

Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2016

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336**Reporting period:** 30 June 2016**Previous period:** 30 June 2015**Results for announcement to the market**

\$A'000				
Revenues from ordinary activities	up	81.35%	to	1,585
(Loss) from ordinary activities after tax	up	19.88%	to	(2,418)
(Loss) for the period attributable to owners of Aeris Environmental Ltd	up	19.73%	to	(2,415)

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

Brief explanation of the above

The Group generated an ordinary revenue of \$1,585,555 and incurred an operating loss after income tax of \$2,417,891 in the year ended 30 June 2016. As at 30 June 2016, the Group had net assets of \$5,125,560 and a cash balance of \$5,415,664.

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2015 and the Annual Financial Report for the year ended 30 June 2016, due to be released in September 2016. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2015-16 financial year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

NTA backing	30-Jun-16 cents	30-Jun-15 cents
Net tangible asset (NTA) backing per ordinary share	3.32	3.99

Events occurring after Balance Date

No matter or circumstance has arisen since 30 June 2016 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

Audit or Review details

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



Sign here:
(Director/Company Secretary)
Print name: **Robert J Waring**

Date: **31 August 2016**

Preliminary Final Report – Appendix 4E

The financial year ended 30 June 2016 saw a pivotal acceleration of sales and commercial adoption in each of Aeris' key business units.

- AerisGuard consumables for HVAC hygiene, and specialty products for remediation and bacterial control.
- SmartENERGY ecosystem.
- OEM advanced coatings for the prevention of corrosion, mould and biofilm.

Key Achievements for the 2015-16 Financial Year

- **81% increase in year-on-year revenue for the period, which reflects the Company's early scale-up of commercial operations, consistent with the Company's stated objectives. Cash balance of A\$5.4 million as at 30 June 2016.**
- **Scaling sales revenue in each business unit – AerisGuard consumables for HVAC hygiene, and specialty products for remediation and bacterial control, SmartENERGY ecosystem, OEM advanced coatings for the prevention of corrosion, mould and biofilm.**
- **Increasing number of key maintenance contractors, facility managers and end users adopting the Aeris range of products as either the exclusive or preferred supplier.**
- **Rapid scaling of revenue and geographic penetration into Australian wholesaler market.**
- **Pre-market investment in human resources, market and business development activity undertaken for key United States and Southern European markets. Engagement of North American Business Development Manager, Peter Redden, with early validation of large-scale opportunity in the US market for the Aeris portfolio.**
- **Highly-successful industry presentation and participation at the Air-Conditioning, Refrigeration and Building Services show in May 2016.**
- **Successful integration of IMECH building management and automation business into Aeris with near-term global roll-out. First material end user sales to high profile, Australian REIT.**
- **First installed Power Share Heads of Agreement executed and installed at Fresh Freight, a leading food processor.**
- **Landmark industrial group, BlueScope Steel, adopts AerisGuard and SmartENERGY product range at its key Port Kembla site, to be supplied through Auslec.**
- **Aeris SMART HUB design and pre-production activity on fast-track with successful integration with Tridium / Niagara.**
- **Strategic partnership concluded with leading vendor of cloud-based energy and resource analytic platform, VRT Systems.**
- **Successful pre-commercial R&D user field trials of novel and next generation mould and odour remediation, ice-cream and food machine sanitation, and cooling tower water treatment.**
- **Launch of Maintenance Corrosion Protection Aerosol and Surface Cleaner / Sanitiser spray pack with outstanding customer response.**
- **Aeris joins the Large Format Retail Association as the only HVAC energy efficiency company.**
- **Scaling OEM coatings adoption, with orders received in the Quarter and projected product requirements for these customers in excess of A\$2 million annually.**
- **Purchase orders received from leading Asian manufacturers for fourth generation OEM coatings and SMART optimisation device. Announcement of Coils International Group agreement for the supply of novel OEM Coatings.**
- **Launch of Singaporean majority-owned distributor, Aeris Cleantech Asia, with Benjamin Kwek**

of ETHA Engineering. Incorporation of European wholly-owned distributor, Aeris Cleantech Europe, with highly-regarded HVAC Company.

- **Accelerating rates of adoption across AccorHotels Group and other major Asian hotel chains.**
- **Strong forward pipeline of validated revenue in Thailand, Singapore, Vietnam, the Philippines, Malaysia and Hong Kong through Aeris subsidiaries and partners.**

Commentary

The vast majority of Aeris' executive, technical and sales resources were applied to a singular focus, that is, customers and opportunities that afforded significant potential for large-scale contracts and annuity revenue. Aeris continues to invest time and resources into strategic opportunities in its key regions, with a target investment in human resources, market and business development activity undertaken.

As a core component of the Company's commercial expansion, Aeris has initiated a wholesale sales, supply and logistics strategy, now successfully initiated with Heatcraft Australia Pty Ltd, the leading HVAC supplies and consumables supplier globally. The AerisGuard range is now available to facilities managers, tradespeople, and customers in a highly-convenient and appealing 'corner store' model.

Aeris is fundamentally positioned as the emerging market leader in driving cost savings, system efficiency, asset longevity and indoor air quality in all climate-controlled spaces. Many other companies in the sector offer data and then hope that the client in some way can utilise this to improve business outcomes. This is not the Aeris model. The key to Aeris' differentiation is that it delivers validated outcomes, and marries this with measurement, verification, reporting and, indeed, big data. Aeris is characterised by industry disruptive, short return on investment (ROI) for its customers, aligned with an off balance sheet, cash flow positive business offering within its SmartENERGY portfolio. Aeris has now successfully created the first integrated and cost-effective SMART ecosystem for building efficiency and control.

The Company has now received a pre-production shipment of Aeris SMART HUB devices, together with satellite devices, which has resulted in its first commercial agreements to implement the technology not only into buildings, but also fleets of refrigerated trucks.

In line with the Company's objective of broad adoption across key accounts nationally and globally, Aeris has undertaken successful negotiations with a number of high-profile financial institutions. To this end, the Company has reached several agreements for off balance sheet project finance for its customers, which will underpin a rapid roll-out of its annuity-based efficiency contracts. This integrated packaging of technology, consumables and finance provides customers with a complete Aeris solution, whilst enjoying immediate profitability (P&L) and cash flow benefits from the date of adoption.

To this end, the Company enjoys a rapidly-expanding profile as a trusted supplier of energy efficiency solutions to key sectors, including assets and facilities management, electrical contractors, energy retailers, air-conditioning and refrigeration suppliers, and the property sector, each of which has personally seen on-site validation of the unique achievements of the Aeris products.

As previously announced, Aeris has developed and is commercialising a new range of OEM coatings with highly-differentiated capability, including long-term corrosion control, anti-microbial resistance, self-cleaning capability and highly-desirable hydrophilic (water shedding) features. The Aeris coatings have been the subject of extensive independent testing and the Company is now targeting multiple global HVAC manufacturers.

Aeris today has highly-attractive margins, a scaling global business, and is well positioned as the trusted partner for energy and system efficiency, materials protection, indoor air quality and food safety through the full spectrum of climate-controlled assets, including commercial, industrial and retail buildings along with trucking and transport.

The Company has commenced a focused programme of investor and public relations, and associated road-shows to highlight its achievements and its position as a high-profile emerging global leader in energy and systems efficiency, and environmentally-friendly solutions built on an outstanding ROI and highly-differentiated technology and business model.

A more detailed operational review will be set out in the Company's upcoming Annual Report.

Dividends

No dividends were paid or proposed during the year.

Consolidated statement of profit or loss and other comprehensive income

	For the year ended	
	30-Jun-16	30-Jun-15
	\$'000	\$'000
Revenues from operating activities	1,378	801
Interest revenue	205	68
Other income	378	5
Cost of goods sold	(350)	(240)
Depreciation, amortisation and impairment	(65)	(21)
Distribution expenditure	(85)	(59)
Employee benefits expense	(1,669)	(884)
Financial expenditure	(98)	(165)
Occupancy expense	(226)	(153)
Provision for doubtful debt expense		(12)
Other general and Administration	(820)	(557)
Product registration, patents, trade marks and R&D expenditure	(450)	(380)
Sales, marketing and travel	(687)	(441)
Loss from ordinary activities before income tax expense	(2,489)	(2,038)
Income tax credit relating to ordinary activities	71	21
Loss after tax	(2,418)	(2,017)
Other Comprehensive Income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(7)	(20)
Items that will not be reclassified subsequently to profit or loss	-	-
Total Comprehensive Loss for the period	<u>(2,425)</u>	<u>(2,037)</u>
Loss for the period attributable to:		
Owners of Aeris Environmental Ltd	(2,415)	(2,017)
Non-controlling interest	(3)	-
	<u>(2,418)</u>	<u>(2,017)</u>
Total comprehensive loss for the period attributable to:		
Owners of Aeris Environmental Ltd	(2,422)	(2,037)
Non-controlling interest	(3)	-
	<u>(2,425)</u>	<u>(2,037)</u>
Earnings per share		
Basic loss per share (cents per share)	(1.58)	(1.55)
Diluted loss per share (cents per share)	(1.58)	(1.55)

Consolidated statement of financial position

	As at 30-Jun-16 \$'000	As at 30-Jun-15 \$'000
CURRENT ASSETS		
Cash and cash equivalents	5,416	3,856
Financial Assets (Term Deposits)	-	4,800
Trade and other receivables	840	143
Inventories	171	47
Other	135	65
TOTAL CURRENT ASSETS	6,562	8,911
NON-CURRENT ASSETS		
Plant and equipment	151	26
Intangible assets	-	31
TOTAL NON-CURRENT ASSETS	151	57
TOTAL ASSETS	6,713	8,968
CURRENT LIABILITIES		
Trade and other payables	448	343
Provisions	114	50
Interest-bearing liabilities	1,015	2,515
TOTAL CURRENT LIABILITIES	1,577	2,908
NON-CURRENT LIABILITIES		
Provisions	11	23
TOTAL NON-CURRENT LIABILITIES	11	23
TOTAL LIABILITIES	1,588	2,931
NET ASSETS	5,125	6,037
EQUITY		
Contributed equity	40,100	38,600
Reserves	1,181	1,187
Accumulated losses	(36,165)	(33,750)
Non-controlling interest	9	-
TOTAL EQUITY	5,125	6,037

Consolidated statement of changes in equity

	Equity	Reserves	Accumulated Losses	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	28,467	1,162	(31,733)	-	(2,104)
Loss for the year	-	-	(2,017)	-	(2,017)
Other comprehensive income/(loss)	-	(20)	-	-	(20)
Total comprehensive loss for the year	-	(20)	(2,017)	-	(2,037)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	10,213	-	-	-	10,213
Share issue cost	(80)	-	-	-	(80)
Value of employee services under ESOP	-	1	-	-	1
Shares issued as consideration for business combinations	-	44	-	-	44
Balance at 30 June 2015	38,600	1,187	(33,750)	-	6,037
Loss for the year	-	-	(2,415)	(3)	(2,418)
Other comprehensive income/(loss)	-	(7)	-	-	(7)
Total comprehensive loss for the year	-	(7)	(2,415)	(3)	(2,425)
Minority interest shareholding	-	-	-	12	12
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during year	1,500	-	-	-	1,500
Value of employee services under ESOP	-	1	-	-	1
Balance at 30 June 2016	40,100	1,181	(36,165)	9	5,125

Consolidated statement of cash flows

	For the year ended	
	30-Jun-16	30-Jun-15
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	819	820
Payment to suppliers and employees	(4,449)	(2,674)
Income tax credit received	71	21
Interest received	205	73
Interest paid	(98)	(171)
Other Income	378	-
Net cash from operating activities	<u>(3,074)</u>	<u>(1,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Term Deposits	4,800	(4,800)
Purchase of assets	(159)	(28)
Net cash used in investing activities	<u>4,641</u>	<u>(4,828)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of Shares	-	10,088
Share issue expenses	-	(80)
Loan borrowings	-	715
Loan repayments	-	(250)
Net cash provided by (used in) financing activities	<u>-</u>	<u>10,473</u>
Net increase (decrease) in cash held	1,567	3,714
Cash and cash equivalents at the beginning of the financial year	3,856	162
Effects of exchange rate changes on cash and cash equivalents	<u>(7)</u>	<u>(20)</u>
Cash and cash equivalents at the end of the financial year	<u>5,416</u>	<u>3,856</u>
Reconciliation of cash balance	30-Jun-16	30-Jun-15
	\$'000	\$'000
Deposits on call	6	6
Term Deposits	5,350	3,650
Cash on hand and at bank	60	200
	<u>5,416</u>	<u>3,856</u>

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

	2016	2015
	\$'000	\$'000
Operating loss after income tax	(2,418)	(2,017)
Non cash/non-operating items included in profit and loss		
Depreciation and amortisation	20	21
Impairment	45	-
Provision for doubtful debts	-	12
Share based payments	1	32
Changes in assets and liabilities		
(Increase) / decrease in receivables	(697)	7
(Increase) / decrease in inventory	(124)	(25)
(Increase) / decrease in other assets	(58)	(25)
Increase / (decrease) in trade creditors	55	10
Increase / (decrease) in employee entitlement provision	53	2
Increase / (decrease) in other creditors and accruals	49	52
Net cash used in operating activities	(3,074)	(1,931)

Earnings per security (EPS)

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

	30-Jun-16	30-Jun-15
Net profit/(loss) - \$'000 (used to calculate basic EPS)	(2,415)	(2,017)
Interest on convertible loans portion	-	-
Net profit/(loss) - \$'000 (used to calculate diluted EPS)	<u>(2,415)</u>	<u>(2,017)</u>
Weighted average number of ordinary shares used in the calculation of the basic EPS	152,977,902	130,365,853
Convertible share options	-	32,973
Weighted average number of ordinary shares used in the calculation of the diluted EPS	<u>152,977,902</u>	<u>130,398,826</u>
Basic EPS – loss per share (cents)	(1.58)	(1.55)
Diluted EPS – loss per share (cents)	(1.58)	(1.55)

Financial reporting by geographical segments

	Australia	International	Intersegment elimination	Consolidated
	\$'000	\$'000	\$'000	\$'000
Segment revenue	1,961	-	-	1,961
Profit before tax	(2,478)	(46)	35	(2,489)
Segment assets	6,825	63	(175)	6,713
Segment liabilities	3,400	2,021	(3,833)	1,588

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 Financial Report has been prepared on a going concern basis. The Directors consider the Group has adequate funding and therefore, no adjustments have been made to the Financial Report that might be necessary should the Group not continue as a going concern.

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 2015 and the Annual Financial Report, due to be released in September 2016, for the year ended 30 June 2016. 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 2016 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the Corporations Act 2001.