

# Appendix 4E

## Preliminary final report for the financial year ended 30 June 2019

Name of entity

**AERIS ENVIRONMENTAL LTD** ABN: 19 093 977 336

Reporting period: 30 June 2019

Previous period: 30 June 2018

## Results for announcement to the market

				\$A'000
Revenues from ordinary activities	up	152%	to	6,978
(Loss) from ordinary activities after tax	up	(1%)	to	(3,628)
(Loss) for the period attributable to owners of Aeris Environmental Ltd	up	(1%)	to	(3,628)

Dividends (distributions)	Amount per security	Franked amount per security
	Nil ¢	Nil ¢
Final dividend		
Previous corresponding period	Nil ¢	Nil ¢

## Brief explanation of the above

The Group generated an ordinary revenue of \$6,978,000 and incurred an operating loss after income tax of \$3,628,000 in the year ended 30 June 2019. As at 30 June 2019, the Group had net assets of \$5,564,000 and cash balance of \$3,468,000.

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2018 and the annual financial report for the year ended 30 June 2019, due to be released in September 2019. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2018-19 financial year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

## NTA backing

	30-Jun-19 cents	30-Jun-18 cents
Net tangible asset backing per ordinary share	2.63	(0.18)

## Events occurring after Balance Date

No matter or circumstance has arisen since 30 June 2019 that has significantly affected or may significantly affect the consolidated entities' operations, the results of these operations, or the consolidated entities' state of affairs in future financial years.

## Details of entities over which control has been gained or lost during the period

Not Applicable

## Foreign Entities details

Not Applicable

## Dividends

No dividends were paid or proposed during the financial year.

## Audit or Review details

This report is based on accounts that are in the process of being audited.

Sign here:



Date: 30 August 2019

(Director/Company Secretary)

Print name: **Robert J Waring**

30 August 2019

Aeris Environmental Ltd (ASX:AEI) (Aeris or the Company) today releases its 2018-19 financial year results in the Preliminary Final Report (Appendix 4E).

### Highlights – Financial

- **Record invoiced sales revenue of \$6,851,000 – over 250% increase year-on-year with a strong forward sales order book.**
  - Large-scale mould remediation projects in Townsville, Queensland, with the Company as master contractor, invoiced a total of \$3,127,000, which was a combination of full margin product sales and low margin project management, in FY2019. Customers and insurance companies have noted outstanding efficacy and performance of Aeris' products in this large-scale application.
  - The Company's USA division invoiced over \$500,000 in the last quarter of FY2019. It is anticipated that revenue in the USA will grow to become a material component of Aeris' sales mix in FY2020 due to expanded sales channels, The Goodman Global Group, Inc. (Goodman) re-orders, new client wins and significantly-expanded product offering.
  - The Company's business in China commenced in the second half of FY2019. Aeris' distributor in China has undertaken significant investment in marketing, sales and promotion. Revenue for the pre-launch initial purchases in FY2019 was \$485,000, and it is anticipated that these will scale as the Company's programme rolls out.
  - \$2,739,000 in revenue was recorded from clients in Asia, the Middle East, Europe and Australia at attractive margins.
- **Operating loss – adjusted for one-off and abnormal items – \$3,041,000 down 15% year-on-year** despite investment in the establishment of North American operations and including research & development (R&D) expenditure of \$612,000.
- **FY2019 sales** reflected a mix of 'white label' products supplied to original equipment manufacturers (OEMs) and project work, blended with the higher margins from the Aeris branded products. The Company anticipates that there will be a positive impact on margins as the core Aeris range forms a greater part of the revenue mix going forward.
- **Budgeted operating expenses for FY2020 are targeted at less than \$5,000,000 per annum (including forecast R&D of \$500,000 less ATO cash-back). This operating expenditure budget provides expanded capability and cost savings of \$1,500,000 over the FY2019 year.** It is anticipated that growth in operating expenses will remain modest whilst sales revenue is projected to grow significantly. The Company now has in place a series of strategic relationships that provide highly cost-effective distribution capability across all Aeris' major markets, with recent emphasis on contracts in the USA and in Europe. This includes an expanded management and sales team in North America.

## Highlights – Commercial

- **Signed and commenced worldwide strategic alliance with Goodman, a division of Daikin Industries, Ltd.** The Company's USA-produced air-conditioning maintenance range was launched in North America across 210 stores and to over 80,000 contractors.
- **Scale-up of new manufacturing and supply chain** operations in the USA in support of growth in revenue in multiple key international markets.
- **First shipments of new Southern Cross hygiene** range to Aus Made Express International Group Pty Ltd for the Greater China market.
- **BUNZL (leading global distributor of cleaning products, catering supplies, food production and health hygiene products) Memorandum of Understanding** signed, including a joint marketing and new product development roadmap. Initial revenue and a joint marketing activity have been successfully established.
- **First commercial order from Carrier in the Philippines** (following over two years of testing) to supply corrosion coating for factory application to coils for brand new residential and commercial air-conditioning units.
- **Disruptive new business model** for corrosion protection, supported by several key technical advances providing a large-scale global OEM, on-site and after sales service markets.
- **Strategic opportunities are being addressed** in measurement, and data visualisation, control and optimisation.
- **Revenue is scaling strongly in multiple divisions and territories**, with key commercial partnerships in place, and now generating quarter-on-quarter growth.
- **Increasing customer recognition of the financial benefits, effectiveness, safety, and environmental and health benefits from the Aeris portfolio of solutions.**

## Highlights – Working Capital

- **Full year cash receipts of \$5,008,000**, with an additional amount of \$1,655,000 received in July 2019 (post-June 2019 year end).
- **\$3,468,000 cash-on-hand, with an additional \$1,500,000 in net receivables** (trade debtors less creditors) at the end of the June 2019 financial year.
- **Additional cash investment in inventory of \$454,000 (total \$770,000)** reflecting increasing activity in the USA, Australia and south-east Asia.
- **FY2019 normalised net operating cash outflow of \$3,974,000, after \$440,000 of one-off and abnormal items added back.**

## Highlights – Share Placement, Share Purchase Plan and Loan Repayment

- **Share placement of \$7,200,000 and Share Purchase Plan of \$257,000** for a total of \$7,457,000 made to a new cornerstone strategic investor group and existing shareholders of the Company.
- **Directors' loans of \$1,500,000 were converted into shares** at the same price as the placement and SPP of \$0.17 per share.
- **\$818,000 in Directors' loans, being principal and interest, were repaid in the March 2019 quarter** from the proceeds of the placement, making Aeris debt free.

## Aeris Environmental Ltd

**Peter Bush**  
Chief Executive Officer



### About Aeris Environmental Ltd

The Company develops, manufactures and markets proprietary, environmentally-friendly technology that drives measurable improvements in asset performance and sustainability. Aeris' whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

The Company's products solve real world problems more effectively than conventional toxic chemicals. Uniquely based on validated green formulations, Aeris' enzymes and treatments with residual protection provide long-term remediation and prevention of mould, bacteria growth, corrosion and improved hygiene.

AerisVIEW, the Company's cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes, and vehicles. Aeris' solution delivers dramatic and proven energy savings, alongside documented benefits to system efficiency, and independently-validated indoor air quality, with proven immediate improvements in sustainability and cash flow savings.

The Southern Cross range of products offers a direct replacement alternative for many plastic-based wipes, and incorporates the capability to disinfect both surfaces and hands by simply moistening Aeris' paper-based wipes.

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 30 June 2019**

	Note	30-Jun-19 \$'000	30-Jun-18 \$'000 Re-stated Refer note 4
Revenues from operating activities		6,851	2,752
Interest revenue		57	13
Other income		70	6
Cost of goods sold		(4,403)	(1,092)
Depreciation and amortisation		(67)	(67)
Distribution expenditure		(348)	(242)
Employee benefits expense		(2,504)	(2,273)
Financial expenditure		(19)	(47)
Occupancy expense		(314)	(276)
Impairment expense		(70)	(468)
Other general and Administration		(1,482)	(1,050)
Product registration, patents, trade marks and R&D expenditure		(861)	(504)
Sales, marketing and travel		(996)	(1,010)
Loss from ordinary activities before income tax expense		(4,086)	(4,258)
Income tax credit relating to ordinary activities		458	667
Loss after tax		(3,628)	(3,591)
<b>Other Comprehensive Income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(3)	2
<b>Total Comprehensive Loss for the period</b>		<u>(3,631)</u>	<u>(3,589)</u>
<b>Loss for the period attributable to:</b>			
Owners of Aeris Environmental Ltd		(3,628)	(3,590)
Non-controlling interest		-	(1)
		<u>(3,628)</u>	<u>(3,591)</u>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of Aeris Environmental Ltd		(3,631)	(3,588)
Non-controlling interest		-	(1)
		<u>(3,631)</u>	<u>(3,589)</u>
<b>Earnings per share</b>			
Basic loss per share (cents per share)	2	(1.98)	(2.28)
Diluted loss per share (cents per share)	2	(1.98)	(2.28)

**Consolidated statement of financial position as at 30 June 2019**

	<b>30-Jun-19 \$'000</b>	<b>30-Jun-18 \$'000</b> Re-stated <i>Refer note 4</i>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3,468	158
Trade and other receivables	3,448	1,724
Inventories	770	316
Other	194	140
<b>TOTAL CURRENT ASSETS</b>	<b>7,880</b>	<b>2,338</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	91	115
Trade and other receivables	26	47
<b>TOTAL NON-CURRENT ASSETS</b>	<b>117</b>	<b>162</b>
<b>TOTAL ASSETS</b>	<b>7,997</b>	<b>2,500</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2,136	1,281
Provisions	272	274
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,408</b>	<b>1,555</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	25	26
Borrowings	-	1,200
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>25</b>	<b>1,226</b>
<b>TOTAL LIABILITIES</b>	<b>2,433</b>	<b>2,781</b>
<b>NET ASSETS</b>	<b>5,564</b>	<b>(281)</b>
<b>EQUITY</b>		
Contributed equity	50,196	41,313
Reserves	2,144	1,554
Accumulated losses	(46,780)	(43,152)
Non-controlling interest	4	4
<b>TOTAL EQUITY</b>	<b>5,564</b>	<b>(281)</b>

**Consolidated statement of changes in equity for the year ended 30 June 2019**

	Equity	Reserves	Accumulated Losses	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2017</b>	<b>41,313</b>	<b>1,354</b>	<b>(39,562)</b>	<b>5</b>	<b>3,110</b>
Loss for the year	-	-	(3,230)	(1)	(3,231)
Other comprehensive loss	-	2	-	-	2
Total comprehensive loss for the year	-	2	(3,230)	(1)	(3,229)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	-	-	-	-	-
Value of employee services under ESOP	-	198	-	-	198
<b>Balance at 30 June 2018</b>	<b>41,313</b>	<b>1,554</b>	<b>(42,792)</b>	<b>4</b>	<b>79</b>
<b>Balance at 1 July 2018</b>	<b>41,313</b>	<b>1,554</b>	<b>(42,792)</b>	<b>4</b>	<b>79</b>
<i>(reported as at 30 June 2018)</i>					
Prior period restatement (Note 4)	-	-	(360)	-	(360)
<b>Re-stated as at 1 July 2018</b>	<b>41,313</b>	<b>1,554</b>	<b>(43,152)</b>	<b>4</b>	<b>(281)</b>
Loss for the year	-	-	(3,628)	-	(3,628)
Other comprehensive income	-	(3)	-	-	(3)
Total comprehensive loss for the year	-	(3)	(3,628)	-	(3,631)
<i>Transactions with owners in their capacity as owners:</i>					
Share placements and SPP	7,466	-	-	-	7,466
Exercise of share options	2	-	-	-	2
Shares issued for Key Management Personnel fees	180	-	-	-	180
Shares issued for Directors' loan repayment	1,500	-	-	-	1,500
Share issue cost	(265)	-	-	-	(265)
Share based payments	-	593	-	-	593
<b>Balance at 30 June 2019</b>	<b>50,196</b>	<b>2,144</b>	<b>(46,780)</b>	<b>4</b>	<b>5,564</b>

**Consolidated statement of cash flows for the year ended 30 June 2019**

	Note	30-Jun-19 \$'000	30-Jun-18 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		5,008	2,694
Payment to suppliers and employees		(10,582)	(5,630)
Income tax credit received (R&D tax offset)		1,125	425
Interest received		57	13
Interest paid		(69)	(46)
Other income (EMDG benefit)		47	6
Net cash used in operating activities	1	<u>(4,414)</u>	<u>(2,538)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of assets		<u>(41)</u>	<u>(26)</u>
Net cash used in investing activities		<u>(41)</u>	<u>(26)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of Shares		7,468	-
Loan repayments		(750)	-
Loan borrowings		<u>1,050</u>	<u>1,200</u>
Net cash provided by financing activities		<u>7,768</u>	<u>1,200</u>
Net decrease in cash held		3,313	(1,364)
Cash and cash equivalents at the beginning of the financial year		158	1,520
Effects of exchange rate changes on cash and cash equivalents		<u>(3)</u>	<u>2</u>
Cash and cash equivalents at the end of the financial year		<u><b>3,468</b></u>	<u><b>158</b></u>
<b>Reconciliation of cash balance</b>			
		<b>30-Jun-19</b>	<b>30-Jun-18</b>
		<b>\$'000</b>	<b>\$'000</b>
Deposits on call		2,018	6
Cash on hand and at bank		<u>1,450</u>	<u>152</u>
		<u><b>3,468</b></u>	<u><b>158</b></u>



**NOTE 1****Reconciliation of operating loss after income tax to net cash flows from operating activities**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
		Re-stated Refer note 4
Operating loss after income tax	(3,628)	(3,591)
<b>Non cash/non-operating items included in profit and loss</b>		
Depreciation, amortisation and impairment	67	67
Impairment of trade receivables	70	468
Share based payments	747	198
<b>Changes in assets and liabilities</b>		
Increase in receivables	(1,773)	(441)
Increase in inventory	(454)	(59)
(Increase) / Decrease in other assets	(67)	14
Increase in trade creditors	960	545
(Decrease) / Increase in employee entitlement provision	(3)	62
(Decrease) / increase in other creditors and accruals	(333)	199
<b>Net cash used in operating activities</b>	<b>(4,414)</b>	<b>(2,538)</b>

**NOTE 2****Earnings per security (EPS)**

Calculation of the following in accordance with AASB 133: Earnings per Share

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
		Re-stated Refer note 4
Net loss - \$'000 (used to calculate basic EPS)	(3,628)	(3,590)
Interest on convertible equity portion	-	-
Net loss - \$'000 (used to calculate diluted EPS)	(3,628)	(3,590)
Weighted average number of ordinary shares used in the calculation of the basic EPS	183,224,455	157,750,866
Convertible share options and rights	2,189,037	2,189,037
Weighted average number of ordinary shares used in the calculation of the diluted EPS	185,413,492	159,939,903
Basic EPS – loss per share (cents)	(1.98)	(2.28)
Diluted EPS – loss per share (cents)	(1.98)	(2.28)

**NOTE 3****Financial reporting by geographical segments**

	<b>Australia</b>	<b>International</b>	<b>Intersegment elimination</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Segment revenue	6,432	571	(25)	6,978
Loss before tax	(4,185)	(276)	375	(4,086)
Segment assets	7,538	860	(401)	7,997
Segment liabilities	3,803	3,185	(4,555)	2,433

## Notes to the Consolidated Financial Statements

### NOTE 1: Basis of Preparation

This Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Financial Report has been prepared on an accruals basis, and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### NOTE 2: Going Concern Basis

The Group has incurred an operating loss (after tax) of \$3,628,000 for the year ended 30 June 2019 (2018 re-stated: \$3,591,000) and has net assets of \$5,564,000 as at 30 June 2019 (2018 re-stated: \$281,000 net liabilities). The operating cash burn rate for the financial year ended 30 June 2019 was \$4,414,000 (2018: \$2,538,000). The cash balance as at 30 June 2019 was \$3,468,000 (2018: \$158,000). If the cash burn rate for the financial year ended 30 June 2019 continues during the year ending 30 June 2020, which it is not budgeted to do, there may be an uncertainty in relation to the Group's ability to continue as a going concern.

Implementation of strategic business development measures are expected to improve the cash burn rate significantly. The Directors have an expectation that the sum of its activities will result in a positive cash position during the financial year ending 30 June 2020.

As a consequence of the above, the Directors are of the opinion that the Company will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Annual Financial Report.

### NOTE 3: Accounting Policies

The Appendix 4E does not include notes of the type normally included within the Annual Financial Report, and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group as in the full Annual Financial Report. The Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2018 and the Annual Financial Report, due to be released in September 2019, for the year ended 30 June 2019. It is also recommended that the Preliminary Final Report be considered together with any public announcements made by Aeris Environmental Ltd during the year ended 30 June 2019 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the *Corporations Act 2001*.

### NOTE 4: Restatement of comparatives

The Group has made a retrospective adjustment to a receivable from a customer to reflect the information that was available as at 30 June 2018 but was not provided for in the 2018 financial report. The retrospective adjustment has resulted in an additional impairment charge of \$360,000 for the year ended 30 June 2018 with a corresponding decrease in the carrying value of trade receivables. For details of the restatement refer to the table below:

	June 2018 \$'000 Reported	\$'000 Adjustment	June 2018 \$'000 Restated
<b>Extract from the financial statements for the year ended 30 June 2018</b>			
Trade and other receivables	2,131	(360)	1,771
Net assets	79	(360)	(281)
Accumulated losses	(42,792)	(360)	(43,152)
Total Equity	79	(360)	(281)
Impairment of trade receivables	108	360	468
Loss after tax	(3,231)	(360)	(3,591)

### NOTE 5: Significant changes in the State of Affairs

On 12 December 2018, Company allotted 23,529,417 new fully paid ordinary shares to institutional and sophisticated investors under the Placement announced on 3 December 2018. The issue was completed at a price of \$0.17 per share and raised \$4,000,000. These shares were issued under the Company's 15% placement capacity in accordance with the ASX Listing Rules.

On 31 January 2019, following shareholder approval at the EGM held on 29 January 2019, the Company allotted 18,874,656 fully paid shares to sophisticated and professional investors, which raised \$3,208,692. This issue was at a price of \$0.17 per share.

On 29 January 2019, Company allotted 1,514,698 fully paid ordinary shares under its Share Purchase Plan. The issue was completed at a price of \$0.17 per share and raised \$257,500.