

AnaeCo Limited

PRELIMINARY FINAL REPORT 2016 ASX Listing Rule 4E

For year ended 30 June 2016

Results for announcement to the market - AUDITED

			Year ended 30/06/2016 \$'000
Financial Results			
Revenue from ordinary activities	Increase/(decrease)	- %	-
Loss from ordinary activities after tax attributable to members	decrease	6%	(7,320)
Net loss for the period attributable to members	decrease	6%	(7,320)

Dividends	
The company will not be declaring a dividend in respect of the results for the year ended 30 June 2016.	
Record date for determining entitlements to 2016 dividends	N/A

Net Tangible Asset Backing	30 June 2016	30 June 2015
Net tangible asset backing per ordinary security	(0.59) cents	(0.36) cents

COMMENTARY ON RESULTS

The net loss after income tax of the Group for the financial year was \$7,320,378 (2015: loss \$7,807,993).

Review of Operations

Operating Activities

The principal focus during this financial year was completion of the Group's deliverables on the WMRC Project. This project involved the construction of a plant to process 55,000 tpa of municipal solid waste (MSW) for the Western Metropolitan Regional Council (WMRC) and the City of Stirling using the Group's proprietary AnaeCo™ System. This project was developed by Palisade Investment Partners Limited's (Palisade) Regional Infrastructure Fund. The Design & Construct services were delivered jointly by AnaeCo Ltd and Monadelphous Group Limited (Monadelphous), with AnaeCo responsible for design and commissioning and Monadelphous responsible for construction and procurement. All work under the Design & Construct contract was completed and the project was handed over to the client in April 2016.

As the prototype demonstration of the AnaeCo™ System the WMRC Project encountered over-runs in time and cost which have been reported in previous years. The financial impact of these overruns has been material and has significantly affected the Group's financial position, as explained in more detail below.

Consequently, maintaining the support of shareholders, lenders and creditors has been a continuing focus for management throughout the year. Securing new financial and commercial resources has been the primary objective for the Board and management this year and we are very pleased to report a successful outcome with the transaction executed after balance date by which Xiaoqing Environmental Protection Technology Co Ltd (XEPT) will become a 55.0% controlling shareholder by purchasing, then converting to equity, part of the loan owed by AnaeCo Ltd to Monadelphous. Monadelphous will also convert part of the remaining loan to equity on the same terms. These transactions, collectively described for the purposes of this report as the "XEPT transaction" have been developed over many months having been first notified to the market in September 2015 and are subject to AnaeCo Limited shareholder approval. Further details of the XEPT transaction are provided in this report under Significant Events After Balance Date. This transaction, in conjunction with the recent completion of the WMRC Project, is the start of the next phase of growth for AnaeCo and positions the Group to capture the value created through the Intellectual Property developed to date.

Intellectual Property

A substantial body of intellectual property (IP) has been created over 15 years in developing the AnaeCo™ System and it has been part of the Company's long term strategy to protect this IP using patent registration. Currently we have fourteen inventions protected by patents, or 'patent families'.

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

Through 2012 to 2015 a further twelve patentable inventions were recorded and are progressing through the Australian patent system and also the PCT (Patent Co-operation Treaty) system. Once the PCT application process is completed our strategy is to apply for national patent registration across a matrix of individual countries.

Summary of patents at various stages:

- | | |
|---|----------------------|
| • PCT application under examination: | 3 |
| • National patent applications for registration: | 49 |
| • National patents granted: | 35 (12 in Australia) |
| • Total national and international patents and patent applications: | 87 |

Review of Financial Position

The Group's financial position at 30 June 2016 is cash on hand of \$610,885 and net current liabilities of \$15,346,966. Net liabilities at 30 June 2016 are \$12,712,656.

Key factors affecting the financial position in the 2016 financial period have been:

- expenditure incurred in completing the Group's deliverables on the Design & Construct Contract for the WMRC Project;
- completing and handing over the WMRC Project to the client in April 2016;
- receiving a R&D Tax Incentive refund of \$4,448,110 for eligible expenditure incurred in 2015;
- the expected receipt of a R&D Tax Incentive refund of \$5,626,783 for eligible expenditure incurred in 2016; and
- an increase in interest bearing borrowings with Monadelphous Group Limited during the year of \$7,575,020 to an amount at 30 June 2016 totalling \$16,156,393 (including \$1,956,393 interest). Terms of the borrowings from Monadelphous include the option for repayment of the loan by the issue of fully paid ordinary shares in AnaeCo Limited. Such a debt for equity conversion is subject to shareholder approval in accordance with ASX Listing Rules and the Corporations Law.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

- On 4 August 2016 AnaeCo Limited executed two agreements:
 1. “Loan Agreement Amendment and Restatement Deed”, with Monadelphous Group Limited; and
 2. “Tripartite Deed of Sale and Co-operation AnaeCo Loan”, with Monadelphous Group Limited as the Seller and Xiaoqing Environmental Protection Technology Co Ltd (XEPT) as the Buyer.
- The purpose of these agreements is to amend and restate all previous loan agreements and funding arrangements with Monadelphous Group Limited into a single agreement, and to enable XEPT to purchase a portion of the outstanding loan balance from Monadelphous, and for both XEPT and Monadelphous to convert the outstanding loan balances into equity (“the XEPT transaction”). The debt to equity conversion mechanism from the previous loan agreements is carried over to the Amended and Restated Loan Agreement.
- Key terms of the sale by Monadelphous as Seller and XEPT as Buyer are:
 - Monadelphous will assign its right and entitlement to the purchased loan amount to XEPT at completion for consideration of payment by XEPT to Monadelphous of \$11,500,000;
 - at Completion AnaeCo shall issue 4,151,515,217 shares to Monadelphous in satisfaction of the repayment of the retained loan amount (up to a maximum of \$5,729,091). This will result in Monadelphous having total voting power in the Company of 30.0% (when aggregated with Monadelphous’ existing holding) on a fully diluted basis post Completion;
 - Monadelphous shall forgive and discharge the Company from repaying any amount of the retained loan amount exceeding \$5,729,091; and
 - at Completion, AnaeCo shall issue 8,333,333,333 Shares to XEPT in satisfaction of the repayment of the purchased loan amount (\$11,500,000). This will result in XEPT having total voting power in the Company of 55.0% on a fully diluted basis post Completion.
 - The share issue price for both the XEPT and Monadelphous debt to equity conversions is \$0.00138 per share.
- Other key terms of the Tripartite Deed affecting AnaeCo are:
 - Monadelphous shall ensure that at Completion, AnaeCo has a minimum cash balance of \$1,500,000 (after accounting for all current and non-current liabilities of the AnaeCo). To this end, at Completion, AnaeCo shall be deemed to have drawn down an advance under the loan agreement sufficient to result in it having the minimum cash balance, and this draw down shall be deemed to form part of the loan;
 - At Completion, Monadelphous shall refund to the Company an amount equal to 50% of the proceeds of the 2014/2015 Research and Development Claim (approximately \$2,200,000) which was paid by AnaeCo to Monadelphous as a loan repayment in November 2015; and
 - At Completion, as consideration for Monadelphous agreeing to forgive any outstanding loan balance greater than the sum of the purchased loan (\$11,500,000) and the retained loan (\$5,729,091), AnaeCo shall pay to Monadelphous an amount equal to, 85% of the first \$4,000,000 of R&D Tax Incentive cash refund received by AnaeCo for the 2016 income tax year, and 70% of the amount of such R&D cash refund in excess of \$4,000,000.
- Therefore, at Completion which is estimated to occur in November 2016 AnaeCo should:
 - be debt free;
 - have a minimum of \$4,800,000 in liquid assets comprising \$3,700,000 in free cash, plus a net receivable arising from the 2016 R&D Tax Incentive cash refund approximating \$1,100,000; and
 - have issued 12,484,848,550 new shares representing 82.4% of the expanded share capital.

The issue of new shares to XEPT and Monadelphous for the debt to equity conversion to implement the transactions described above requires prior approval of AnaeCo shareholders. AnaeCo will soon dispatch a Notice of Extraordinary General Meeting to its shareholders to convene a shareholder meeting. At this meeting, the relevant resolutions requiring approval to implement the XEPT transaction will be put to shareholders for voting.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	June 30 2016 \$	June 30 2015 \$
Revenue	3(a)	12,331	21,500
Other income	3(b)	5,626,783	4,448,110
Project delivery costs	4(a)	(7,677,251)	(7,905,307)
Technology development expense	4(b)	(340,805)	(109,690)
Depreciation and amortisation expense	4(c)	(904,166)	(922,675)
Finance costs	4(d)	(1,379,936)	(511,044)
Employee benefits expense	4(e)	(1,231,939)	(1,210,746)
Other expenses	4(f)	(1,425,395)	(1,618,141)
Loss before income tax expense		(7,320,378)	(7,807,993)
Income tax (expense)/benefit	5	-	-
Net loss after tax attributable to members of AnaeCo Limited and total comprehensive expense for the period		(7,320,378)	(7,807,993)
Loss per share attributable to the ordinary equity holders of the Company	28		
Basic loss per share		(0.3) cents	(0.3) cents
Diluted loss per share		(0.3) cents	(0.3) cents

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	June 30 2016 \$	June 30 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	610,885	728,725
Trade and other receivables	7	6,191,521	4,578,779
Other	8	4,582	4,582
TOTAL CURRENT ASSETS		6,806,988	5,312,086
Non Current Assets			
Property, plant and equipment	9	9,426	34,592
Intangible assets	10	2,948,890	3,820,622
TOTAL NON CURRENT ASSETS		2,958,316	3,855,214
TOTAL ASSETS		9,765,304	9,167,300
LIABILITIES			
Current liabilities			
Trade and other payables	13	5,788,434	1,205,162
Provision for loss on engineering services contract	14	-	4,338,951
Interest bearing loans and borrowings	15	16,156,393	8,581,373
Provisions	16	209,127	332,547
TOTAL CURRENT LIABILITIES		22,153,954	14,458,033
Non Current Liabilities			
Provisions	16	324,006	274,566
TOTAL NON CURRENT LIABILITIES		324,006	274,566
TOTAL LIABILITIES		22,477,960	14,732,599
NET LIABILITIES		(12,712,656)	(5,565,299)
EQUITY			
Contributed equity	17	68,351,419	68,171,419
Reserves	18	1,215,524	1,222,503
Accumulated losses	19	(82,279,599)	(74,959,221)
TOTAL SHAREHOLDERS' DEFICIT		(12,712,656)	(5,565,299)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	12 months June 30 2016 \$	12 months June 30 2015 \$
Cash flows from operating activities			
Interest received	3(a)	10,539	21,500
Other income	3(a)	1,792	-
R&D tax incentive received	3(b)	4,448,110	4,590,098
Payments to suppliers and employees		(10,766,097)	(11,220,716)
Interest paid		(4,916)	(49,671)
Net cash flows used in operating activities	20	(6,310,572)	(6,658,789)
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(7,268)	(5,660)
Purchases of patents and trademarks classified as intangible		-	(134,074)
Net cash flows used in investing activities		(7,268)	(139,734)
Cash flows from financing activities			
Proceeds from the issue of shares		-	5,333
Proceeds from borrowings		9,800,000	8,429,000
Repayment of borrowings		(3,600,000)	(2,549,000)
Net cash flows from financing activities		6,200,000	5,885,333
Net decrease in cash and cash equivalents		(117,840)	(913,190)
Cash and cash equivalents at beginning of period		728,725	1,641,915
Cash and cash equivalents at end of period	6	610,885	728,725

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

For the year ended 30 June 2016

	Contributed equity \$	Accumulated losses \$	Employee benefits reserve \$	Total equity \$
At the beginning of the year	68,171,419	(74,959,221)	1,222,503	(5,565,299)
Loss for the period	-	(7,320,378)	-	(7,320,378)
Total comprehensive expense for the period	-	(7,320,378)	-	(7,320,378)
Transactions with owners in their capacity as owners				
Issue of share capital to third parties for share based payments	180,000	-	-	180,000
Share based payment	-	-	(6,979)	(6,979)
At the end of the year	68,351,419	(82,279,599)	1,215,524	(12,712,656)

For the year ended 30 June 2015

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

Notes to the preliminary final report

1 Corporate Information

The consolidated financial report of AnaeCo Limited (“the Company” or “AnaeCo”) and its controlled entities (“the Group”) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 18 August 2016.

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

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

2 Summary of significant accounting policies

(a) Basis of Preparation

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

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

Going Concern

The Group has net liabilities of \$12,712,656 (2015: net liabilities of \$5,565,299) has net current liabilities of \$15,346,966 (2015: net current liabilities of \$9,145,947) and incurred an operating loss after income tax of \$7,320,378 (2015: loss of \$7,807,993) for the year ended 30 June 2016.

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

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

- As a Group listed on the Australian Securities Exchange it has access to the Australian equity capital markets. Accordingly, the Group considers it maintains a reasonable expectation of being able to raise funding from the market as and when required, although it cannot determine in advance the terms upon which it may raise such funding.
- The Group is achieving its key milestones with respect to commercialising the AnaeCo™ System. This progress generates interest in the Group’s technology from other prospective customers and accordingly the Group has a pipeline of project opportunities. This provides confidence for the Group’s prospects of generating positive cash flow from operations in the future.
- The Group has entered into loan agreements with Monadelphous Group Limited to provide loan facilities of \$14,400,000, which subsequent to the end of the financial year have been increased to \$23,000,000.
- On 4 August 2016 the Group entered into the XEPT transaction as described in more detail in note 26 Significant Events After Balance Date. The result of this transaction once completed and settled, which is expected to occur in November 2016, is that AnaeCo should be:
 - debt free; and
 - have a minimum of \$4,800,000 in liquid assets comprising \$3,700,000 in free cash, plus a net receivable arising from the 2016 R&D Tax Incentive cash refund approximating \$1,100,000.
- AnaeCo Limited will be submitting a claim for the Research & Development Tax Incentive in respect of the 2016 tax year. The Company is satisfied that it meets the criteria to qualify for a cash refund, and is confident the expenditure to be claimed in relation to the AnaeCo™ technology will satisfy the tests of eligibility. The amount of eligible expenditure in the 2016 year is estimated to be \$12,503,963 and if approved, would lead to a cash refund of \$5,626,783 which has been recognised in the current year financial statements, refer Note 3(b).

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

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

- success with commercialising its AnaeCo™ technology and generating future sales to enable the Group to generate profit and positive cash flows;
- obtaining additional funding as and when required; and
- receiving the continued support of its shareholders and creditors, which includes the expected conversion from debt to equity of a substantial portion of the loan owing to Monadelphous Group Limited.

Notes to the preliminary final report

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

	June 30 2016 \$	June 30 2015 \$
3(a) Revenue		
Interest income	10,539	21,500
Other revenue	1,792	-
	<u>12,331</u>	<u>21,500</u>
3(b) Other income		
Government grant – R&D Tax Incentive 2015	-	4,448,110
Government grant – R&D Tax Incentive 2016	5,626,783	-
	<u>5,626,783</u>	<u>4,448,110</u>
<p>At the reporting date the Group is expecting to receive a R&D Tax incentive refund of \$5,626,783 for eligible expenditure incurred in 2016, all of which is recognised as Other Income in the current year.</p> <p>During the previous year the Group received a R&D Tax incentive of \$4,448,110 for eligible expenditure incurred in 2015 which was recognised as a receivable in the 30 June 2015 financial statements and received in the 30 June 2016 financial year.</p>		
4(a) Project delivery costs		
Expenditure on long term engineering contract not previously provided for	7,508,673	3,491,488
Movement in provision for costs to complete	-	4,338,951
Cost of labour for engineering services billings	168,578	74,868
	<u>7,677,251</u>	<u>7,905,307</u>
4(b) Technology development expense		
Expenditure on technology development	<u>340,805</u>	<u>109,690</u>
4(c) Depreciation and amortisation expense		
Depreciation of property, plant & equipment	32,434	49,840
Amortisation of patents, licences and intellectual property	871,732	872,835
	<u>904,166</u>	<u>922,675</u>
4(d) Finance costs		
Interest expense on loans from others	1,375,020	504,477
Other finance costs	4,916	6,567
	<u>1,379,936</u>	<u>511,044</u>
4(e) Employee benefits expense		
Wages and salaries	2,894,293	5,104,496
Defined contribution superannuation plan expense	287,962	482,878
Less: labour costs allocated to projects and technology development	(2,077,264)	(4,729,660)
Non-executive directors' remuneration	133,927	133,927
Share based payments expense	(6,979)	219,105
	<u>1,231,939</u>	<u>1,210,746</u>
4(f) Other expenses		
Premises and related expenses	342,291	353,808
Consultants and professional advisors	714,709	739,561
Travel	16,679	41,464
Other overheads	351,716	483,308
	<u>1,425,395</u>	<u>1,618,141</u>

Notes to the preliminary final report

	June 30 2016 \$	June 30 2015 \$
5. Income Tax		
The major components of income tax expense are:		
Income statement		
<u>Current income tax</u>		
Current income tax (charge)/benefit	-	-
<u>Deferred income tax</u>		
Relating to origination and reversal of temporary differences	-	-
Income tax benefit as reported in the income statement	-	-
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	(7,320,378)	(7,807,993)
At the statutory income tax rate of 30% (2015:30%)	(2,196,113)	(2,342,398)
(Income not assessable)/expenditure not allowable for income tax purposes	(1,267)	54,575
R&D expenditure	3,751,189	2,965,406
R&D tax incentive recognised not assessable	(1,688,035)	(1,334,443)
Tax losses & temporary differences not recognised	134,226	656,860
	-	-
Deferred income tax		
Deferred tax assets not recognised		
Unrecognised tax losses	15,702,139	14,455,249
Temporary differences	(659,576)	513,920
	15,042,563	14,969,169
Temporary differences comprises:		
Provision for completion of long term contract	-	1,301,685
Unamortised balance of business related expense deductions	93,891	179,314
Employee benefits provisions	159,940	182,134
Other	319,794	329,213
Intangibles - development expenditure	(1,233,201)	(1,478,426)
	(659,576)	513,920
6. Dividends		
No dividends have been paid or declared during the year.		
7. Provision for loss on Engineering Services Contract		
Current	-	4,338,951
Movement in provision for loss on Engineering Services Contract		
At beginning of period	4,338,951	5,134,001
Project expenditure applied against the provision	(4,338,951)	(5,134,001)
Provision arising in the period	-	4,338,951
At the end of the period	-	4,338,951
8. Interest bearing loans and borrowings		
Current		
Other loan secured	16,156,393	8,581,373
Terms and conditions		
This loan is from Monadelphous Group Limited and is to be repaid by the earlier of Completion under the XEPT transaction, or termination of the Tripartite Deed.		
The interest rate is 12% per annum.		
It is secured by a PPSA security interest over all PPSA personal property and a fixed charge over all other property.		
At the lender's election, all or part of the loan balance outstanding may be repaid by conversion into equity in AnaeCo Limited, subject to shareholder approval.		

Notes to the preliminary final report

	June 30 2016 \$	June 30 2015 \$
9. Contributed equity		
Issued Capital		
2,672,215,091 (2015: 2,610,298,168) issued and fully paid ordinary shares	71,772,426	71,742,426
Costs of capital raising	(2,964,007)	(2,964,007)
38,083,335 (2015: 41,083,335) reserved shares ⁽¹⁾	(457,000)	(607,000)
	68,351,419	68,171,419

Movements in issued capital	Date	2016		2015	
		Shares	\$	Shares	\$
Ordinary fully paid shares					
Balance at 30 June 2014	Sep '14			2,534,325,933	71,365,647
Employee share bonus (2014 STI)	Sep '14			8,861,607	59,946
LTI shares issued	Dec '14			7,500,000	90,000
LTI shares ⁽²⁾	Jan '15			(1,333,333)	(10,667)
LTI shares cancelled	Jan '15			(1,500,000)	(18,000)
LTI shares cancelled	Jun '15			(5,375,000)	(93,000)
Shares for services rendered ⁽³⁾	Jul'14 - Jun '15			67,818,961	348,500
Balance at 30 June 2015		2,610,298,168	71,742,426	2,610,298,168	71,742,426
LTI shares cancelled ⁽⁴⁾	Nov '15	(3,000,000)	(150,000)		
Shares for services rendered ⁽³⁾	Jul'15 - Jun '16	64,916,923	180,000		
		2,672,215,091	71,772,426		

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

⁽²⁾ Difference in fair value at date of exercise of employee's LTI rights.

⁽³⁾ Third party suppliers provided goods and services and the corresponding liability was settled via the issue of shares. The fair value of shares was determined with reference to their quoted share price.

⁽⁴⁾ The LTI rights that had been issued to the directors at \$0.05 per share were cancelled.

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.

10. Reconciliation of the loss to the net cash flows from operations

Loss after tax	(7,320,378)	(7,807,993)
Non-cash items:		
Depreciation and amortisation	904,166	922,675
Share based payment expenses	(6,979)	219,105
Accrued loan interest	1,375,020	504,477
Consultancy fees not paid in cash	180,000	348,500
Net movement in the provision for loss on engineering services contract	(4,338,951)	(795,050)
Changes in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,612,742)	142,936
Decrease in prepayments	-	17,369
Increase/(decrease) in trade and other payables	4,583,272	(385,195)
(Decrease)/increase provision for employee benefits	(73,980)	97,491
Increase in interest bearing liabilities	-	76,896
Net cash flow used in operating activities	(6,310,572)	(6,658,789)

Notes to the preliminary final report

	30 June 2016	30 June 2015
11. Earnings per share		
Basic (loss) per share	(0.3) cents	(0.3) cents
Weighted average number of shares used in the calculation of basic earnings per share	<u>2,654,645,730</u>	<u>2,562,120,152</u>
Diluted (loss) per share	<u>(0.3) cents</u>	<u>(0.3) cents</u>
(Loss) used in determination of basic and diluted earnings per share	<u>(7,320,378)</u>	<u>(7,807,993)</u>
<p>Basic and diluted loss per share for all periods prior to the renounceable rights issue completed during the 2013 year have been adjusted by a factor of 1.184 to account for the bonus element.</p> <p>Securities on issue and rights at balance date which are potentially dilutive to earnings per share:</p>		
Rights to shares in employee share bonus (STI)	<u>38,083,335</u>	<u>41,083,335</u>
Total potentially dilutive securities	<u>38,083,335</u>	<u>41,083,335</u>

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

No shares have been issued in the period subsequent to 30 June 2016 and up to the date of this report.

12. Segment Reporting

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

13. Compliance Regarding Audit

This preliminary final report is based on accounts which have been audited. The Independent auditor's report to the members of AnaeCo Limited contained an emphasis of matter paragraph as follows:

“Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(a) in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.”



Shaun Scott
Chairman

Perth, 23 August 2016