750,000
Ian Campbell	14,376,155	–	–	750,000
Thomas Rudas	48,077	–	–	2,750,000
Richard Rudas	13,263,549	1,653,137	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 $6,506,321 (2008: loss $5,110,804).

Review of Operations

The principal focus of the Group this financial year continued to be working towards completion of Stage 1 of the Western Metropolitan Regional Council (WMRC) project.

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 funds. The project will be constructed in two stages. Stage 1 involves the construction of a single DiCOM vessel and a preliminary front end sorting system to service the single vessel. At completion of construction of Stage 1 the facility must pass a series of performance trials. Upon completion of the Stage 1 performance trials the project will proceed to Stage 2. Stage 2 involves the construction of two additional DiCOM vessels and the complete front end sorting system.

Construction of Stage 1 was completed by early November 2008, and by this time mechanical commissioning was well underway. Dry commissioning (mechanical and biological) was completed in January 2009 and later that month the project received its Licence to Operate from the Department of Environment and Conservation. This allowed MSW to be fed into the plant for the first time, and therefore 'wet' commissioning commenced. By late April 2009 wet commissioning had been completed and the plant was ready to commence the performance trials.

Directors’ Report

By late August 2009 the fourth of six performance trials was in progress and the Group is predicting completion of six trials by the end of November 2009, clearing the way for commencement of Stage 2. This is several months later than was predicted in the 2008 Annual Report and is the result of a combination of delays in completion of construction, obtaining the License to Operate and some mechanical rectification required during the wet commissioning phase. This timetable extension has had an impact on the Group’s reported results for the year as well as on its finances.

As explained in the 2008 Annual Report the Group is reporting the WMRC Stage 1 project and specifically the EPCM (engineering, procurement and construction management) services it provides by matching the revenue for its services with the related costs of providing those services. AnaeCo’s revenue for Stage 1 EPCM services is fixed at $1.75m and between 2008 and 2009 this has been fully invoiced and brought to account. Since the WMRC project is the first full scale application of the DiCOM technology these engineering service fees are only a partial contribution to the cost of engineering and technology development. This is compounded by the fact that in addition to agreeing to a fixed fee for EPCM services AnaeCo also agreed to provide its investment partner Palisade with fixed price cost protection on its investment in this initial DiCOM project. The consequence is this EPCM contract is recorded as a loss making contract for AnaeCo. Accounting standards require the costs of completing EPCM services for Stage 1 to be estimated in full and a provision for these future costs be recorded in the current period financial report. This means in the 2009 financial year the Group is reporting a loss on the WMRC Stage 1 project of $4.4m which includes a provision for costs to complete at 30 June 2009 of $2.0m.

It is the Board’s view that such a financial result must be read as a measure of investment in developing the DiCOM System.

Further, in considering all share capital raised by the Group since incorporation in 1999 as funding of research, development and commercialisation of the DiCOM System this represents a total investment by AnaeCo shareholders of $22.8m at 30 June 2009. Completion of the WMRC Stage 1 performance trials by November 2009 will represent possibly the most significant milestone in the Group’s history, and for what this represents in the commercialisation of a breakthrough technology in a very large global market, it is a very successful economic outcome when compared to many other technology development examples around the world.

Work has already commenced on WMRC Stage 2 in the areas of engineering design, procurement planning and construction scheduling. Environmental approvals are being prepared and AnaeCo is planning for a commencement of construction at the beginning of 2010.

New projects and pipeline opportunities

Whilst WMRC Stage 1 has been the principal focus during 2009 the Group has also been active in preparing for life beyond that of a single project focused business.

In September 2008 the DiCOM System was selected as the preferred tenderer by the Barwon Regional Waste Management Group based in Geelong, Victoria. This project which will treat 75,000 tpa of combined MSW and green waste is currently in the development phase and should proceed to construction in early 2010.

In November 2008 the Group signed a memorandum of understanding with Citywide Services Pty Ltd, the Melbourne based municipal services company to explore the feasibility of a DiCOM facility in inner Melbourne, as well as the potential for waste project development in Victoria, New South Wales and Queensland. Development discussions are continuing with Citywide.

Internationally the Group maintains a keen interest in entering the UK market and has identified a number of opportunities. Proceeding to crystallise these opportunities will be subject to demonstrating proven success with the WMRC Stage 1 performance trials, and will be an area of focus in 2010.

In addition the Group has been developing relationships in other international markets with an eye to the future.

Internally the Group has also been investing in systems, procedures and staff resources to enable it to tackle multiple project opportunities in the forthcoming financial year. In addition to the new projects and opportunities described above the Group has been active in responding to requests for expressions of interest in Australia. In the past few months we have submitted three expressions of interest (with another in progress), some of which we expect to proceed to full tenders in the near future.

Review of Financial Condition

During the year the Group conducted three share placements, raising a total of $7.224m after costs. These funds were raised for working capital and to support the Group’s investment in commercialising the DiCOM System in its application to the WMRC project, as well as to meet ongoing operating and administrative expenditure.

Directors' Report

In summary the sources and applications of cash for the 2009 year have been as follows;

	$'000
Sources	
Equity raised by share placements, net of costs	7,224
Funds released from term deposit	1,000
Income tax refunds (R&D rebate programme)	733
Loans received (net of repayments)	478
	9,435
Applications	
Project delivery costs, net of revenue	4,096
Equity invested in WMRC project ownership	133
Other operating, financing and administration costs, net of receipts	1,503
Net increase in cash at bank	3,703
	9,435

At 30 June 2009 the Group had cash reserves of $4,255,293 and net current assets of $917,129.

Depending on the timing of commencement of work on WMRC Stage 2 and the Barwon project and therefore the timing of cash receipts from these projects, the Group will need to replenish working capital to sustain ongoing operating costs, overheads and business development costs. Accordingly it is likely the Group will need to raise new funding in the 2010 financial year. The Group has established a solid track record of being able to access the equity markets to raise new funding as and when required and is confident it will be able to replicate this as necessary.

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 2009 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 in three share placements as follows;

- On 13 November 2008 raised $1,004,000 by the issue of 10,040,000 shares at $0.10 each,
- On 23 January 2009 raised $1,794,000 by the issue of 17,940,000 shares at $$0.10 each, and
- On 29 June 2009 raised $5,000,000 by the issue of 19,230,769 shares at $0.26 each.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the forthcoming financial year include;

- Completion of the performance trials on the WMRC Stage 1 project and proceeding to commencement of WMRC Stage 2,
- Commencement of work on the Barwon Regional Waste Management Group project which will treat 75,000 tpa of MSW and green waste, at Geelong, Victoria,
- Development of new opportunities for DiCOM facilities both in Australia and overseas.

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 31 August 2009 the Group issued 358,821 fully paid ordinary shares to employees under its employee loyalty bonus scheme.

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. 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.

Directors' Report

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, Jerome Rowley (to 30 April 2009), 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 significant 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 Non-executive directors receive a fixed annual remuneration of $70,000 each. 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. 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.

Previously the Group had issued Converting Shares to non-executive directors, Messrs Rowley and Dureau. These Converting Shares expired on 30 September 2008 without having achieved the conversion trigger. Mr Rowley and Mr Dureau each held 200,000 Converting Shares which were convertible into ordinary shares on a one for one basis upon the occurrence of a milestone event, being financial close of Stage 2 of the WMRC project on or before 30 September 2008.

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, business unit 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 on page 18.

Directors' Report

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Board. The process consists of a review of Group, business unit and individual performance, relevant comparative remuneration in the market and internally 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 the Stage 1 commissioning and performance trials for the WMRC project, commencement of Stage 2 of the WMRC project and other new project starts. 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 2008 and 2009 financial years

There have been no STI bonuses awarded to executives for the 2008 and 2009 financial years.

Whilst significant progress has been achieved in demonstrating the successful development of the DiCOM System the Group has still to complete the performance trials for Stage 1 of the WMRC project. Accordingly, and based on overall performance of the Group, in the opinion of the Board the award of STI bonuses for the 2009 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 will be 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.

During the financial year the Group issued options to employees and executives under the ESOP. Also, pursuant to shareholder approval obtained at meetings held on 24 July 2008 and 25 June 2009, the Group issued options to executive and non-executive directors.

Directors' Report

The terms and conditions of the director, executive and employee options are the same. Details of the number and terms and conditions of all these options is provided elsewhere in this Remuneration Report.

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 number of options granted during the 2009 financial year was determined following review of 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 first application of the award was 31 July 2009 when the Board granted a 5% award which resulted in the issue of 358,821 shares to employees. These shares were issued on 31 August 2009 and were determined using a fair value price of 26 cents per share as at 31 July 2009.

The Group's financial performance during the 2009 year and for the three previous financial years is set out in the table below. The financial results shown below were all prepared under International Financial Reporting Standards (IFRS).

	2009	2008	2007	2006	2005
Net loss after tax	6,506,321	5,110,804	4,398,348	620,681	1,612,683
Earnings (loss) per share (cents)	(5.2)	(5.8)	n/a [1]	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, $250,000, $200,000 and $200,000 per annum (excluding mandatory superannuation). During the 2009 financial year the amount of fixed remuneration paid to each executive increased from $180,000, $175,000 and $175,000 respectively.

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).

Directors' Report

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.

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 [2] $	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	–	–	(23,096)	–
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.

2008	Short term benefits			Post employment benefits	Share based payments		Long term benefits		
	Salary and fees $	Cash bonus $	Non monetary benefits $	Super–annuation benefits $	Converting Shares $	Options $	Long service leave $	Total $	% performance related [1]
Non–executives									
Jerome Rowley	64,220	–	–	5,780	22,372	–	–	92,372	24%
Michael Dureau	69,996	–	–	–	22,371	–	–	92,367	24%
Executives									
Thomas Rudas	158,760	–	25,376	16,200	–	–	15,801	216,137	–
Richard Rudas	155,341	–	20,436	15,750	–	–	9,063	200,590	–
David Lymburn	172,326	–	6,819	15,750	–	–	–	194,895	–
Total remuneration	620,643	–	52,631	53,480	44,743	–	24,864	796,361	

[1] The percentage of performance related remuneration is entirely due to converting shares granted as share based payments.

Directors' Report

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 issued the following unquoted options to directors and executives.

	Number granted	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date	Number vested	% vested
Non–executives									
Michael Dureau	375,000	1 Sept 08	$0.040	$0.25	31 Dec 11	(2)	31 Dec 11	–	–
Michael Dureau	375,000	1 Sept 08	$0.025	$0.25	31 Dec 11	(3)	31 Dec 11	–	–
Les Capelli	375,000	25 June 09	$0.132	$0.25	31 Dec 11	(2)	31 Dec 11	–	–
Les Capelli	375,000	25 June 09	$0.100	$0.25	31 Dec 11	(3)	31 Dec 11	–	–
Ian Campbell	375,000	25 June 09	$0.132	$0.25	31 Dec 11	(2)	31 Dec 11	–	–
Ian Campbell	375,000	25 June 09	$0.100	$0.25	31 Dec 11	(3)	31 Dec 11	–	–
Jerome Rowley	(1) 375,000	1 Sept 08	$0.040	$0.25	31 Dec 11	(2)	31 Dec 11	–	–
Jerome Rowley	(1) 375,000	1 Sept 08	$0.025	$0.25	31 Dec 11	(3)	31 Dec 11	–	–
Executives									
Thomas Rudas	1,375,000	1 Sept 08	$0.040	$0.25	31 Dec 11	(2)	31 Dec 11	–	–
Thomas Rudas	1,375,000	1 Sept 08	$0.025	$0.25	31 Dec 11	(3)	31 Dec 11	–	–
Richard Rudas	412,500	1 Sept 08	$0.040	$0.25	31 Dec 11	(2)	31 Dec 11	–	–
Richard Rudas	412,500	1 Sept 08	$0.025	$0.25	31 Dec 11	(3)	31 Dec 11	–	–
David Lymburn	412,500	1 Sept 08	$0.040	$0.25	31 Dec 11	(2)	31 Dec 11	–	–
David Lymburn	412,500	1 Sept 08	$0.025	$0.25	31 Dec 11	(3)	31 Dec 11	–	–
	7,400,000							–	

(1) The 750,000 options granted to Mr Rowley lapsed 30 days after his resignation from office on 30 April 2009.

(2) Exercisability of the options is subject to the prevailing share price exceeding performance hurdle (> $0.50 for ten consecutive days), therefore the 'first exercise date' cannot be determined.

(3) Exercisability of the options is subject to the prevailing share price exceeding performance hurdle (> $1.00 for ten consecutive days), therefore the 'first exercise date' cannot be determined.

Directors' Report

	Total fair value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of value of options granted during the year
	$	$	$	%
Non–executives				
Michael Dureau	18,750	–	–	26.8%
Les Capelli	69,750	–	–	170.8%
Ian Campbell	69,750	–	–	738.5%
Jerome Rowley	18,750	–	(1) 67,500	–
Executives				
Thomas Rudas	68,750	–	–	24.6%
Richard Rudas	20,625	–	–	9.4%
David Lymburn	20,625	–	–	9.9%
	287,000	–	67,500	

(1) Based on the difference between share price on date of lapse ($0.34) and exercise price ($0.25)

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

The Options shall vest with the director or employee in equal portions of one half respectively upon the achievement of each of two vesting hurdles, subject to the director or employee remaining as a director or employee of the 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

Directors' 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 A	13,737,841	31 May 2010	$0.50
Class B	13,737,841	31 May 2012	$1.00
	27,475,682		

Unquoted Options

Number	Expiry	Exercise price
11,000,000	31 December 2011	$0.25

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

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 $26,542.

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 22 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; $7,000.

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

Michael Dureau
Chairman

Perth, Western Australia
30 September, 2009

Auditor's Independence Declaration

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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 2009, 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
30 September 2009

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 its 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.

Corporate Governance Statement

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

Corporate Governance Statement

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.

Income Statement

for the year ended 30 June 2009

	Notes	Consolidated 12 months June 30 2009 $	Company 12 months June 30 2009 $	Consolidated 12 months June 30 2008 $	Company 12 months June 30 2008 $
Revenue	3	387,374	387,374	1,639,244	1,639,244
Project delivery costs	4(e)	(4,733,072)	(4,733,072)	(3,304,249)	(3,304,249)
Depreciation and amortisation expense	4(a)	(71,126)	(71,126)	(50,260)	(50,260)
Finance costs	4(b)	(213,335)	(213,335)	(446,918)	(446,918)
Employee benefits expense	4(c)	(1,284,263)	(1,284,263)	(1,018,609)	(1,018,609)
Other expenses	4(d)	(1,330,016)	(1,326,622)	(1,174,714)	(1,174,714)
Loss on conversion of convertible notes		–	–	(1,133,365)	(1,133,365)
Share of profit of investment accounted for using the equity method	11	90,128	–	9,312	–
Loss before income tax expense		(7,154,310)	(7,241,044)	(5,479,559)	(5,488,871)
Income tax benefit	5	647,989	647,989	368,755	368,755
Net loss after tax attributable to members of AnaeCo Limited	21	(6,506,321)	(6,593,055)	(5,110,804)	(5,120,116)
Earnings per share for loss attributable to the ordinary equity holders of the Company	31				
Basic loss per share		(5.2) cents		(5.8) cents	
Diluted loss per share		(5.2) cents		(5.8) cents	

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2009

	Notes	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
ASSETS					
Current Assets					
Cash and cash equivalents	6	4,255,293	4,255,293	552,442	552,442
Trade and other receivables	7	704,902	708,096	838,754	838,751
Other	8	43,877	43,877	71,050	71,050
TOTAL CURRENT ASSETS		5,004,072	5,007,266	1,462,246	1,462,243
Non Current Assets					
Receivables	7	203,758	203,758	203,758	203,758
Property, plant and equipment	9	155,915	155,915	209,995	209,995
Intangible assets	10	944,396	944,396	950,012	950,012
Investments accounted for using the equity method	11	2,532,988	2,433,546	2,310,501	2,301,189
Investment in controlled entities	12	–	202	–	3
Other financial assets	13	–	–	1,000,000	1,000,000
TOTAL NON CURRENT ASSETS		3,837,057	3,737,817	4,674,266	4,664,957
TOTAL ASSETS		8,841,129	8,745,083	6,136,512	6,127,200
LIABILITIES					
Current liabilities					
Trade and other payables	14	1,353,166	1,353,166	751,377	751,377
Provision for loss on EPCM contract	15	2,001,000	2,001,000	1,633,604	1,633,604
Interest bearing loans and borrowings	16	526,440	526,440	23,274	23,274
Provisions	17	206,337	206,337	74,438	74,438
TOTAL CURRENT LIABILITIES		4,086,943	4,086,943	2,482,693	2,482,693
Non Current Liabilities					
Interest bearing loans and borrowings	16	30,269	30,269	47,922	47,922
Provisions	17	217,318	217,318	132,508	132,508
TOTAL NON CURRENT LIABILITIES		247,587	247,587	180,430	180,430
TOTAL LIABILITIES		4,334,530	4,334,530	2,663,123	2,663,123
NET ASSETS		4,506,599	4,410,553	3,473,389	3,464,077
Equity					
Contributed equity	18	22,859,067	22,859,067	15,352,876	15,352,876
Reserves	19	191,799	191,799	158,459	158,459
Accumulated losses	21	(18,544,267)	(18,640,313)	(12,037,946)	(12,047,258)
TOTAL EQUITY		4,506,599	4,410,553	3,473,389	3,464,077

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2009

	Notes	Consolidated 12 months June 30 2009 $	Company 12 months June 30 2009 $	Consolidated 12 months June 30 2008 $	Company 12 months June 30 2008 $
Cash flows from operating activities					
Receipts from customers		628,568	628,568	1,249,769	1,249,769
R & D Rebate received		733,203	733,203	–	–
Interest received	3	60,468	60,468	87,804	87,804
Payments to suppliers and employees		(6,260,864)	(6,260,664)	(3,546,892)	(3,546,892)
Interest paid		(16,898)	(16,898)	(122,732)	(122,732)
Net cash flows (used in) operating activities	22	(4,855,523)	(4,855,323)	(2,332,051)	(2,332,051)
Cash flows from investing activities					
Funds released from/ (placed on) term deposit	13	1,000,000	1,000,000	(1,000,000)	(1,000,000)
Purchases of property, plant and equipment	9	(11,430)	(11,430)	(153,034)	(153,034)
Purchase of investments	11	(132,356)	(132,556)	(2,101,190)	(2,101,190)
Net cash flows (used in) investing activities		856,214	856,014	(3,254,224)	(3,254,224)
Net cash flows from financing activities					
Proceeds from the issue of shares	18	7,798,014	7,798,014	5,006,241	5,006,241
Costs of capital raising	18	(573,779)	(573,779)	(452,300)	(452,300)
Proceeds from borrowings	16	500,000	500,000	2,222,196	2,222,196
Repayment of borrowings		(22,075)	(22,075)	(678,951)	(678,951)
Net cash flows from financing activities		7,702,160	7,702,160	6,097,186	6,097,186
Net increase / (decrease) in cash and cash equivalents		3,702,851	3,702,851	510,911	510,911
Cash and cash equivalents at beginning of period		552,442	552,442	41,531	41,531
Cash and cash equivalents at end of period	6	4,255,293	4,255,293	552,442	552,442

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2009

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
Total income and expense for the period recognised directly in equity				
Loss for the period	–	(6,506,321)	–	(6,506,321)
Total (expense) for the period	–	(6,506,321)	–	(6,506,321)
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

Company

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	(12,047,258)	158,459	3,464,077
Total income and expense for the period recognised directly in equity				
Loss for the period	–	(6,593,055)	–	(6,593,055)
Total (expense) for the period	–	(6,593,055)	–	(6,593,055)
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	(18,640,313)	191,799	4,410,553

Statement of Changes in Equity

for the year ended 30 June 2009

Consolidated

For the year ended 30 June 2008

	Issued capital $	Accumulated losses $	Employee benefits reserve $	Total equity $
At the beginning of the year	4,893,601	(6,927,142)	113,716	(1,919,825)
Total income and expense for the period recognised directly in equity	–	–	–	–
Loss for the period	–	(5,110,804)	–	(5,110,804)
Total (expense) for the period	–	(5,110,804)	–	(5,110,804)
Issue of share capital	11,032,744	–	–	11,032,744
Costs of capital raising	(573,469)	–	–	(573,469)
Share based payment	–	–	44,743	44,743
At the end of the year	15,352,876	(12,037,946)	158,459	3,473,389

Company

For the year ended 30 June 2008

	Issued capital $	Accumulated losses $	Employee benefits reserve $	Total equity $
At the beginning of the year	4,893,601	(6,927,142)	113,716	(1,919,825)
Total income and expense for the period recognised directly in equity	–	–	–	–
Loss for the period	–	(5,120,116)	–	(5,120,116)
Total (expense) for the period	–	(5,120,116)	–	(5,120,116)
Issue of share capital	11,032,744	–	–	11,032,744
Costs of capital raising	(573,469)	–	–	(573,469)
Share based payment	–	–	44,743	44,743
At the end of the year	15,352,876	(12,047,258)	158,459	3,464,077

Notes to the Financial Statements

1 Corporate Information

The financial report of AnaeCo Limited ("the Company") and its controlled entities ("the Group") for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009.

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 Income Statement, Cash Flow Statement and Statement of Changes in Equity of the Company and the Group for the year ended 30 June 2009 and the Balance Sheet of the Company and the Group at that date. Comparative figures are for the year ended 30 June 2008.

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.

The consolidated entity has net assets of $4,506,599 (previous period, $3,473,389) and incurred an operating loss after income tax of $6,506,321 (previous period, loss of $5,110,804) for the year ended 30 June 2009. The consolidated entity's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including;

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

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

Notes to the Financial Statements

(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.

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.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB Int. 15	Agreements for the Construction of Real Estate	This Interpretation requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	1 July 2009
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	1 July 2009

Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 *Operating Segments*. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 *Presentation of Financial Statements*.	1 January 2009	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	1 July 2009

Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	1 July 2009

Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre – and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 July 2009

Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	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. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	1 July 2009
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. The main amendment of relevance to Australian entities is that made to AASB 117 by removing 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 v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	1 July 2010

Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	1 July 2009
Amend-ments to Inter-national Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: • the scope of AASB 2; and • the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must 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. A "group" has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2—Group and Treasury Share Transactions*. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 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 balance sheet date.

Notes to the Financial Statements

(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 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 income statement on a straight line basis over the lease term.

Notes to the Financial Statements

(g) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 balance sheet 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.

Notes to the Financial Statements

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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet.

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.

Notes to the Financial Statements

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 accounted for using the equity method

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 balance sheet 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.

Notes to the Financial Statements

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 impairment losses.

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.	Not amortised, on the basis the Group is still in the process of performance testing the technology. Subjected to annual impairment review.
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. The amortisation method is reviewed at each financial year-end.

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 balance sheet 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 balance sheet 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

Notes to the Financial Statements

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.

Notes to the Financial Statements

(z) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

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

Impairment of non-financial assets

The Group assesses impairment of all 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 to be incurred to reach completion.

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.

Expenditure that may be eligible for Research & Development income tax concession rebate

For the past few years the Group has incurred expenditure which has qualified for the R & D tax concession rebate and this has resulted in a cash rebate being paid to the Company following assessment of the income tax return for the year. Based on this experience and the continuation of the qualifying project expenditure in the current year the Group has estimated that it will again qualify for the R & D tax concession rebate. On this basis the Group has included as a receivable an estimate of the amount of rebate which may be received following assessment of the 2009 income tax return which has yet to be finalised and lodged with the Australian Tax Office.

(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.

Notes to the Financial Statements

		Consolidated 12 months June 30 2009 $	Company 12 months June 30 2009 $	Consolidated 12 months June 30 2008 $	Company 12 months June 30 2008 $
3.	**Revenue**				
	EPCM services	270,000	270,000	1,480,000	1,480,000
	Interest income	60,468	60,468	87,804	87,804
	Other revenue	56,906	56,906	71,440	71,440
		387,374	387,374	1,639,244	1,639,244
4 (a)	**Depreciation and amortisation expense**				
	Depreciation of property, plant & equipment	65,510	65,510	44,644	44,644
	Amortisation of patents and licences	5,616	5,616	5,616	5,616
		71,126	71,126	50,260	50,260
4 (b)	**Finance costs**				
	Interest paid to other parties arising on finance leases and hire purchase contracts	3,133	3,133	6,367	6,367
	Interest expense on loans from related parties	7,587	7,587	9,525	9,525
	Interest expense on loans from others	6,177	6,177	8,109	8,109
	Interest expense on convertible notes	–	–	164,086	164,086
	Expense arising on issue of convertible notes	–	–	100,000	100,000
	Other finance costs	196,437	196,437	158,831	158,831
		213,335	213,335	446,918	446,918
4 (c)	**Employee benefits expense**				
	Wages and salaries	2,396,848	2,396,848	1,372,262	1,372,262
	Defined contribution superannuation plan expense	182,121	182,121	114,828	114,828
	Less labour costs allocated to EPCM projects	(1,583,204)	(1,583,204)	(647,440)	(647,440)
	Non-executive directors remuneration	169,639	169,639	134,216	134,216
	Share based payments expense	118,859	118,859	44,743	44,743
		1,284,263	1,284,263	1,018,609	1,018,609
4(d)	**Other expenses**				
	Premises and related expenses	299,633	299,633	226,835	226,835
	Consultants and professional advisors	475,206	475,206	278,830	278,830
	Travel	211,768	211,768	193,106	193,106
	Other overheads	343,409	340,015	475,943	475,943
		1,330,016	1,326,622	1,174,714	1,174,714
4(e)	**Project delivery costs**				
	Expenditure incurred on long term engineering contracts	2,732,072	2,732,072	1,670,645	1,670,645
	Provisions for costs to complete	2,001,000	2,001,000	1,633,604	1,633,604
		4,733,072	4,733,072	3,304,249	3,304,249

	Consolidated 12 months June 30 2009 $	Company 12 months June 30 2009 $	Consolidated 12 months June 30 2008 $	Company 12 months June 30 2008 $
5. Income Tax				
The major components of income tax expense are:				
Income statement				
Current income tax				
Current income tax (charge)/benefit	647,989	647,989	368,755	368,755
Deferred income tax				
Relating to origination and reversal of temporary differences	–	–	–	–
Income tax benefit as reported in the income statement	647,989	647,989	368,755	368,755
A reconciliation between tax benefit and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting loss before tax	(7,154,310)	(7,241,044)	(5,479,559)	(5,488,871)
At the statutory income tax rate of 30% (2008:30%)	2,146,293	2,172,313	1,643,868	1,646,661
Expenditure not allowable for income tax purposes	(38,636)	(38,636)	(402,886)	(402,886)
Income not assessable for income tax purposes	27,038	–	2,794	–
R & D tax concession rebate	647,989	647,989	368,755	368,755
Unrecognised tax losses	(2,134,695)	(2,133,677)	(1,243,776)	(1,243,775)
	647,989	647,989	368,755	368,755
Deferred income tax				
Deferred tax assets not recognised				
Unrecognised tax losses	3,381,128	3,381,128	1,809,755	1,809,755
Temporary differences	947,908	947,908	400,643	400,643
	4,329,036	4,329,036	2,210,398	2,210,398
Temporary differences comprises:				
Provision for completion of long term contract	600,300	600,300	490,081	490,081
Unamortised balance of business related expense deductions	355,916	355,916	95,335	95,335
Employee benefits provisions	127,096	127,096	62,084	62,084
Other	129,509	129,509	18,056	18,056
Intangibles – development expenditure	(264,913)	(264,913)	(264,913)	(264,913)
	947,908	947,908	400,643	400,643

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.

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for the year ended 30 June 2009

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
6. Cash and Cash Equivalents				
Cash at bank and in hand	4,255,293	4,255,293	552,442	552,442
7. Trade and Other Receivables				
Current				
Trade receivables	9,167	9,167	343,622	343,622
Loan receivable – DiCOM AWT Investment Trust	262,923	262,923	–	–
Loans receivables – controlled entities	–	3,194	–	–
Other receivables	151,562	151,562	94,700	94,697
Security deposit	–	–	33,300	33,300
Income tax refund	281,250	281,250	367,132	367,132
	704,902	708,096	838,754	838,751

Trade receivables at 30 June 2009 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

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
Loan receivable – DiCOM AWT Investment Trust	203,758	203,758	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.

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
8. Other Assets (Current)				
Prepayments	43,877	43,877	71,050	71,050
9. Property, Plant and Equipment				
Property, plant and equipment at cost	535,894	535,894	524,464	524,464
Less accumulated depreciation	(423,283)	(423,283)	(375,648)	(375,648)
	112,611	112,611	148,816	148,816
Property, plant and equipment purchased under hire purchase or finance lease	69,699	69,699	69,699	69,699
Less accumulated depreciation	(26,395)	(26,395)	(8,520)	(8,520)
	43,304	43,304	61,179	61,179
Total Property, plant and equipment at cost	605,593	605,593	594,163	594,163
Less accumulated depreciation	(449,678)	(449,678)	(384,168)	(384,168)
	155,915	155,915	209,995	209,995
Net carrying amount of property, plant and equipment	155,915	155,915	209,995	209,995

Notes to the Financial Statements

for the year ended 30 June 2009

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
9. Property, Plant and Equipment (continued)				
Movements in carrying values during the year:				
Property, plant and equipment				
Balance at 1 July 2008	209,995	209,995	101,605	101,605
Additions	11,430	11,430	153,034	153,034
Disposals	–	–	–	–
Depreciation expense	(65,510)	(65,510)	(44,644)	(44,644)
Net carrying amount at 30 June 2009	155,915	155,915	209,995	209,995

Refer to note 16 for details of encumbrances over property, plant and equipment being purchased under finance lease of hire purchase.

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
10. Intangibles				
Reconciliation of carrying amounts:				
Development expenditure (i)				
At beginning of period	883,043	883,043	883,043	883,043
Capitalised during the period	–	–	–	–
At end of period	883,043	883,043	883,043	883,043
Patents and trademarks				
At beginning of period, net of accumulated amortisation	66,969	66,969	72,585	72,585
Amortisation	(5,616)	(5,616)	(5,616)	(5,616)
At end of period, net of accumulated amortisation	61,353	61,353	66,969	66,969
Total intangibles at end of the period at net carrying amount	944,396	944,396	950,012	950,012
At cost (gross carrying amount)				
Development expenditure	883,043	883,043	883,043	883,043
Patents and trademarks,	101,143	101,143	101,143	101,143
Accumulated amortisation	(39,790)	(39,790)	(34,174)	(34,174)
Net carrying amount	944,396	944,396	950,012	950,012

(i) This intangible asset represents that portion of expenditure incurred in development of the Group's DiCOM waste management technology in prior years, which management considered 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. In this context 'significant progress with commercialisation' includes; (1) completing construction and commissioning of the Stage 1 DiCOM facility at the WMRC project, (2) progressing with performance trials at the WMRC project which is part of the process for proceeding to Stage 2, (3) the DiCOM System being selected as the successful tenderer by the Barwon Regional Waste Management Group for a waste project in Geelong, Victoria, and (4) other emerging interest from other potential users of the technology.

Further, the Group has made an assessment that subject to the commencement of new project activity (specifically WMRC Stage 2 and Barwon) by early in calendar year 2010 and the settling of commercial terms in line with management's expectation, it is possible that the Group may be generating positive cash flow from operating activities within 12 months form the date of this financial report. The Group would consider this to be successful demonstration of commercialisation of the technology, and therefore supports a conclusion that there has been no impairment event and no requirement to adjust the carrying amount of development expenditure.

Notes to the Financial Statements

for the year ended 30 June 2009

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
11. Investment accounted for using the equity method				
Units in DiCOM AWT Investment Trust, at cost	2,409,490	2,409,490	2,278,177	2,278,177
Share of net result	102,408	–	8,698	–
Carrying value of investment accounted for using the equity method	2,511,898	2,409,490	2,286,875	2,278,177
Shares in DiCOM AWT Operations Pty Ltd, at cost	24,056	24,056	23,012	23,012
Share of net result	(2,966)	–	614	–
Carrying value of investment accounted for using the equity method	21,090	24,056	23,626	23,012
Total investments accounted for using the equity method	2,532,988	2,433,546	2,310,501	2,301,189

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%	20%

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.

The reduction in ownership interest during the year did not result in a material loss to the Group.

	Consolidated June 30 2009 $	Consolidated June 30 2008 $
Movement in carrying value of investment account for using the equity method		
Balance at 1 July 2008	2,310,501	2
Increased investment at cost	132,359	2,301,187
Share of net result for current year	90,128	9,312
Balance at 30 June 2009	2,532,988	2,310,501

Notes to the Financial Statements

for the year ended 30 June 2009

	Consolidated June 30 2009 $	Consolidated June 30 2008 $

11. Investment accounted for using the equity method (continued)

Summarised financial information

The following table illustrates summarised financial information relating to the Group's investments accounted for using the equity method

	Consolidated June 30 2009 $	Consolidated June 30 2008 $
Extract from balance sheets of investments accounted for using the equity method		
Current assets	414,605	884,384
Non-current assets	15,845,586	12,741,293
	16,260,191	13,625,677
Current liabilities	(807,302)	(1,869,411)
Non-current liabilities	(203,758)	(203,758)
	(1,011,060)	(2,073,169)
Net assets	15,249,131	11,552,508
Share of net assets of investments accounted for using the equity method	2,500,857	2,310,502
Extract from income statements of investments accounted for using the equity method		
Revenue	919,969	1,538,641
Net profit	398,267	46,562

12. Investment in controlled entities

	Company June 30 2009 equity interest %	Company June 30 2009 cost $	Company June 30 2008 equity interest %	Company June 30 2008 cost $
Brockway DiCOM Facility Pty Ltd (incorporated in Australia)	100	1	100	1
AnaeCo UK Ltd (incorporated in United Kingdom)	100	200	100	1
AnaeCo Inc. (incorporated in United States)	100	1	100	1
		202		3

13. Other Financial Assets

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
Term Deposit	–	–	1,000,000	1,000,000

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
14. Trade and Other Payables				
Trade payables	892,987	892,987	521,058	521,058
Other payables and accrued expenses	460,179	460,179	230,319	230,319
	1,353,166	1,353,166	751,377	751,377

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 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
15. Provision for loss on EPCM contract				
Provision for costs to complete	2,001,000	2,001,000	1,633,604	1,633,604
Movement in provision for costs to complete				
At beginning of period	1,633,604	1,633,604	–	–
Provision arising in the period	367,396	367,396	1,633,604	1,633,604
At the end of the period	2,001,000	2,001,000	1,633,604	1,633,604

The provision for costs to complete at 30 June 2009 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 re-assessment of the completion date for this contract.

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
Additional disclosures for contracts in progress at balance date				
Aggregate costs incurred to date	7,960,528	7,960,528	3,247,872	3,247,872
Less losses recognised	(6,210,528)	(6,210,528)	(1,767,872)	(1,767,872)
	1,750,000	1,750,000	1,480,000	1,480,000
Progress billings	(1,750,000)	(1,750,000)	(1,480,000)	(1,480,000)
	–	–	–	–
16. Interest Bearing Loans and Borrowings				
Current				
Loans from related parties (refer note 25(c))	507,588	507,588	–	–
Hire purchase liabilities (i)	18,852	18,852	23,274	23,274
	526,440	526,440	23,274	23,274
Non Current				
Hire purchase liabilities (i)	30,269	30,269	47,922	47,922

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

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
17. Provisions (Current and Non Current)				
(Current)				
Employee benefits – annual leave	206,337	206,337	74,438	74,438
(Non Current)				
Employee benefits – long service leave	217,318	217,318	132,508	132,508
Number of employees at reporting date	18	18	16	16

	Company June 30 2009 $	Company June 30 2008 $

18. Contributed Equity

Issued Capital

	Company June 30 2009 $	Company June 30 2008 $
156,911,293 (2008 ; 109,700,515) fully paid ordinary shares	23,809,878	15,926,345
Costs of capital raising	(950,811)	(573,469)
	22,859,067	15,352,876

	Date	2009 Shares	2009 $	2008 Shares	2008 $
Movements in issued capital					
Ordinary fully paid shares					
Balance at 1 July 2007				115,615,999	4,893,601
Share issue	July '07			1,250,000	125
Entitlements issue	Aug '07			1,337,411,180	2,006,117
Entitlements issue – underwriter shares	Aug '07			20,000,000	30,000
Consolidation of capital	Aug '07			(1,400,562,671)	–
Share issue – IPO	Jan '08			12,000,000	3,000,000
Share issue – IPO underwriter shares	Jan '08			1,000,000	250,000
Conversion of underwriter convertible note	Jan '08			8,081,534	2,020,384
Conversion of convertible notes	Jan '08			14,904,473	3,726,118
Balance at 1 July 2008		109,700,515	15,926,345	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		156,911,293	23,809,878		

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.

Notes to the Financial Statements

for the year ended 30 June 2009

18. Contributed Equity (continued)

Converting Shares

	2009 No of Shares	2009 $	2008 No of Shares	2008 $
Movements in converting shares				
Balance at beginning of the financial period	200,000	–	4,000,000	–
Consolidation of capital (August 2007)	–	–	(3,800,000)	–
Lapsed upon expiry (30 Sept 2008)	(200,000)	–	–	–
Closing balance at the end of financial period	–	–	200,000	–

Share Options

As at 30 June 2009 details of share options on issue is as follows;

Class	Number	Expiry	Exercise price
Class A quoted	13,737,832	31 May 2010	$0.50
Class B quoted	13,737,832	31 May 2012	$1.00
Unquoted director and employee incentive options	11,000,000	31 December 2011	$0.25

	Class A Quoted		Class B Unquoted	
	2009 No of Options	2008 No of Options	2009 No of Options	2008 No of Options
Movements in share options				
Balance at beginning of the financial period	13,737,841	–	13,737,841	–
Granted in bonus issue to shareholders, 29 May 2008	–	13,737,841	–	13,737,841
Exercised	(9)	–	(9)	–
Closing balance at the end of financial period	13,737,832	13,737,841	13,737,832	13,737,841

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

18. Contributed Equity (continued)

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 2009 $	Group June 30 2008 $
Total borrowings	556,709	71,196
Less cash and cash equivalents (to the extent required to cover borrowings)	(556,709)	(71,196)
Net debt	–	–
Total equity	4,225,349	3,473,389
Total capital	4,225,349	3,473,389
Gearing ratio	0%	0%

	Consolidated June 30 2009 $	Company June 30 2009 $	Consolidated June 30 2008 $	Company June 30 2008 $
19. Reserves				
Employee equity benefits reserve	191,799	191,799	158,459	158,459

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

Employee equity benefits reserve				
Balance at beginning of period	158,459	158,459	113,716	113,716
Director and employee incentive option grants – vesting expense for period	233,340	233,340	44,743	44,743
Expiry of converting shares	(200,000)	(200,000)		
Balance at end of the period	191,799	191,799	158,459	158,459

20. Share based payments

During the year the Group granted incentive options to directors and employees on three occasions. All of these incentive options have the same terms and conditions which are explained in note 18 and in the Remuneration Report.

Each 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.

Notes to the Financial Statements

for the year ended 30 June 2009

20. Share based payments (continued)

A summary of the key assumptions used in applying the Monte Carlo model to each grant of options, the total value of options granted in the 2009 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)
1 September 2008	$0.10	$0.25	78%	5.63%	3.3
16 April 2009	$0.28	$0.25	63%	3.57%	2.7
25 June 2009	$0.30	$0.25	63%	4.83%	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 $
1 September 2008 (1,050,000 subsequently lapsed)	9,850,000	248,300
16 April 2009	700,000	57,960
25 June 2009	1,500,000	139,200
		445,460

Summary of accounting treatment

Year in which vesting and therefore expense occurs	Value of benefit expensed in income statement
30 June 2009	191,799
30 June 2010	211,769
30 June 2011	41,892
Total	445,460

The weighted average remaining contractual life for the share options outstanding at 30 June 2009 is 2.5 years.

There is no range of exercise prices. All share options outstanding at 30 June 2009 are exercisable at $0.25.

The weighted average fair value of options granted during the year was $0.047 per option.

Notes to the Financial Statements

for the year ended 30 June 2009

	Consolidated 12 months June 30 2009 $	Company 12 months June 30 2009 $	Consolidated 12 months June 30 2008 $	Company 12 months June 30 June 30 $
21. Accumulated Losses				
Opening balance	(12,037,946)	(12,047,258)	(6,927,142)	(6,927,142)
Current year loss attributable to members of the parent entity	(6,506,321)	(6,593,055)	(5,110,804)	(5,120,116)
Closing balance	(18,544,267)	(18,640,313)	(12,037,946)	(12,047,258)
22. Reconciliation of the loss to the net cash flows from operations				
Loss after tax	(6,506,321)	(6,593,055)	(5,110,804)	(5,120,116)
Non-cash items:				
Discount on conversion of convertible notes	–	–	1,133,365	1,133,365
Depreciation and amortisation	71,126	71,126	50,260	50,260
Interest expense and finance costs not paid in cash	–	–	165,355	165,355
Share based payment expenses	33,340	33,340	44,743	44,743
Accrual for employee bonus shares issued after year end	85,519	85,519	–	–
Tax refund receivable after year end	(281,250)	(281,250)	(368,755)	(368,755)
Provision for costs to complete on EPCM contract	367,396	367,396	1,633,604	1,633,604
Share of associated entities' net results	(90,128)	–	(9,312)	–
Capital raising expenses classified as cash flows of financing activities	196,437	196,437	158,831	158,831
Changes in net assets and liabilities:				
(Increase)/decrease in trade and other receivables	415,099	411,905	(384,376)	(384,376)
(Increase)/decrease in prepayments	27,173	27,173	(58,230)	(58,230)
Increase/(decrease) in trade and other payables	609,377	609,377	246,196	246,196
Movement in provision for employee benefits	216,709	216,709	167,072	167,072
Net cash flow (used in) operating activities	(4,855,523)	(4,855,323)	(2,332,051)	(2,332,051)

Notes to the Financial Statements

for the year ended 30 June 2009

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. There are no restrictions placed upon the lessee by entering into these leases.

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

	Company and consolidated June 30 2009 $	Company and consolidated June 30 2008 $
Within one year	140,537	116,024
After one year but not more than five years	130,544	94,175
After more than five years	–	–
	271,080	210,199

Hire purchase and finance lease commitments

The Group has hire purchase and finance lease contracts for plant and equipment, with a carrying value of $43,304. The contracts expire within 1 to 4 years. The fair value of hire purchase and finance lease contracts approximate their carrying amount.

Future payments under hire purchase agreements at balance date are:

	Company and consolidated June 30 2009 $	Company and consolidated June 30 2008 $
Within one year	21,985	24,564
After one year but not more than five years	32,097	57,950
After more than five years	–	–
Total repayments	54,082	82,514
Less future finance charges	(4,961)	(11,318)
Present value of minimum payments	49,121	71,196

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. Pursuant to the EPCM Agreement AnaeCo will receive fees for these services amounting to $1,750,000 for Stage 1 and $1,000,000 for Stage 2. 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 2009

24. Key Management Personnel Disclosures

(a) Compensation for Key Management Personnel

	Company and consolidated June 30 2009 $	Company and consolidated June 30 2008 $
Short term employee benefits	737,152	673,274
Long term employee benefits (LSL)	32,304	24,864
Post-employment benefits	117,330	53,480
Share based payment	(57,258)	44,743
Total compensation	829,528	796,361

(b) Option holdings of Key Management Personnel

i) Quoted options Class A

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 2009

24. Key Management Personnel Disclosures (continued)

30 June 2008	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other [1]	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2007				30 June 2008			
Non-executives								
Jerome Rowley	–	–	–	229,900	229,900	229,900	229,900	–
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	–	–	–	2,297,771	2,297,771	2,297,771	2,297,771	–

[1] In 2008 'net change other' relates to the Bonus Issue of options granted to all shareholders on 29 May 2008.

ii) Quoted options Class B

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 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

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for the year ended 30 June 2009

24. Key Management Personnel Disclosures (continued)

30 June 2008	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other [1]	Balance at end of period	Total	Exercisable	Not exercisable
	1 July 2007				30 June 2008			
Non-executives								
Jerome Rowley	–	–	–	229,900	229,900	229,900	229,900	–
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	–	–	–	2,297,771	2,297,771	2,297,771	2,297,771	–

(1) In 2008 'net change other' relates to the Bonus Issue of options granted to all shareholders on 29 May 2008.

iii) Incentive Options

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	–	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

Prof. Dureau, Mr Rowley and the executives were granted options on 1 September 2008. Mr Capelli and Mr Campbell were granted options on 25 June 2009. Details of these are provided in the Remuneration Report. The options granted to Mr Rowley lapsed 30 days after his resignation on 30 April 2009.

24. Key Management Personnel Disclosures (continued)

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 2008 (31 December 2009 for Mr Capelli and Mr Campbell).
- 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.

(c) Shareholdings of Key Management Personnel

iv) Ordinary shares

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.

Notes to the Financial Statements

for the year ended 30 June 2009

24. Key Management Personnel Disclosure (continued)

30 June 2008	Balance at beginning of period*	Granted as remuneration	Options exercised	Net change other	Balance at end of period
	1 July 2007				30 June 2008
Non-executives					
Jerome Rowley	20,000	–	–	1,719,193	1,739,193
Michael Dureau	–	–	–	1,666,667	1,666,667
Executives					
Thomas Rudas	–	–	–	–	–
Richard Rudas	1,020,540	–	–	12,204,547	13,225,087
David Lymburn	34,744	–	–	1,516,445	1,551,189
Total	1,075,284	–	–	17,106,852	18,182,136

Consolidation of shares: 2008 financial year

* On 22 August 2007 there was a consolidation of capital on the basis of one new share for each 20 shares held. In order to assist the presentation of the movements in ordinary shareholdings and converting shares, and to make comparison with the previous year more meaningful, all ordinary shareholding balances, converting share balances and movements prior to that date have been adjusted to their post consolidation equivalent.

v) Converting shares

The converting shares represent a separate class of shares and were issued only to the non-executive directors Mr Rowley and Prof. Dureau in consideration for them joining the Board in August 2005. These converting shares lapsed on 30 September 2008.

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					
Jerome Rowley	100,000	–	–	(100,000)	–
Michael Dureau	100,000	–	–	(100,000)	–
Total	200,000	–	–	(200,000)	–

30 June 2008	Balance at beginning of period*	Granted as remuneration	Options exercised	Net change other	Balance at end of period
	1 July 2007				30 June 2008
Non–executives					
Jerome Rowley	100,000	–	–	–	100,000
Michael Dureau	100,000	–	–	–	100,000
Total	200,000	–	–	–	200,000

(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 2009

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

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

(c) Loans from directors

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

(d) Controlled entities

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

(e) Entities accounted for using the equity method

Details of entities accounted for using the equity method 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 the 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 of which $1,480,000 was invoiced in the previous period and $270,000 in the current period.
- 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 nearing and is scheduled to be repaid upon bank test completion of the WMRC Project.
- 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.

26. Segment Reporting

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

27. Remuneration of Auditors

	Company and Consolidated 2009 $	Company and Consolidated 2008 $
Amounts paid or due and payable to the auditors of the parent Company for:		
Audit services, including half year audit review services	67,821	68,011
Other assurance and tax services	7,000	44,723
	74,821	112,734

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 2009.

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

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposure to credit risk at reporting date in relation to each class of financial asset is limited to the carrying amount of those assets as indicated in the Balance Sheet. 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 2009 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 2009 $	Company and Consolidated 2008 $
Within one year	1,882,739	775,941
One year or later and no later than five years	32,097	57,950
Later than five years	-	-
	1,914,836	833,891

The provision for loss on the EPCM contract of $2,001,000 (2008: $1,633,604) has not been included in the contractual maturity analysis. This provision is expected to be utilised over the next six months.

Notes to the Financial Statements

for the year ended 30 June 2009

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 2009	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	3.1%	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

Consolidated 30 June 2008	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	4.5%	552,442	–	–	–	552,442
Term deposit	6.1%	–	1,000,000	–	–	1,000,000
Trade and other receivables		–	–	–	838,751	838,751
Receivables – Non current		–	–	–	203,758	203,758
Total Financial Assets		552,442	1,000,000	–	1,042,509	2,594,951
Financial Liabilities						
Payables		–	–	–	751,377	751,377
Interest bearing liabilities	12.0%	–	23,274	47,922	–	71,196
Total Financial Liabilities		–	23,274	47,922	751,377	822,573
Net Financial Assets (30 June 2008)		552,442	976,726	(47,922)	291,132	1,772,378

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 2009 and 2008.

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

Consolidated 30 June 2009	Carrying amount	Interest rate risk -1%		Interest rate risk +1%	
		Profit	Equity	Profit	Equity
	$	$	$	$	$
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

Consolidated 30 June 2008	Carrying amount	Interest rate risk -1%		Interest rate risk +1%	
		Profit	Equity	Profit	Equity
	$	$	$	$	$
Financial Assets					
Cash	552,442	(5,524)	(5,524)	5,524	5,524
Term deposit	1,000,000	(10,000)	(10,000)	10,000	10,000
Trade and other receivables	838,751	-	-	-	-
Receivables – Non current	203,758	-	-	-	-
Financial Liabilities					
Payables	751,377	-	-	-	-
Interest bearing liabilities	71,196	712	712	(712)	(712)
Total increase/ (decrease)		(14,812)	(14,812)	14,812	14,812

(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 1.

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 31 August 2009 the Company issued 358,821 fully paid ordinary shares to employees under its employee loyalty bonus scheme.

Notes to the Financial Statements

for the year ended 30 June 2009

30. Dividends

No dividends have been paid or declared during the year.

31. Earnings per share

	Company and consolidated 12 months June 30 2009	Company and consolidated 12 months June 30 2008
Basic earnings/(loss) per share (cents)	(5.6) cents	(5.8) cents
Weighted average number of shares used in the calculation of basic earnings per share	123,900,610	88,041,280
Diluted earnings/(loss) per share (cents)	(5.2) cents	(5.8) cents
Securities on issue at balance date which are potentially dilutive to earnings per share		
	Number	Number
Quoted class A options	13,737,832	13,737,841
Quoted class B options	13,737,832	13,737,841
Unquoted director and employee options	11,000,000	-
Converting shares	-	200,000
Total potentially dilutive securities	38,475,664	27,675,682
Earnings (loss) used in determination of basic and diluted earnings per share	(6,506,321)	(5,110,804)

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.

358,821 shares have been issued in the period subsequent to 30 June 2009 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 2009 and of their performance for the year ended on that date; and
        ii. complying with Accounting Standards and Corporations Regulations 2001; and
    b. 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 2009.

On behalf of the Board

Michael Dureau
Chairman

Perth, 30 September 2009

Independent Auditor's Report

for the year ended 30 June 2009

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Independent audit 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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement 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.

Independent Auditor's Report

for the year ended 30 June 2009

ERNST & YOUNG

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 financial position of AnaeCo Limited and the consolidated entity at 30 June 2009 and of their 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 6 to 11 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the Corporations Act 2001.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2(a) to the financial report, there is significant uncertainty whether the company and the consolidated entity will be able to continue as a going concerns and therefore whether they will pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any 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 company and the consolidated entity not continue as going concerns.

Ernst + Young

Ernst & Young

P McIver

Partner

30 September 2009

PM:MB:ANAECO:019

Additional information required by ASX Listing Rule 4.10

for the year ended 30 June 2009

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 28 September 2009.

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

Class of security	Number of holders	Voting rights
Ordinary shares	1,165	Voting – one vote per share
Quoted options Class A	936	Non-voting
Quoted options Class B	936	Non-voting
Unquoted incentive options	18	Non-voting

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

Range of shares	Ordinary shares	Class A options	Class B options	Unquoted options
1 – 1,000	132	436	437	–
1,001 – 5,000	206	280	282	–
5,001 – 10,000	221	67	65	–
10,001 – 100,000	420	121	120	–
100,001 and over	186	32	32	18
Total	**1,165**	**936**	**936**	**18**

The number of holders holding less than a marketable parcel of ordinary shares at 28 September 2009 was 204.

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	6.70
M R Technology Pty Ltd <Rudas Family a/c>	7,145,908	4.54
Flourish Holdings Pty Ltd <Capelli Family a/c>	6,443,543	4.10
M R Technology Pty Ltd <Rudas Super Fund>	5,664,813	3.60
National Nominees Limited	5,194,536	3.30
Ian Lindsay Campbell	3,846,155	2.45
Alcardo Investments Limited	3,765,279	2.39
ORT Limited	3,600,000	2.29
Martin Place Securities Staff Superannuation Fund Pty Ltd	3,341,266	2.12
Janet Lee Holmes A Court	3,312,836	2.11
Flourish Holdings Pty Ltd <Capelli Super Fund>	3,199,609	2.03
Janusz Krzysztof Fulara	2,858,298	1.82
Jerzy Przemyslaw Sawicki	2,133,582	1.36
Biagio Secola & Priscilla May Secola	2,057,380	1.31
Darryl John Butcher	2,011,166	1.28
Rasmus Pedersen	1,988,753	1.26
Jerome Reginald Rowley	1,709,193	1.09
Suzanne Knowles	1,703,810	1.08
Michael Dureau	1,666,667	1.06
Alan Jonathon Berrick	1,660,000	1.06
Total	**73,832,794**	**46.95**

Additional information required by ASX Listing Rule 4.10

for the year ended 30 June 2009

Top 20 holders of class A options

Name	Options	% interest
ORT 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
Janet Lee Holmes A Court	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
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
Andrew Chivers	162,933	1.19
Total	**7,589,118**	**55.24**

Additional information required by ASX Listing Rule 4.10

for the year ended 30 June 2009

Top 20 holders of class B options

Name	Options	% interest
ORT 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
Janet Lee Holmes A Court	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
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
Andrew Chivers	162,933	1.19
Total	**7,589,118**	**55.24**

The number and class of restricted securities and the date that the escrow period ends are as follows.

Class of security	Number of restricted securities	Expiry of restriction period
Ordinary shares	22,838,924	13 February 2010
Class A options	2,879,869	13 February 2010
Class B options	2,879,869	13 February 2010

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	11,000,000	18

There is no current on market buy-back

The Company confirms that it has used its cash and liquid assets it had at the time of admission to trading on ASX (13 February 2008) in a way that is consistent with its business objectives.

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