



AnaeCo Limited  
Appendix 4D and financial report  
for the half year ended 31 December 2016

The reporting period is the half year ended 31 December 2016 and the previous corresponding period is the half year ended 31 December 2015. The comparative statement of financial position is as at 30 June 2016. This Appendix 4D should be read in conjunction with the financial report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

<b>Financial Results</b>		<b>\$'000</b>		<b>Half year Ended 31 Dec 2016 \$'000</b>
Revenue from ordinary activities	up from	5	to	21
Loss from ordinary activities after tax attributable to members	down	63%	to	(3,632)
Loss for the period attributable to members	down	63%	to	(3,632)

#### **Dividends**

No dividends were paid during the half year.

The Company does not propose to pay a dividend in respect of the half year ended 31 December 2016.

There is no dividend reinvestment plan.

A review of operations is contained within the Directors' Report in the half year financial report.

<b>Net Tangible Asset Backing</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Net tangible asset backing per ordinary security (cents)	(0.71)	(0.70)

#### **Control over other entities**

The Company has neither gained nor lost control over any other entities in the half year.

#### **Audit report**

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

# **ANAECO LIMITED**

**and controlled entities**

**ABN 36 087 244 228**

**FINANCIAL REPORT**

**For the half year ended**

**31 DECEMBER 2016**

**ABN** 36 087 244 228

**Directors**

Mr Shaun Scott (Non-executive Chairman)

Mr Gianmario Alessio (“Les”) Capelli (Non-executive Director)

Mr David Lymburn (Managing Director and CEO)

**Company Secretaries**

Mr David Lymburn

Mr Tim Hinton

**Registered office and principal place of business**

3 Turner Avenue

Technology Park

Bentley, WA 6102

**Share Register**

Computershare Investor Services

Level 11

172 St Georges Terrace

Perth WA 6000

**Auditors**

Ernst & Young

11 Mounts Bay Road

Perth WA 6000

# AnaeCo Limited

## Directors' Report

The directors submit their report on AnaeCo Limited and its controlled entities ("the Group") for the half year ended 31 December 2016.

### **DIRECTORS**

The names of the directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Shaun Scott - Non-executive Chairman  
Les Capelli - Non-executive Director  
David Lymburn - Managing Director & CEO

### **REVIEW AND RESULTS OF OPERATIONS**

The net loss after tax of the Group for the half year was \$3,632,084 (2015: loss \$9,788,370).

#### **Review of Operations**

Following completion of all work under the design & construct contract for the WMRC Project in the previous financial year the main goal for the Group has been securing new financial and commercial resources. As reported in the 2016 Annual Financial Report, a transaction was executed on 4 August 2016 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 Limited to Monadelphous Group Limited ("Monadelphous"), hereafter referred to as "the XEPT transaction". Monadelphous will also convert part of the remaining loan to equity on the same terms. (For a more comprehensive description of the XEPT transaction, please refer to the Significant Events After Balance Date note in the 2016 Annual Financial Report.) This transaction received AnaeCo Limited shareholder approval at an extraordinary general meeting held on 17 October 2016.

It was anticipated that the XEPT transaction would have completed and settled prior to 31 December 2016, but for reasons beyond the Group's control this was not possible. The Group completed all matters required of it under the relevant agreements within the scheduled timeframe. However all conditions precedent were not satisfied and completion did not occur by 31 December 2016. Consequently the parties agreed a revised date by which all conditions precedent shall be satisfied, which is 31 March 2017. If the conditions precedent are not satisfied by 31 March 2017, or waived by the party or parties receiving the benefit of any condition precedent, any party may terminate the Tripartite Deed of Sale and Cooperation.

Whilst the Tripartite Deed of Sale and Cooperation remains current the Group's funding requirements will be met through the loan agreement with Monadelphous Group Limited.

The XEPT transaction, in conjunction with the completion of the WRMC Project in April 2016, is the start of the next phase of growth and positions the Group to capture the value created through the intellectual property developed to date.

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

- post completion of the XEPT transaction, establish a collaborative working relationship with XEPT and
- securing and commencing new revenue generating projects.

#### **Review of Financial Performance**

To fund its operations, the Group has been dependant on loan funding and R&D Tax Incentive claim monies throughout the half year.

The Group was successful in obtaining \$5,626,783 in R&D Tax Incentive Government grant funding relating to the 2016 income tax year, which was received during the half year. This successful R&D Tax Incentive claim was based on the eligibility of the research and development expenditure on the AnaeCo™ System, which includes the demonstration of the technology at the WMRC Project.

On 4 August 2016, in conjunction with the XEPT transaction, the loan arrangement with Monadelphous Group Limited was revised and updated with the signing of a Loan Agreement Amendment and Restatement Deed. The revision increased the loan facility to \$23,000,000. During the half year the Group has drawn \$1,300,000 in new borrowings against this facility.

## AnaeCo Limited Directors' Report

At 31 December 2016, the Group had cash reserves of \$1,190,570 and net current liabilities of \$18,530,840.

### **Subsequent events**

There has not been any matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **Auditor's Independence Declaration**

The auditor's independence declaration for the half year ended 31 December 2016 has been received and is included at page 4 and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Shaun Scott', is positioned above the printed name and title.

Shaun Scott

Chairman

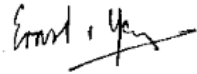
Perth, 16 February 2017

## Auditor's Independence Declaration to the Directors of AnaeCo Limited

As lead auditor for the review of AnaeCo Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the audit or independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AnaeCo Limited and the entities it controlled during the financial period.



Ernst & Young



Robert A Kirkby  
Partner  
16 February 2017

# AnaeCo Limited

## Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

	Notes	31 Dec 2016 \$	31 Dec 2015 \$
Revenue	3	20,735	5,077
Project delivery costs	4(a)	-	(7,259,107)
Technology development expense	4(b)	(835,965)	(202,752)
Depreciation and amortisation		(432,315)	(454,255)
Finance costs	4(c)	(1,050,250)	(595,534)
Employee benefits expense	4(d)	(666,522)	(573,383)
Other expenses	4(e)	(667,767)	(708,416)
Loss before income tax expense		(3,632,084)	(9,788,370)
Income tax (expense)/benefit		-	-
Net loss after tax and total comprehensive loss for the period attributable to members of AnaeCo Limited		(3,632,084)	(9,788,370)
Loss per share attributable to ordinary equity holders of the company			
Loss per share (cents)		(0.14)	(0.37)
Diluted loss per share (cents)		(0.14)	(0.37)

The accompanying notes form part of these financial statements



# AnaeCo Limited

## Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	31 Dec 2016 \$	30 June 2016 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,190,570	610,885
Trade and other receivables	5	20,446	6,191,521
Other		4,582	4,582
<b>TOTAL CURRENT ASSETS</b>		<b>1,215,598</b>	<b>6,806,988</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment		5,056	9,426
Intangible assets		2,520,946	2,948,890
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,526,002</b>	<b>2,958,316</b>
<b>TOTAL ASSETS</b>		<b>3,741,600</b>	<b>9,765,304</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		5,588,424	5,788,434
Interest bearing loans and borrowings	6	13,965,790	16,156,393
Provisions		192,224	209,127
<b>TOTAL CURRENT LIABILITIES</b>		<b>19,746,438</b>	<b>22,153,954</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions		317,569	324,006
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>317,569</b>	<b>324,006</b>
<b>TOTAL LIABILITIES</b>		<b>20,064,007</b>	<b>22,477,960</b>
<b>NET LIABILITIES</b>		<b>(16,322,407)</b>	<b>(12,712,656)</b>
<b>EQUITY</b>			
Contributed equity	7	68,351,419	68,351,419
Reserves		1,237,857	1,215,524
Accumulated losses		(85,911,683)	(82,279,599)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<b>(16,322,407)</b>	<b>(12,712,656)</b>

The accompanying notes form part of these financial statements

# AnaeCo Limited

## Consolidated Statement of Cash Flows

For the half year ended 31 December 2016

	31 Dec 2016 \$	31 Dec 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(2,371,272)	(4,449,513)
Government grant – R&D Tax Incentive	5,626,783	4,448,110
GST received	544,292	73,301
Receipts from customers	6,755	-
Interest received	13,980	5,077
Interest paid	(2,105)	(2,821)
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,818,433	74,154
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(3,081)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-	(3,081)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	1,300,000	3,650,000
Repayment of borrowings	-	(3,600,000)
Funding costs related to interest bearing loan	(4,538,748)	-
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(3,238,748)	50,000
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD	579,685	121,073
Cash and cash equivalents at beginning of period	610,885	728,725
<b>Cash and cash equivalents at end of period</b>	<b>1,190,570</b>	<b>849,798</b>

The accompanying notes form part of these financial statements

## AnaeCo Limited

### Consolidated Statement of Changes in Equity

For the half year ended 31 December 2016

	Issued capital \$	Accumulated losses \$	Employee benefits equity reserve \$	Total equity \$
<b>At the beginning of the half year</b>	68,351,419	(82,279,599)	1,215,524	(12,712,656)
Loss for the period	-	(3,632,084)	-	(3,632,084)
Total comprehensive loss for the period	-	(3,632,084)	-	(3,632,084)
Transactions with owners in their capacity as owners				
Share based payments	-	-	22,333	22,333
<b>At the end of the half year</b>	<b>68,351,419</b>	<b>(85,911,683)</b>	<b>1,237,857</b>	<b>(16,322,407)</b>

The accompanying notes form part of these financial statements

## AnaeCo Limited

### Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Issued capital \$	Accumulated losses \$	Employee benefits equity reserve \$	Total equity \$
<b>At the beginning of the half year</b>	68,171,419	(74,959,221)	1,222,503	(5,565,299)
Loss for the period	-	(9,788,370)	-	(9,788,370)
Total comprehensive loss for the period	-	(9,788,370)	-	(9,788,370)
Transactions with owners in their capacity as owners				
Issue of share capital	180,000	-	-	180,000
Share based payments	-	-	(62,708)	(62,708)
<b>At the end of the half year</b>	<b>68,351,419</b>	<b>(84,747,591)</b>	<b>1,159,795</b>	<b>(15,236,377)</b>

The accompanying notes form part of these financial statements

# AnaeCo Limited

## Notes to the Financial Statements

### For the half year ended 31 December 2016

#### 1. CORPORATE INFORMATION

The half year condensed consolidated financial report of AnaeCo Limited and its controlled entities (“the Group”) for the half year ended 31 December 2016 (“the half year financial report”) was authorised for issue in accordance with a resolution of the directors on 16 February 2017.

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 half year financial report is a general purpose condensed consolidated financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 “Interim Financial Reporting” as issued by the Australian Accounting Standards Board.

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

The half year financial report should be read in conjunction with the annual financial report of AnaeCo Limited as at 30 June 2016 and considered together with any public announcements made by the Group during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

##### Going Concern

The Group has net liabilities of \$16,322,407 (30 June 2016, net liabilities of \$12,712,656), net current liabilities of \$18,530,840 (30 June 2016, net current liabilities of \$15,346,966), a net increase in cash and cash equivalents of \$579,685 and incurred a net loss after income tax of \$3,632,084 for the half year ended 31 December 2016 (half year ended 31 December 2015, loss of \$9,788,370).

The half year 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 will, in the directors’ opinion, 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;

- The Group has entered into a loan agreement with Monadelphous Group Limited to provide funding of up to \$23,000,000.
- On 4 August 2016 the Group executed agreements for the XEPT transaction, as described in the Review of Operations, and on 17 October 2016 shareholders approved resolutions to implement the XEPT transaction. The result of this transaction once completed and settled, which is expected to occur on or before 31 March 2017, is that the Group should be:
  - debt free;
  - have a minimum of \$3,700,000 in free cash, and
  - have issued 12,484,848,550 new shares representing 82.4% of the expanded share capital.
- 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.

# AnaeCo Limited

## Notes to the Financial Statements

### For the half year ended 31 December 2016

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

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

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

#### **b. Significant accounting policies**

Except as disclosed below, the half year financial report has been prepared using the same accounting policies and methods of computation as used in the annual financial statements for the year ended 30 June 2016.

#### **c. New and amended accounting standards and interpretations**

Since 1 July 2016, the Group has adopted all Accounting Standards and Interpretations mandatory for annual periods beginning on 1 July 2016.

Adoption of these new and amending Standards and Interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new Accounting Standards or Interpretations.

AnaeCo Limited  
Notes to the Financial Statements  
For the half year ended 31 December 2016

	Half year Ended 31 December 2016 \$	Half year Ended 31 December 2015 \$
<b>3. REVENUE</b>		
Interest received	13,980	5,077
Other revenue	6,755	-
	20,735	5,077
<b>4. EXPENSES</b>		
<b>(a) Project delivery costs</b>		
Movement in provision for costs to complete	-	6,269,911
Project operational expenditure	-	983,276
Cost of labour for engineering services	-	5,920
	-	7,259,107
<b>(b) Technology development expense</b>		
Expenditure on technology development	835,965	202,752
<b>(c) Finance costs</b>		
Interest expense on –secured loan	1,048,145	592,713
Other interest	2,105	2,821
	1,050,250	595,534
<b>(d) Employee benefits expense</b>		
Wages and salaries	1,178,396	1,574,666
Superannuation expense	120,309	164,215
Less: labour costs allocated to technology development expense and, in the previous half year, provision for loss on engineering services contract	(721,479)	(1,169,753)
Non-executive directors remuneration	66,963	66,963
Share based payments expense	22,333	(62,708)
	666,522	573,383
<b>(e) Other expenses</b>		
Premises and related expenses	153,861	157,988
Consultants	323,576	340,133
Travel	27,126	7,601
Other	163,204	202,694
	667,767	708,416
	31 December 2016 \$	30 June 2016 \$
<b>5. TRADE AND OTHER RECEIVABLES</b>		
R&D tax incentive receivable	-	5,626,783
Other receivables	20,446	564,738
	20,446	6,191,521

AnaeCo Limited  
Notes to the Financial Statements  
For the half year ended 31 December 2016

	31 December 2016 \$	30 June 2016 \$
<b>6. INTEREST BEARING LOANS AND BORROWINGS</b>		
Secured loan	18,504,538	16,156,383
Funding costs paid during the half year	(4,538,748)	-
	13,965,790	16,156,383

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 date for Completion of the XEPT transaction was extended with the agreement of all parties to 31 March 2017.

The interest rate is 12% per annum and the loan is secured by a PPSA security interest over all PPSA personal property and a fixed charge over all other property.

**7. CONTRIBUTED EQUITY**

2,672,215,091 (June 2016: 2,672,215,091) issued and fully paid ordinary shares	71,772,426	71,772,426
Costs of capital raising	(2,964,007)	(2,964,007)
38,083,335 (June 2016: 38,083,335) Reserved shares <sup>(1)</sup>	(457,000)	(457,000)
	68,351,419	68,351,419

Movements in ordinary fully paid shares	Date	Shares	\$
Balance at 30 June 2015		2,610,298,168	71,742,426
LTI shares cancelled <sup>(2)</sup>	Nov '15	(3,000,000)	(150,000)
Shares for services rendered <sup>(3)</sup>	Jul '15 - Jun '16	64,916,923	180,000
Balance at 30 June 2016		2,672,215,091	71,772,426
<b>Balance at 31 December 2016</b>		<b>2,672,215,091</b>	<b>71,772,426</b>

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

<sup>(1)</sup> Under the director and employee share incentive scheme, shares have been allotted to directors and employees 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 at the time of allotment, if and when the shares are ultimately sold for a value greater than the allotment price.

<sup>(2)</sup> The LTI shares that had been issued to the directors at \$0.05 per share were cancelled.

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

**Long Term Incentive (LTI) shares**

LTI grants to employees are delivered under an Employee Share Plan. A material feature of the Employee Share Plan is that the issue of ordinary shares to the employee pursuant to the plan can be by way of provision of a non-recourse, interest free legal loan ("loan") to the employee, to be used for the purposes of subscribing for the shares. The offer of a non-recourse, interest free loan is based on a share price that will be not less than the volume weighted average price at which shares were traded on the ASX over the 10 trading days up to and including the trading day before the date of acceptance of the offer. The loan is non-recourse because it is only repayable using proceeds from sale of the LTI shares, unless the employee elects to repay with their own funds.



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For the half year ended 31 December 2016

After subscription, the LTI shares are issued as ordinary shares, and the employee enjoys the same rights and benefits as any other shareholder, apart from the vesting conditions. LTI shares are issued subject to vesting conditions, which mean they cannot be traded until the escrow period passes and the trading restriction is lifted. The shares vest with the employee in three equal annual instalments, subject to continuity of employment. Once the trading restriction has been lifted the employee may sell the shares.

If employment ceases for any reason, shares which have not reached the end of their escrow period are forfeited, and the corresponding loan is cancelled. Also upon cessation of employment, for shares which have vested the non-recourse loan becomes repayable one month after employment ceases, and in this situation the former employee can elect how to fund the loan repayment.

The nature of this scheme is to provide an incentive to cause the share price to rise over the term of an employee's service, as well as retaining the employee's service, and hence there are no specific performance conditions attaching to these LTI shares. LTI shares are considered to be "in substance options" or rights, under generally accepted accounting principles, and accordingly are accounted for similar to options.

These LTI rights were independently valued using the Black Scholes option valuation model which takes into account factors such as the share price at the date of grant, volatility of the share price, risk free rate and time period until vesting. Accounting standards require the value of the rights granted to be brought to account over the expected term of vesting the benefits to the holder.

Movement in LTI Rights:	31 December 2016 LTI Rights	30 June 2016 LTI Rights
Balance at beginning of the period/year	38,083,335	41,083,335
Cancelled/Forfeited	-	(3,000,000)
Closing balance at the end of the period/year	38,083,335	38,083,335

The valuation of LTI rights granted at 31 December 2016 and the years in which the expense has been and will be recognised in the accounts is as follows:

Year ending 30 June in which vesting and expense occurs:	Valuation of LTI rights granted as at 31 December 2016	Valuation of LTI rights granted as at 30 June 2016
2016	-	118,021
2017	27,333	27,333
2018	4,167	4,167
Total valuation of LTI rights granted	31,500	149,521

## 8. DIVIDENDS

No dividends were paid or proposed during the half year ended 31 December 2016.

## 9. COMMITMENTS AND CONTINGENCIES

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

The Group has no capital commitments at the date of this report.

In undertaking long term engineering and construction contracts there is always the possibility of claims being in progress. To the extent that any such claims or potential claims may exist that the Group is aware of, they are assessed on their merits and if considered necessary (which may be after taking legal advice), a provision for potential costs would be recognised and included in the accounts as part of the forecast outcome on completion of a particular contract. Any such provision would be an estimate based on the information available at the time. At the reporting date no such claims exist.

# AnaeCo Limited

## Notes to the Financial Statements

### For the half year ended 31 December 2016

#### **10. SEGMENT REPORTING**

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

#### **11. EVENTS AFTER BALANCE DATE**

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

#### **12. FINANCIAL INSTRUMENTS**

At 31 December 2016, the carrying value of the financial assets and liabilities approximate their fair values.

#### **13. RELATED PARTY TRANSACTIONS**

Loan from Related Party:

At 31 December 2016, an amount totalling \$18,504,538 (including \$3,004,538 interest) has been borrowed from Monadelphous Group Limited. During the half year, an amount of \$4,538,748 was paid to Monadelphous Group Limited under the terms of the Tripartite Deed, from funds received via the 2016 R&D Tax Incentive refund.

Monadelphous Group Limited owns 14.6% of the issued capital of AnaeCo Limited. The loan is included in the statement of financial position within interest bearing loans and borrowings. Refer to note 6 for further details

## AnaeCo Limited

### Directors' Declaration

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

In the opinion of the directors:

- (a) the half year financial report and notes of the Group are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) subject to the matters referred to in note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Shaun Scott

Chairman

Perth, 16 February 2017

To the members of AnaeCo Limited

## Report on the half-year financial report

We have reviewed the accompanying half-year financial report of AnaeCo Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AnaeCo Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

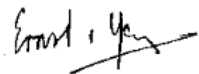
## Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Emphasis of matter

Without qualifying our review conclusion, 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 significant 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.



Ernst & Young



Robert A Kirkby  
Partner  
Perth  
16 February 2017