AERISON

2021 ANNUAL REPORT

AERISON GROUP LIMITED
ABN 77 614 735 474

ONE TEAM OUR SAFETY

INTEGRITY
We are reliable, honest and accountable

NURTURE
Our people are the absolute core of our operation

SAFETY
Safety is at the forefront of everything we do

PERFORMANCE
We always strive to do things better

INNOVATION
We do not accept ordinary

RELATIONSHIPS
We always work with our people, clients and suppliers in a collaborative and transparent manner

EXCELLENCE
We are continually raising the bar

OUR PURPOSE
We are focused on building a successful and sustainable business that operates with integrity, fairness and transparency with our people, our clients, our suppliers and the community.

OUR VISION
To position Aerison as a leading multi-disciplined engineering design, construction and asset maintenance service provider, enhancing the performance of our customers by understanding their needs and delivering our core services to the highest quality, safely and to schedule.

OUR DEILVERY
To operate as One Team, providing safe, seamless delivery.

CONTENTS

AERISON AND OUR OPERATIONS

YEAR AT A GLANCE

For the year ended 31 December 2021, revenue and underlying EBITDA achieved guidance.

545	$134.9M	$12.5M
GROUP WORKFORCE	**REVENUE**	**UNDERLYING EBITDA**
$402.0M	**$5.4M**	**1.96CPS**
ORDER BOOK	**REPORTED NPAT**	**BASIC EPS**

OUR BUSINESS

OUR HISTORY

Established in 1988, Aerison specialised in the design and construction of environmental solutions, such as air pollution control and noise abatement systems, to reduce the harsh impacts of industry on the environment. Its namesake, a combination of the Latin words for air and noise - "aerius" and "sonus" - pays homage to its roots.

Since 1988, Aerison has grown from a specialist environmental, private company into a broad-based engineering, design and construction company self-performing multi-disciplined EPC, engineering and design, construction and maintenance services to various industries and customers across Australia. In July 2021, Aerison Group Limited publicly listed on the Australian Securities Exchange, marking a significant milestone in its corporate evolution.

Aerison is headquartered in West Perth and operates a well-equipped 10,800m^2 industrial fabrication and assembly facility in Forrestfield, Western Australia. Aerison has a workforce of 545 employees, including 125 qualified engineers, construction management specialists and supporting professionals and 420 site-based construction personnel.

In July 2021, Aerison Group Limited publicly listed on the Australian Securities Exchange, marking a significant milestone in its corporate evolution.

OUR BUSINESS (CONTINUED)

OUR CAPABILITIES

Aerison has a proven history of delivering turnkey solutions to our customers which are safe, on-time and on-budget. Our capabilities may be broadly explained as follows:

ENGINEERING, PROCUREMENT AND CONSTRUCTION PROJECTS

Aerison provides engineering and design, procurement, fabrication and site construction services to deliver turnkey solutions for our customers. Aerison adapts to the contracting model required by our customers, such as full EPC or single discipline service delivery. Our multi-disciplined EPC expertise also extends to environmental solutions, including systems concerning wet and dry dust collection systems, greenhouse gas reduction systems, noise abatement and waste water treatment solutions.

SUSTAINING CAPITAL, MAINTENANCE AND SHUTDOWN SERVICES

Specialising in the structural, mechanical, piping, electrical and instrumentation disciplines, Aerison's services include scoping of works, planning, procurement supervision and execution of routine, preventative, planned and unplanned maintenance services on process and non-process assets.

ELECTRICAL AND CONTROL INFRASTRUCTURE

Aerison offers a wide-ranging suite of Electrical, Instrumentation and Control (EIC) services with significant expertise in control systems across all industries. Our expertise includes:

- Design, fabrication, fit-out and installation of low, medium and high voltage modular switch and control rooms, kiosks and ring main units.
- Design, supply and installation of standby, black-start and back-up power generation and battery energy storage solutions.

Aerison has complete electrical, instrumentations and controls capability with our team of highly qualified and experienced EIC personnel.

OUR OPERATIONS

Key projects and services in delivery or completed during 2021 include:

1. Western Turner Syncline Iron Ore Mine (Rio Tinto)
2. Robe Valley Iron Ore Mine (Rio Tinto)
3. Tom Price Conveyor Installation (Rio Tinto)
4. Yandi Chiller Installation (Rio Tinto)
5. Kwinana Nickel Refinery (BHP)
6. Saline Water Reverse Osmosis Plant (Roy Hill)
7. Ultrafine Iron Recovery Project (Roy Hill)
8. West Angelas Iron Ore Mine (Rio Tinto)
9. Paraburdoo Iron Ore Mine (Rio Tinto)
10. Roy Hill Iron Ore Mine (Roy Hill)
11. Yandi Iron Ore Mine (Rio Tinto)
12. Christmas Creek Iron Ore Mine (Fortescue Metals)
13. Boddington Gold Mine (Newmont)
14. Sino Iron Iron Ore Mine (Citic Pacific)
15. Fabrication of Pipe Rack Modules (Covalent Lithium)
16. Toxic Fume Extraction and Scrubbing System (KCGM)
17. Horizon Power Switchrooms (Avid)
18. Dust Collection Modularisation System (Laing O'Rourke)
19. Iron Bridge Switchrooms (Eaton)
20. Compressor Station Switchrooms (APA Ambania)
21. METRONET Battery Boxes Fabrication (Alstom)
22. Battery Energy Storage Facility (EDL)
23. Esperance Tonnes to Port Project (CBH)
24. East Rockingham to Energy Project (Acciona)
25. Wagerup Alumina Refinery Switchrooms (Alcoa)

CHAIR'S REPORT

It is my pleasure to present the 2021 Annual Report for Aerison Group Limited. During the year, Aerison continued to execute its growth strategies whilst delivering record revenues and underlying earnings. We continued to deliver tailored solutions for our customers and reacted swiftly to manage the impacts of the COVID-19 pandemic and a constrained labour market.

Established in Perth, Western Australia, in 1988, Aerison has evolved from a specialist environmental outfit to a company which engineers, procures and constructs turnkey complex infrastructure and environmental solutions, together with routine shutdown maintenance services. Following successful admission for official quotation on the ASX in July 2021, Aerison has built on this significant milestone to continue to grow the business for the benefit of shareholders. The success of our fully-subscribed initial public offering speaks to a demonstrated history of repeat custom from leading Australian companies for our consistently high-quality service offering, our strong financial position and the quality and experience of our people.

Aerison's fully-subscribed initial public offering raised $13.500 million, comprising an offer of 37,500,000 new shares at an issue price of $0.20 each and the sale of 30,000,000 existing shares from its foundation shareholders at a sale price of $0.20 each. The funds raised from the 37,500,000 new shares has supported the working capital requirements of our business, enabling us to secure new contracts and expand our service delivery to existing clients.

This has enabled Aerison to focus on executing its double-digit growth strategy for shareholders. For the year ending 31 December 2021, Aerison achieved revenue of $134.886 million (representing revenue growth of 34.2% on the prior year) and underlying earnings before interest, tax, depreciation and amortisation of $12.505 million (representing earnings growth of 19.6% on the prior year).

The Company is pleased to forecast another year of double-digit revenue growth, with current revenue guidance for 2022 sitting at $180.0 million. This forecast revenue is fully secured and includes works under contract, repeat revenue from master service agreements and expected recurring revenue streams. The continued growth in revenue and earnings is attributed to Aerison's strong operational and financial performance to date and details of our operating performance and growth are set out in Daniel Hibbs' Chief Operating Officer's Report.

In closing, Aerison has made a promising start as a listed company, exceeding the forecast guidance in our Prospectus despite challenging operating environments. I am both confident and excited in what the future holds for the Company. On behalf of the Board, I would also like to recognise our people for their ability to successfully navigate an unprecedented 2021, responding to every challenge and opportunity that arose to deliver an exceptional outcome for our shareholders.

Bronwyn Barnes
Non-Executive Chair
28 February 2022
Perth

Aerison successfully navigated through a challenging 2021 to deliver a 34.2 per cent increase in revenue to $134.886 million and expects to continue this trend with 2022 revenue guidance of $180.0 million fully secured.

CEO'S REPORT

Aerison successfully navigated through a challenging 2021 to close out the year ended 31 December 2021 with another year of double-digit growth in revenue increasing 34.2% on the previous year at $134.886 million. Following this trend, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased to $12.505 million, a 19.6% increase on the prior period. Underlying EBITA excludes non-recurring initial public offering (IPO) costs of $0.986 million.

Since the successful IPO and ASX listing in July 2021, the Company's order book has grown 33.3% to $402.0 million from $300.0 million. In addition, we start the new financial year in a strong position with our revenue guidance for 2022 of $180.0 million fully secured.

A stringent focus on expanding the scope and scale of our service offering to existing customers, together with fostering new relationships with some of Australia's leading mining companies, highlights the success of our growth strategy.

FINANCIAL

A strong financial performance in 2021 positions Aerison favourably for 2022:

- Revenue of $134.886 million, increasing 34.2% on 2020.
- Underlying EBITDA of $12.505 million, increasing 19.6% on 2020.
- Net profit after taxes of $5.358 million, increasing 5.9% on 2020.
- Cash and available undrawn facilities of $18.307 million, improving 15.9% on 2020.
- Net assets of $33.781 million, increasing 87.3% on 2020.
- Net debt of $6.494 million, improving 34.9% on 2020.

CAPITAL EXPENDITURE

Capital expenditure of $1.854 million, increasing $1.481 million from 2020, was incurred in 2021. This significant investment highlights:

- The transition of our in-house fabrication operations to a larger, well-equipped industrial facility in Forrestfield, Western Australia, to support growth in the volume of our secured work in hand.
- The expansion and replacement of our motor vehicle and plant and equipment.
- The implementation of next-generation IT platforms, such as the Rapid Crews mobilisation and AERISAFE HSEQ systems, and computer equipment to better support our day-to-day operations with real-time, data-enabled decisions.

CASH FLOW AND FUNDING

Aerison continues to benefit from the ongoing support of our external banking partners and shareholders in achieving our growth targets. Key achievements included:

- In March 2021, Aerison increased its existing and secured banking facilities to $41.000 million, increasing 69.3% on 2020.
- In July 2021, Aerison successfully raised $7.500 million from the issue of 37,500,000 ordinary shares as part of the IPO.
- In November 2021, Aerison entered a new surety bonding facility arrangement for $15.500 million to support our new contract wins.

CEO'S REPORT (CONTINUED)

The sum of our bank guarantee and surety bond facilities was $31.500 million at 31 December 2021, of which $28.757 million was utilised. As Aerison continues to grow, further external bank guarantee facilities will be required to support future growth.

PEOPLE AND CULTURE

Strong demand for our services, combined with Western Australian travel restrictions and tight labour availability, focussed our attention on employee retention. Pleasingly, our retention initiatives culminated in an increase in our workforce to 545 employees (2020: 534 people). Our continued investment in employee professional development, market-competitive pay and reward and recognition programs has positioned Aerison to successfully execute its work in hand in 2022.

SAFETY AND WELL BEING

Aerison's Total Recordable Injury Frequency Rate improved 29 per cent to 3.8 incidents per million hours worked, out-performing industry benchmarks. Quality and data-driven safety and health initiatives, underscored by a commitment to a zero-harm culture and the mental health and wellbeing of our people, drove this improvement.

OUTLOOK

Buoyant economic conditions in the resources, energy and infrastructure sectors in the coming years continue to provide Aerison with a strong pipeline of tender opportunities. The outlook for the Australian iron ore industry is strong, with significant levels of sustaining capital and operating expenditure to sustain high levels of production driving strong demand. Similarly, maintenance activity is expected to grow steadily on the back of aging assets and customers deferring discretionary works in prior periods.

Separately, Australia's transition to clean energy continues to gain momentum. Aerison is actively involved with network power providers and critical battery mineral processors and is well placed to continue to provide services related to hybrid renewable power, such as the design and construct liquid energy storage systems, chemical manufacturing plants and environmental control systems.

Against this backdrop, and at the date of this CEO's Report, the gross pipeline of opportunities available to Aerison is $2.239 billion. Going into 2022, Aerison has secured revenue of $180.000 million. Combined with strong upside potential from active tenders where Aerison is a short-listed candidate and our strategy of selectively tendering for opportunities without comprising on margins, Aerison is well placed to continue on its growth trajectory.

On behalf of the Board, I would like to take this opportunity to thank our employees, contractors, customers and shareholders for their ongoing loyalty and support.

Giuseppe Leone
Managing Director and Chief Executive Officer
28 February 2022
Perth

Going into 2022, Aerison has secured revenue of $180.000 million.

COO'S REPORT

The year ended 31 December 2021 presented significant challenges for all businesses, but the disciplined execution of our growth strategy allowed Aerison to deliver on target with continued double-digit growth in its revenue and underlying earnings.

The key projects which underscored our operating activities and financial success for 2021 included:

WESTERN TURNER SYNCLINE TWO SUSTAINING PROJECT

Provision of SMPE&I and commissioning support for Rio Tinto at their Western Turner Syncline iron ore mine, Western Australia.

ROBE VALLEY SUSTAINING PROJECT

Provision of SMPE&I and commissioning support for Rio Tinto at their Mesa J iron ore mine, Western Australia.

SALINE WATER REVERSE OSMOSIS PLANT

Design, supply and construction of water treatment facilities at the Roy Hill iron ore mine, Western Australia.

ULTRAFINE IRON RECOVERY

Fabrication and installation of pipework as part of the WHIMS plant expansion at the Roy Hill iron ore mine, Western Australia.

KWINANA NICKEL REFINERY

Construction of chemical processing facilities at the BHP Nickel West powder leach nickel sulphate plant at Kwinana, Western Australia.

SHUTDOWNS, ROY HILL

Shutdown services to facilitate sustaining capital, routine maintenance and emergency repairs at the Roy Hill iron ore mine, Western Australia.

SHUTDOWNS, RIO TINTO

Shutdown services to facilitate general and shutdown maintenance activities for Rio Tinto at their West Angelas, Paraburdoo and Yandicoogina iron ore mines, Western Australia.

SHUTDOWNS, NEWMONT

Shutdown services to facilitate general and shutdown maintenance activities at the Boddington gold mine, Western Australia, for Newmont.

PIPE RACK MODULES FABRICATION

Manufacture and supply of steel pipe rack modules for Covalent Lithium for their Kwinana lithium refinery, Western Australia.

AIR POLLUTION CONTROL

Design, supply and installation of a toxic fume extraction scrubber system for KCGM at their Fimiston gold mine, Western Australia.

COMPRESSOR SWITCHROOMS

Design, fabrication and supply of four switchrooms for APA Ambania at their Goldfields compressor station, Western Australia.

COO'S REPORT (CONTINUED)

BATTERY ENERGY STORAGE

Design, fabrication and installation of a battery energy storage system connected to the Wiepa Power Station, Queensland, for EDL Energy.

GUDAI-DARRI DUST COLLECTORS

Supply, fabrication and installation of three dust collector units for Laing O'Rourke at the Gudai-Darri iron ore mine, Western Australia.

TOM PRICE DUST COLLECTORS

Design, fabrication and installation of a screenhouse dust collection and disposal system for Rio Tinto at the Tom Price iron ore mine, Western Australia.

IRON BRIDGE SWITCHROOMS

Design, fabrication and supply of seven switchrooms for Eaton Corporation at the Iron Bridge iron ore mine, Western Australia.

METRONET RAILCAR PROGRAM

Design, fabrication and supply of battery boxes as part of the construction of the Perth METRONET railcars for Alstom.

The profile of our key projects delivered in 2021 illustrates our sustained focus on multi-asset mining customers seeking high-quality solutions that are on-budget and delivered safely. Scalable diversification across the energy, iron ore, nickel, lithium, chemical and electrical infrastructure sectors with new customers is an ongoing priority.

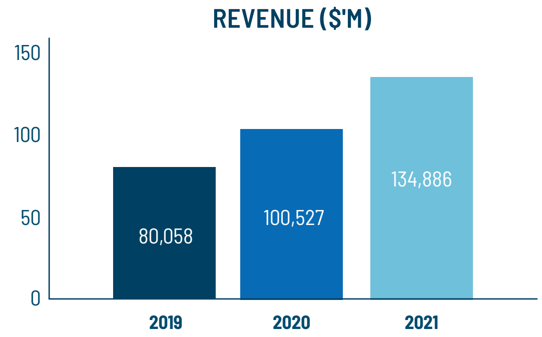
Daniel Hibbs
Chief Operating Officer
28 February 2022
Perth

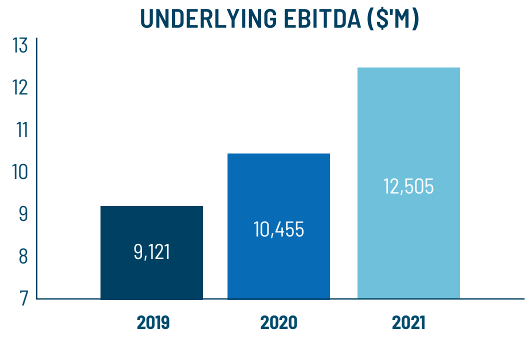
FINANCIAL REVIEW

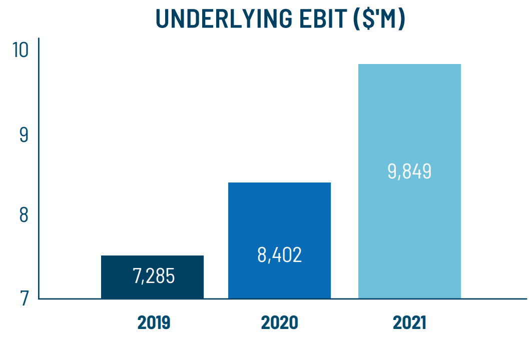
FROM OPERATIONS

	1H21 $'000	2H21 $'000	2021 $'000	2020 $'000
Revenue	62,349	72,537	**134,886**	100,527
Underlying EBITDA	5,210	7,295	**12,505**	10,455
Underlying EBIT	3,951	5,898	**9,849**	8,402
Underlying NPAT	1,963	4,085	**6,048**	5,059
Statutory NPAT	1,963	3,395	**5,358**	5,059

Note: But for revenue and statutory NPAT, these financial measures are not defined under IFRS and are unaudited. These financial measures are derived from the audited financial statements.







FINANCIAL REVIEW (CONTINUED)

PROFIT OR LOSS

The Group delivered its revenue and underlying EBITDA targets in line with its publicly stated guidance. Revenue increased by 34.2% to $134.886 million (2020: $100.527 million) for the year ended 31 December 2021. This increase highlights growth in the scale of operating activities, with new significant contracts including the Western Turner Syncline and Robe Valley Sustaining Capital Works projects with Rio Tinto, the Saline Water Reverse Osmosis Plant and Ultrafine Iron Recovery projects with Roy Hill, combined with shutdown maintenance works under long-term Master Service Agreements at mine sites such as Roy Hill, Sino Iron, Paraburdoo, Yandicoogina and Boddington. The design, manufacture and installation of air pollution control systems, dust collectors, energy storage facilities and electrical switchrooms also contributed to increased revenue.

Underlying EBITDA increased by 19.6% to $12.505 million (2020: $10.455 million) for the year ended 31 December 2021, highlighting the increase in the number of active contracts in hand. EBITDA margins were partly impacted by increasing recruitment costs, occupancy costs and higher employee headcount in support of growth in operating activities and higher and more comprehensive insurance premiums.

Underlying EBITDA excludes significant, non-recurring arising from the initial public offering and expensed to profit or loss of $0.986 million (2020: Nil).

DEPRECIATION AND AMORTISATION

Depreciation and amortisation increased by 29.4% to $2.656 million (2020: $2.053 million) for the year ended 31 December 2021. Capital expenditure of $1.854 million (2020: $0.373 million) on property, plant and equipment and the initial recognition of right-of-use assets of $3.096 million (2020: $3.550 million) contributed to higher depreciation.

TAXES

The Group reported an income tax expense of $1.292 million (2020: $1.649 million) and an effective tax rate of 19.4% (2020: 24.6%) for the year ended 31 December 2021. The income tax expense is weighted to the recognition of a deferred tax expense on contract assets of $2.706 million.

BALANCE SHEET

At 31 December 2021, the Group's net tangible assets (NTA) increased to $33.781 million (2020: $18.035 million). NTA includes deferred tax balances and right-of-use assets and lease liabilities. NTA per share increased to 11.0 cents per share (2020: 7.5 cents per share).

WORKING CAPITAL

At 31 December 2021, the Group's working capital was $33.676 million (2020: $21.795 million). The increase in working capital mirrors the increase in scale of operating activities, driving a $26.609 million increase in trade and other receivables and $14.259 million increase in trade and other payables.

NET DEBT

At 31 December 2021, the Group's net debt was $6.494 million (2020: $9.976 million). Net debt comprises cash on hand of $13.219 million (2020: $7.754 million) offset by lease liabilities of $5.177 million (2020: $2.780 million) and interest-bearing loans of $14.536 million (2020: $14.950 million). The debt service coverage ratio, being net debt to underlying EBITDA, improved to 0.52 times (2020: 0.95 times).

The $3.482 million decrease in net debt is attributed to:

- Net cash inflows of $6.741 million, including cash receipts of $7.500 million from the issue of 37,500,000 fully paid ordinary shares to the subscribers of the initial public offering
- Net drawdowns of $5.267 million against the $15.000 million secured trade finance loan. The trade finance loan is a revolving credit facility which is secured against the face value of trade receivables with recourse.
- Conversion of convertible notes of $3.900 million to 27,078,106 fully paid ordinary shares. No convertible notes were settled in cash.
- Recognition of lease liabilities related to our Forrestfield fabrication facility ($2.632 million) and motor vehicles ($0.464 million), offset by principal lease payments of $1.096 million.

FINANCIAL REVIEW (CONTINUED)

In March 2021, the Group increased its $24.500 million secured banking facilities to $41.000 million.

In November 2021, the Group also entered into a $15.500 million surety bond facility, which was $13.728 million drawn on 31 December 2021.

At 31 December 2021, the Group had available undrawn banking facilities and cash and cash equivalents of $18.307 million (2020: $15.798 million) of at its disposal.

CASH FLOWS

OPERATING CASH FLOWS

For the year ended 31 December 2021, cash outflows from operating activities were $1.647 million (2020: $0.403 million).

Net cash outflows of $1.647 million is attributed to the increase in trade and other receivables of $26.812 million for the year ended 31 December 2021. The increase arises from estimates of variable consideration, recognised as contract assets, which are enforceable under the contract but for which settlement is within the process of negotiation, review and certification with the customer.

INVESTING CASH FLOWS

Capital expenditure on plant and equipment was $1.854 million (2020: $0.373 million) for the year ended 31 December 2021. Capital expenditure was weighted to the fit-out of the Forrestfield fabrication facility, acquisition of motor vehicles and plant and equipment and investment in next generation computer equipment and software.

FINANCING CASH FLOWS

For the year ended 31 December 2021, cash inflows from financing activities were $9.931 million (2020: ($2.255) million) and comprises:

- On 12 July 2021, Aerison Group Limited was admitted for quotation on the Australian Stock Exchange. 37,500,000 fully paid ordinary shares were issued to the subscribers of the initial public offering for cash consideration of $7.500 million. Proceeds from the issue of fully paid ordinary shares were offset by share issue costs of $1.761 million.
- Net drawdowns of $5.267 million against the $15.000 million secured trade finance loan, offset by principal lease payments of $1.096 million.
- Purchase of 605,969 treasury shares for $0.120 million for later use in employee share-based payment arrangements.

DIVIDENDS

Dividends of $287,000 for Class B and C preference shares were declared and paid in 2021. On 10 May 2021, the Class B and C preference shares were transferred to the Company.

RISK MANAGEMENT

Aerison defines risk management as the identification, assessment and management of risks that may materially impact its operations, employees, reputation and financial performance. Given the nature of the industries in which the Group operates, multiple risk factors may materially impact on the Group. Whilst the Board and management proactively manages known risk factors where it is efficient and practicable to do so, there is no guarantee these efforts will be successful.

An overview of material risks facing Aerison are set out below. These risks are not listed in order of importance and are not exhaustive. Rather, these are the most significant risks that, in the opinion of the Board, should be considered and monitored by existing and potential shareholders in the Company. Additional risks which are not presently known, or which are regarded as immaterial or manageable, may also adversely affect the Group's operations.

CONTEXT	RISK	RESPONSE
Communicable disease outbreaks, including the COVID-19 pandemic	The ongoing COVID-19 pandemic may lead to interruptions in operations, such as mine site closures and an inability to source materials and consumables. Further, the Group's operations are dependent on the health and productivity of its workforce.	The Group implemented risk mitigation strategies (as well as following customer directed strategies where required to do so on remote sites) to manage the COVID-19 pandemic, comprising practicing social distancing and mask wearing, staggered breaks, proof of vaccination and additional hygiene measures. Management continues to provide clear guidelines to employees and contractors on actions to minimise the potential for infection. The COVID-19 pandemic did not materially impact the financial performance of the Group; however, prolongation of the pandemic may materially impact the Group in future periods.
The possibility of health and safety accidents, including life-changing events	The Group's operations are subject to many hazards inherent in the construction and maintenance activities. Although the Total Recordable Injury Rate (TRIFR) of the Group decreased in 2021, it is possible the Group may experience accidents or fatalities in the future.	The Group is committed to zero-harm working conditions for its employees and contractors. The Group supports a safety conscious culture through appropriate training, supervision and resources to promote and embed safe operating practices throughout the Group. The Group operates an ISO 45001 certified HSE management system, which works to eliminate hazards and minimise health and safety risks.
Labour costs and availability of skilled people	The Group is exposed to increased labour costs and retention constraints in markets where labour demand is strong, which is pronounced on the back of Western Australian travel restrictions. Changes to labour laws and regulations may limit productivity and increase labour costs, adversely impacting operating margins.	The Group recognises that its profitability, productivity and ability to effect planned growth initiatives is contingent on its ability to attract and retain skilled and experienced employees. To this end, the Group's remuneration structures are market competitive, comprising annual salary benchmarking and Group wide reward programs. Further, the Group is invested in the training and development and internal promotion of employees, which reduces the need to recruit new employees.

RISK MANAGEMENT (CONTINUED)

CONTEXT	RISK	RESPONSE
Key customers from the resources sector contribute more than 80 per cent to revenue	The Group is primarily influenced by the prospects of the resources sector. Any future deterioration in the outlook of the resources sector may adversely impact the Group's financial position or financial performance.	The Group has sought to mitigate reliance on the resources sector as follows: • Pursuing an end-to-end service offering capturing the entire lifecycle of the asset, from front-end engineering and design activities to sustaining maintenance activities. • Pursuing a diversified portfolio of customers operating in different industries. During 2021, the Group had more than 75 different customers (2020: 75 customers).
Increased competition from new and existing competitors	A significant proportion of construction activities is dependent on successful competitive tenders. Despite a strong success rate, there is no assurance that the Group will continue to successfully tender for new contracts against current or future competition.	The Group's demonstrated history of executing contracted works to a high standard, combined with a highly skilled workforce, continues to offer a compelling value proposition to existing and potential customers. This value proposition supports long-term contractual relationships with key customers, illustrated by recurring revenue streams under multiple long-term Master Service Agreements.
Unforeseen delays in the execution of contracted works	The Group operates in harsh conditions and remote locations where environmental events, such as inclement weather, may delay contract performance or result in a complete shutdown of a project for an unknown period of time.	The diversity of Group's customers and sites ensure the Group is not heavily leveraged at any one location should an unforeseen shutdown occur.
Contract variations and claims	The nature of construction services gives rise to contract variations for reasons including, but not limited to, excusable delays and scope variations. There is a risk that the Group's claims for contract variations are disputed and not ultimately agreed.	The Group's accounting policy for the determination of the revenue arising from contract variations is the most likely amount which is highly probable of not reversing in a future period. The Group's determination of this amount requires management to exercise significant judgement. At arriving to a position, the Group is informed by experienced General Managers, independent time and cost experts and legal counsel, as appropriate.
Tender pricing	The Group is equipped with a skilled workforce when pricing contracts and employs all reasonable efforts to ensure tender pricing reflects the scope of work. Despite this safeguard, there is no assurance that the tender estimate is not reflective of actual work performed, which may cause cost overruns and the ability to maintain existing contracts or win future contracts.	The application of the Group's tender work procurement and approval process maximises the likelihood that tendered margins will be achieved. As part of this process, tender pricing is reviewed by an experienced General Manager, Chief Operating Officer and Managing Director. In addition, sustaining capital contracts are ordinarily structured around a schedule of rates with no fixed pricing. The schedule of rates is informed by a demonstrated history of profitable contracts.
Compliance with debt covenants	The Group holds external banking facilities with investment grade financial institutions. A default under external banking facilities may result in the withdrawal of financial support or an increase to the future cost of financing.	The Group ensures compliance with our Group Finance and Reporting Manual, which outlines key controls which govern our financial risk management practices. Cash flow forecasting also enables the ongoing monitoring and management of debt covenant compliance. No external finance facilities were called during the year ended 31 December 2021.

PEOPLE

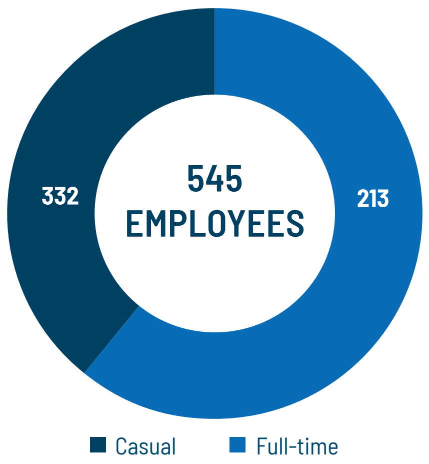
PEOPLE MANAGEMENT AND RETENTION

Aerison is focussed on building a successful, sustainable business which operates with integrity, fairness and transparency in the way in which we conduct ourselves with our people, contractors who work on our behalf, customers, suppliers and the community. We recognise the crucial role that our people play in the success of our business. In doing so, we retain and attract highly competent employees who are culturally aligned with our Company's INSPIRE values.

Increasing demand for construction and maintenance services, combined with Western Australian travel restrictions, caused tightening labour availability and higher turnover rates in the industries in which Aerison operates. Aerison has introduced various strategies to attract and retain our people through open and continuous employee engagement, including:

- mitigation of critical succession risk by focusing on the personal development of emerging talent
- recognising high-performing employees with reward and recognition initiatives, comprising employee share schemes, bonuses and our Inspire Awards program as well as referral incentive programs
- driving a market-competitive pay for performance culture, benchmarked to annual salary reviews
- investment in frontline leadership training programs
- interstate and international recruitment campaigns on social media, radio and high-transit locations
- implementation of the AERISAFE HSE system to drive high performance in people management and safety

On balance, Aerison promotes an inclusive culture where people are respected and safe and providing job-specific and career development training programs. Aerison recognises that whilst our strategies are important, our people drive outcomes.



SAFETY

SAFETY, HEALTH AND WELLBEING

Aerison understands that the safety, health and wellbeing of our people and the contractors who work on our behalf is paramount to our long-term success.

Aerison promotes a zero-harm culture, committed to zero fatalities and preventing serious and catastrophic events causing life-changing injuries which may adversely impact the lives and livelihoods of our people, their families and those that work around us. Safety is at the core of our operations by aligning our safety strategy and initiatives with our strategic and business goals.

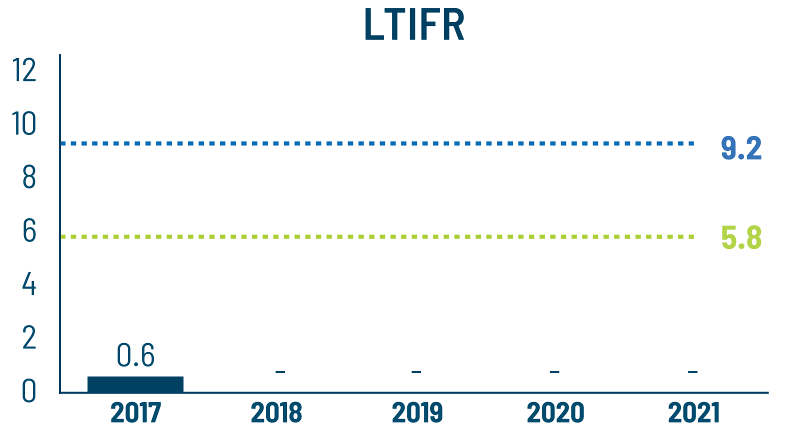
The alignment of strategies, goals and outcomes is driven by senior management through Aerison's in-house AERISAFE HSE system. Coupled with a strong incident reporting culture from our workers and contractors, Aerison is empowered to drive quality and data-driven safety and health decisions. Regular communication with our people and contractors is key, comprising Safety Alerts on serious incidents with corrective actions, Good to Shares capturing proactive behaviours, continuous improvement updates on our internal HSEQ procedures and ongoing HSEQ training.

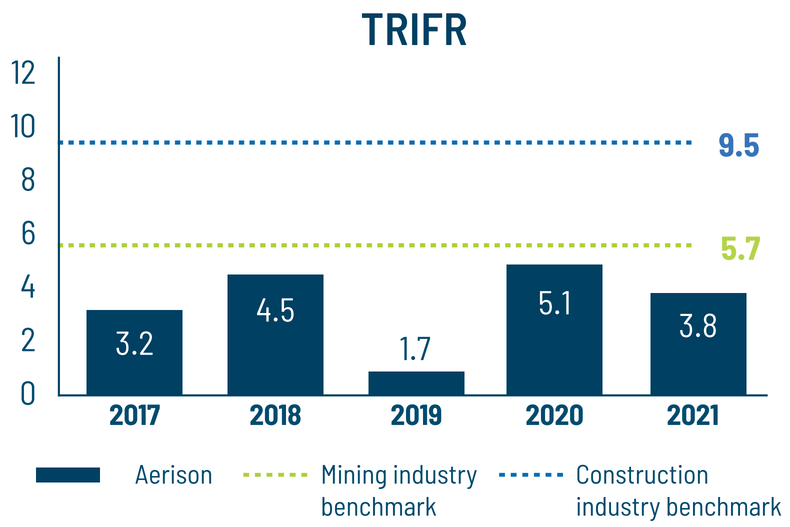
INJURY FREQUENCY RATES

Aerison measures safety performances with reference to Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). Safety measures markedly improved in 2021, notwithstanding an increase in the scale of our operating activities. Importantly, Aerison had no fatalities or permanent disabling injuries.

Aerison achieved a LTIFR of 0.0 (2020: 0.0) for 2021. The last lost-time injury was recorded in February 2017.

Aerison achieved a TRIFR of 3.8 (2020: 5.1) for 2021, which included three restricted work injuries. Our TRIFR continues to significantly out-perform industry benchmarks.





SAFETY (CONTINUED)

COVID-19 RESPONSE

Aerison adapted its day-to-day operations to prioritise the health and wellbeing of our people and contractors when the COVID-19 pandemic began. The development of our COVID-19 risk mitigation strategies was informed by directives from Commonwealth agencies and included corporate and site-based risk assessments, restricted travel, staggered site breaks, working-from home arrangements, practicing social distancing and mask wearing, proof of vaccination mandates and additional personal hygiene methods. Management continues to provide clear guidelines to its employees and contractors on actions to minimise the potential for infection.

AUDITING AND ISO CERTIFICATION

Our quality, health and safety management systems are accredited under the relevant Australian and International standards, including:

- ISO 14001 *Environmental Management Systems*
- ISO 45001 *Occupational Health and Safety Management Systems*
- ISO 9001 *Quality Management Systems*
- AS/NZS 4801 *Safety Management Systems*

Our external HSEQ auditor, British Standards Institution, completed a re-certification audit of our ISO accreditations in 2021. The outcome of the audit included no major non-conformities and a minor non-conformity, which was subsequently remedied. This positive outcome demonstrates our commitment to our zero-harm culture at Aerison.

In addition, Aerison is in the process of achieving the Office of Federal Safety Commissioner Accreditation (OFSCA). The OFSCA enables participation in government funded infrastructure and defence contracts in future periods.

GOVERNANCE

OUR BOARD

BRONWYN BARNES B.A., Grad Dip Bus, GAICD

Independent Non-Executive Chair

EXPERIENCE AND EXPERTISE:

Ms. Barnes was appointed to the Board on 1 April 2021.

Ms. Barnes has more than three decades of director and senior leadership experience in the resources industry. Ms. Barnes currently holds a number of director roles with ASX listed companies, private companies and Government trading entities.

Ms. Barnes was previously a member of Executive Leadership Team at BHP Nickel West, Deputy Chief Executive Officer of Alliance Mining Commodities Pty Ltd and Executive Chairman of Windward Resources Ltd (ASX: WIN). She has also held a variety of Non-Executive Director roles with MOD Resources Ltd (ASX: WIN), the Geraldton Fisherman's Co-operative, Martu People Limited, Winja Dajarra Barna Limited and as a Committee or Council member of the 500 Club, Curtin University Graduate School of Business Advisory Board and St Mary's Anglican Girls School.

CURRENT DIRECTORSHIPS:

Indiana Resources Limited (ASX: IDA)

Scorpion Minerals Limited (ASX: SCN)

Synergy (Electrical Generation and Retail Corporation)

Perth Racing (West Australian Turf Club)

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

MOD Resources Limited (ASX: MOD)

Auris Minerals Limited (ASX: AUR)

JC International Group Limited (ASX: JCI)

Interest in ordinary shares: None

Interest in performance rights: 1,000,000

GIUSEPPE LEONE BCom

Managing Director and Chief Executive Officer

EXPERIENCE AND EXPERTISE:

Mr. Leone was appointed to the Board on 9 September 2016.

Mr. Leone has more than two decades of executive experience in senior leadership roles at multinational listed and private companies across the energy, mining and electrical infrastructure industries in Australia and South-East Asia.

Previously, Mr. Leone was the Chief Financial Officer of Tempo Australia Limited (ASX: TPP) and Chief Financial Officer of Cape PLC (Far East and Pacific Rim). In addition, Leone has also served as a Non-Executive Director of Definitiv Group.

CURRENT DIRECTORSHIPS:

None.

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

None.

Interest in ordinary shares: 78,143,999

Interest in performance rights: 10,250,000

OUR BOARD (CONTINUED)

DANIEL HIBBS

Executive Director and Chief Operating Officer

EXPERIENCE AND EXPERTISE:

Mr. Hibbs was appointed to the Board on 9 September 2016.

Mr. Hibbs has more than two decades of experience in the Australian construction industry, specialising in tendering, risk assessment and project execution.

Previously, Mr. Hibbs was the Chief Operating Officer of Tempo Australia Limited (ASX: TPP). Mr. Hibbs has also hold roles with Leighton Contractors, John Holland and McFee Construction, a subsidiary of Paladio Group Limited (ASX: PDO).

CURRENT DIRECTORSHIPS:

None.

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

None.

Interest in ordinary shares: 78,143,999

Interest in performance rights: 10,250,000

PETER IANCOV FIEAust, FAIB, FAIM, SMIEEE, MAICD, CSE

Independent Non-Executive Director

EXPERIENCE AND EXPERTISE:

Mr. Iancov was appointed to the Board on 15 April 2021.

Mr. Iancov is a qualified engineer with more than three decades of senior leadership experience in the energy, mining, construction, electrical infrastructure and defence industries. Mr. Iancov holds the position of Managing Director of Zinfra Pty Ltd.

Prior to his role at Zinfra Pty Ltd , Mr. Iancov served as the Chief Executive Officer of Doric Group Holdings Pty Ltd where he was instrumental in securing and delivering major contracts and responsible for the management, construction and operation of critical energy infrastructure of assets in excess of $4.3 billion.

Mr. Iancov has also served on the Board as a Non-Executive Director of Valmec Limited, KML Limited, Western Power, Robe River Kuruma Aboriginal Corporation RNTBC, the Southern Ports Authority and ASC Pty Ltd.

CURRENT DIRECTORSHIPS:

CHRONOS Advisory Pty Ltd

Australian Naval Infrastructure Pty Ltd

Zinfra Pty Ltd

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

Electricity Networks Corporation (trading as Western Power)

KML Limited

Valmec Limited (ASX: VMX)

Robe River Kuruma Aboriginal Corporation

Interest in ordinary shares: None

Interest in performance rights: 750,000

OUR BOARD (CONTINUED)

MICHAEL FENNELL BCom

Independent Non-Executive Director

EXPERIENCE AND EXPERTISE:

Mr. Fennell was appointed to the Board on 7 June 2019.

Mr. Fennell has been in the finance and stockbroking industry since 2008 and holds a Bachelor of Commerce in Accounting and Finance from the University of Notre Dame Australia. Specialising as a private client investment adviser, Mr. Fennell works primarily with high-net-worth individuals and institutional clients.

CURRENT DIRECTORSHIPS:

None.

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

None.

Interest in ordinary shares: 75,000

Interest in performance rights: 750,000

DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report of Aerison Group Limited (the Company) and its controlled entities (the Group) as at and for the year ended 31 December 2021.

DIRECTORS

The names and details of the Company's directors in office at the date of this report and for the year ended 31 December 2021 are as follows:

NAME	POSITION	TERM AS KMP
B Barnes	Non-Executive Chair	Full calendar year
P Iancov	Non-Executive Director	Appointed 15 April 2021
M Fennell	Non-Executive Director	Full calendar year
Q Qiao	Non-Executive Director	Ceased 29 March 2021
G Leone	Chief Executive Officer	Full calendar year
D Hibbs	Chief Operating Officer	Full calendar year

The qualifications, experience and other details of the directors in office at the date of this report appear on pages 22 and 24 of the 2021 Annual Report.

COMPANY SECRETARIES

A BELL

A Bell was appointed Chief Financial Officer and Joint Company Secretary for the Company in March 2021. A Bell is a chartered accountant and holds a Bachelor of Commerce from the University of Auckland and a Master of Finance from Griffith University. A Bell has more than 20 years of experience in contracting operating across Australia and New Zealand in the transportation, infrastructure, utilities, industrial engineering and resources industries.

K GARVEY

K Garvey was appointed Joint Company Secretary for the Company in December 2020. K Garvey has been a practicing lawyer for more than 15 years and holds a Bachelor of Laws and a Bachelor of Arts from the University of Notre Dame.

MEETINGS OF DIRECTORS

The following table sets out the number of directors' meetings held during the year ended 31 December 2021 and the number of meetings attended by each director.

	BOARD OF DIRECTORS	
	ELIGIBLE TO ATTEND[1]	ATTENDED[2]
B Barnes	5	5
P Iancov	5	4
M Fennell	5	5
Q Qiao	-	-
G Leone	5	5
D Hibbs	5	5

1. Number of meetings held whilst the director was a member of the Board.
2. Number of meetings attended.

DIRECTORS' SHAREHOLDINGS

The following tables set out each of the directors' interest, direct, indirect or beneficial, in ordinary shares and performance rights of the Company as at the date of this report.

	FULLY PAID ORDINARY SHARES	PERFORMANCE RIGHTS
B Barnes	-	1,000,000
P Iancov	-	750,000
M Fennell	75,000	750,000
G Leone	78,143,999	10,250,000
D Hibbs	78,143,999	10,250,000

REMUNERATION REPORT (AUDITED)

The audited remuneration report set out on pages 28 to 36 and forms part of this Directors' Report.

UNISSUED SHARES

At the date of this Directors Report, there were 32,950,000 contingently issuable ordinary shares, comprising performance rights, share rights and share options. The Remuneration Report sets out further details on performance rights and share rights outstanding for key management personnel.

There were no contingently issuable ordinary shares exercised during the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

During the year ended 31 December 2021, the principal activities of the Group comprised (1) construction services related to the supply and construct, or engineer, procure and construct of complex infrastructure and (2) routine, preventative, mechanical and electrical maintenance services, including minor sustaining capital works.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 12 July 2021, the Company successfully listed on the Australian Securities Exchange. As part of the initial public offering, 37,500,000 fully paid ordinary shares were issued for cash proceeds of $7,500,000 or $0.20 per share. Other than the initial public offering, there were no other significant changes in the Group's state of affairs.

DIVIDENDS

Preference dividends declared and paid by the Company for Class B and C preference shares for the year ended 31 December 2021 were as follows:

	$/SHARE	$'
Class B preference shares[1]	72,000	144,000
Class C preference shares[1]	72,000	144,000

1. Class B and C preference shares were transferred to Aerison Group Limited on 10 May 2021.

There were no dividends declared and paid in respect of fully paid ordinary shares during the year ended 31 December 2021 or declared after 31 December 2021.

REVIEW OF OPERATIONS

A review of the operations of the Group is contained on pages 11 to 12 and forms part of this Directors' Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Group in future periods and the expected results of those operations have been included generally in the 2021 Annual Report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen subsequent to 31 December 2021 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future period.

ENVIRONMENTAL REGULATIONS

The operations of the Group are subject to environmental regulations under Western Australian and Commonwealth law. There were no significant known breaches of any environmental regulations to which the Group is subject.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified its directors for costs incurred, in their capacity as a non-executive or executive director, for which they may be held personally liable, except where there is a lack of good faith.

For the year ended 31 December 2021, the Company paid a premium to insure directors of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The insurance contract prohibits disclosure of the nature of the liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

AUDITOR

RSM Australia continues in office as the external auditor of the Group in accordance with section 327 of the *Corporations Act 2001*.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify RSM Australia during or since the year ended 31 December 2021.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, RSM Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not comprised.

RSM Australia received or are due to receive the following amounts for the provision of non-audit services for the year ended 31 December 2021:

	$
Audit and review of the financial statements	178,000
Taxation services	69,068
Information technology shared services	186,850
Procurement of computer equipment and software	606,245
	1,040,163

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 37.

ROUNDING OF AMOUNTS

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

This report is made in accordance with a resolution of the directors pursuant to section 298(2)(a) of the *Corporations Act 2001*.

B Barnes
Non-Executive Chair
28 February 2022
Perth

REMUNERATION REPORT – AUDITED

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

1. OVERVIEW

The Directors of Aerison Group Limited (the Company or the Parent) present the Remuneration Report (the Report) for the Company and its subsidiaries (the Group) for the year ended 31 December 2021. This Report forms part of the Directors' Report and was audited in accordance with section 300A of the *Corporations Act 2001*.

This Report details the remuneration arrangements of Key Management Personnel (KMP) of the Group, comprising Non-Executive Directors (NED) and the Executive Leadership Team (ELT).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and the Group.

KMP of the Group and their movements during 2021 are set out below:

NAME	POSITION	TERM AS KMP
Non-Executive Directors		
B Barnes	Non-Executive Chair	Full calendar year
P Iancov	Non-Executive Director	Appointed 15 April 2021
M Fennell	Non-Executive Director	Full calendar year
Q Qiao	Non-Executive Director	Ceased 29 March 2021
Executive Leadership Team		
G Leone	Chief Executive Officer (CEO)	Full calendar year
D Hibbs	Chief Operating Officer (COO)	Full calendar year
A Bell	Chief Financial Officer (CFO)	Appointed 8 March 2021

2. OVERVIEW OF EXECUTIVE REMUNERATION

EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

The Group's remuneration policy ensures the ELT are rewarded fairly and responsibly. The Group's remuneration policy is premised on the principles set out below:

- Remuneration levels are set at a level to attract, retain and incentivise the calibre of executives required to execute its strategic objectives effectively and manage the Group's operations.
- Total fixed remuneration is structured to best reflect the executives' duties and responsibilities.
- Remuneration packages are structured to promote the creation of shareholder value by aligning shareholder and executive interests.
- The Company engages external remuneration advisors to ensure competitive positioning of remuneration packages relative to prevailing market conditions.

To this end, the remuneration package offered to the ELT comprises two components:

- A market-competitive total fixed remuneration (TFR).
- A long-term incentive (LTI) dependent on the performance of the Group across multiple years.

Each element of remuneration is discussed in turn.

ELEMENTS OF REMUNERATION – TOTAL FIXED REMUNERATION

TFR comprises cash, superannuation and non-monetary benefits. Non-monetary benefits comprise allowances to allow the executive of effectively discharge their duties and may include the provision of motor vehicles, plus related incidentals, and mobile phones.

The determination of TFR takes into consideration the scope of the executive's role, their skills, experience and qualifications and individual performance.

ELEMENTS OF REMUNERATION – LONG-TERM INCENTIVES

The LTI offered to the ELT comprises performance rights and share rights issued under the Aerison Equity Plan (collectively, the Rights). The Rights may vest into fully paid ordinary shares in the Company for no consideration, subject to the achievement of a total shareholder return performance condition and/or continuous employment service condition.

The purpose of the LTI is to attract and retain the highest calibre of credentialed executives to drive sustained increases in shareholder wealth over the long-term, whilst preserving cash on hand. In doing so, the LTI aligns shareholder and executive interests to the creation of shareholder value.

2. OVERVIEW OF EXECUTIVE REMUNERATION (CONTINUED)

ELEMENTS OF REMUNERATION – LONG-TERM INCENTIVES (CONTINUED)

The LTI was approved by shareholders at the Extraordinary General Meeting on 29 October 2021.

Key terms and conditions of the Rights awarded during 2021 are tabulated below:

	AERISON EQUITY PLAN	DIRECTORS' PERFORMANCE RIGHTS
Participants	Chief Financial Officer	Chief Executive Officer, Chief Operating Officer and Non-Executive Directors
Performance condition	Continuous employment with the Group for no less than 24 months from 12 July 2021.	Total Shareholder Return, measured as the first occasion the 20-day VWAP increases to $0.35 or more within 24 months of 26 November 2021.
Basis for performance condition	To assist in the reward, retention and motivation of the participant.	Total Shareholder Return focuses KMP on shareholder value creation and is widely accepted and understood by shareholders.
Resignation	If the KMP resigns or is terminated for cause, any unvested Rights are forfeited, unless otherwise determined by the Board. The treatment of vested and unexercised Rights will be determined by the Board with reference to the circumstances of the cessation of employment.	
Change of control	If a change of control occurs in relation to the Company, the Board may exercise discretion as to whether any Rights on issue will vest, in full or part thereof, and irrespective of whether the conditions attached to the Rights were satisfied.	
Dividend and voting rights	The Rights do not hold any dividend or voting rights. Ordinary shares allocated on vesting of the Rights will rank equally with other ordinary shares on issue.	

EXECUTIVE EMPLOYMENT SERVICE AGREEMENTS

Each KMP has entered into an employment contract with the Company which is ongoing and has no fixed termination date. However, these contracts may be terminated by notice of either party.

Key terms of employment contracts for the current ELT are set out below:

	TFR ($)	NOTICE PERIOD TO TERMINATE	TERMINATION PAYMENTS
G Leone	549,000	12 months' notice by either party or party in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements, plus any unvested performance rights or share rights held by the executive lapses upon termination or resignation, unless the Board in its discretion determines otherwise
D Hibbs	549,000		
A Bell	345,000	3 months' notice by either party or party in lieu, except in certain circumstances such as misconduct where no notice period applies.	

2. OVERVIEW OF EXECUTIVE REMUNERATION (CONTINUED)

OVERVIEW OF COMPANY PERFORMANCE

The table below illustrates measures of the Group's financial performance and shareholder wealth for the past five years, up to and including 2021, as required under the *Corporations Act 2001*.

$'000	2021	2020	2019	2018	2017
Revenue	134,886	100,527	80,058	50,485	30,291
EBITDA	11,519	10,455	9,134	3,549	(264)
Net profit before taxes	6,650	6,708	5,913	2,036	(1,206)
Net profit after taxes	5,358	5,059	4,115	1,256	(913)
Total shareholder return	-	N/A	N/A	N/A	N/A
Basic EPS (cps)	1.96	N/A	N/A	N/A	N/A
Closing share price ($)	0.20	N/A	N/A	N/A	N/A

3. NON-EXECUTIVE DIRECTOR REMUNERATION

The Company's NED fee policy is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of strong governance and oversight, independence and objectivity. NEDs receive fixed fees and participate in performance incentive awards. NED fees reflect the demand and responsibilities of the directors.

BOARD FEES

From April 2021, board fees payable to NEDs for 2021, inclusive of superannuation, are set out below:

	$
Chair	88,000
NED	52,800

NEDs may also be reimbursed for expenses reasonably incurred in attending to the affairs of the Group. The Board has confirmed there will be no increases in Board fees for 2022.

MAXIMUM AGGREGATED NED FEE POOL

NED fees are determined within an aggregate NED fee pool limit, which was initially established under the Company's Constitution and periodically approved by shareholders. The maximum aggregate amount that may be paid to NEDs for their services is $250,000 for any calendar year.

The Board will not seek to increase the aggregate NED fee pool limit at the 2021 AGM.

PERFORMANCE RIGHTS

The Company's NEDs participate in performance incentive awards, which is separately described in Section 2 "Overview of Executive Remuneration".

4. REMUNERATION GOVERNANCE

The Company does not have a separate Nomination and Remuneration Committee. Instead, ELT and NED remuneration is reviewed by the Board, without the affected member participating in the review process. The Board may also consider advice concerning the remuneration mix and quantum from external advisors when undertaking this review. A Nomination and Remuneration Committee will be created when the Company's activities are of the scale that a separate Nomination and Remuneration Committee is warranted.

USE OF REMUNERATION ADVISORS

The Board engaged BDO to provide remuneration recommendations regarding the quantum and remuneration mix for the CEO and COO. Both BDO and the Board are satisfied that the advice received from BDO is free from undue influence from the CEO and COO.

The remuneration recommendation concerning total fixed remuneration was approved by the Board. Other remuneration recommendations, such as the creation of a short-term incentive scheme, were deferred for consideration in future periods.

The fees paid to BDO for the remuneration recommendations was $10,000. No other services were provided by BDO to the Group for 2021.

CLAWBACK OF REMUNERATION

In the event of serious misconduct, the Board has the discretion to cancel unvested or vested and unexercised share rights and performance rights.

SHARE TRADING POLICY

The Group's Securities Trading Policy applies to all KMPs. The policy prohibits a KMP from dealing in AE1 securities while in possession of material non-public information relevant to the Group.

In addition, KMPs must not enter into any hedging arrangements over unvested share rights or performance rights. The Group would consider a breach of this policy as gross misconduct, which may lead to disciplinary action and potentially dismissal.

5. STATUTORY REMUNERATION

Details of the nature and value of each major element of remuneration provided to KMP of the Group during 2021 are set out below:

		SHORT-TERM BENEFITS[1]		LONG-TERM BENEFITS[4]	POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS		
		SALARIES AND FEES $	NON-MONETARY BENEFITS[2] $	LEAVE ENTITLEMENTS $	SUPERANNUATION $	PERFORMANCE AND SHARE RIGHTS[5] $	TOTAL REMUNERATION $	PERFORMANCE RELATED %
Non-Executive Directors								
B Barnes	**2021**	**55,982**	**-**	**-**	**5,518**	**21,408**	**82,908**	**26%**
	2020	4,566	-	-	434	-	5,000	0%
P Iancov	**2021**	**30,000**	**-**	**-**	**3,051**	**16,057**	**49,108**	**33%**
	2020	-	-	-	-	-	-	0%
M Fennell	**2021**	**22,600**	**-**	**-**	**2,260**	**16,057**	**40,917**	**39%**
	2020	-	-	-	-	-	-	0%
Q Qiao	**2021**	**19,000**	**-**	**-**	**-**	**-**	**19,000**	**0%**
	2020	-	-	-	-	-	-	0%
Executive Leadership Team								
G Leone	**2021**	**494,000**	**30,000**	**33,178**	**25,000**	**32,112**	**614,290**	**5%**
	2020	12,000	-	80,244[3]	155,545[3]	-	247,789	0%
D Hibbs	**2021**	**494,000**	**30,000**	**33,178**	**25,000**	**32,112**	**614,290**	**5%**
	2020	12,000	-	80,244[3]	141,431[3]	-	233,675	0%
A Bell	**2021**	**255,944**	**1,325**	**15,049**	**17,208**	**1,965**	**291,491**	**1%**
	2020	-	-	-	-	-	-	0%

1. There were no short-term incentives, such as discretionary cash bonuses, paid or payable to KMP for the years ended 31 December, 2021 and 2020.
2. Non-monetary benefits includes the cost to the Group for providing allowances, such as mobile phones, vehicles and vehicle related incidentals.
3. For the years ended 31 December, 2017 to 2020, the CEO and COO received salaries of $12,000 per annum, plus superannuation, to preserve the cash and cash equivalents of the Group. On 31 December 2020, the Board approved the payment of a discretionary, non-recurring of $452,938 to the CEO and COO in lieu of leave entitlements ($158,242) and superannuation ($294,696) forgone across the years ended 31 December, 2017 to 2020.
4. Long-term benefits include the accrual in leave entitlements, comprising annual leave and long service leave, for each KMP and was calculated under AASB 119 *Employee Benefits*.
5. The value of share-based payments represents the grant date fair value of performance rights and share rights recognised to date across the related vesting period and was calculated under AASB 2 *Share-based Payments*.

6. SHARE-BASED COMPENSATION

The table below details the fair value and vesting profiles of performance rights and share rights in the Company and held by KMP, directly, indirectly or beneficially, including their related parties, as of 31 December 2021:

		AWARD DATE	NUMBER AWARDED	FAIR VALUE AT AWARD DATE ($/RIGHT)	VESTING DATE	EXERCISE PRICE	EXPIRY DATE	TOTAL VALUE GRANTED $	TOTAL VALUE EXERCISED $
B Barnes	**2021**	**29/10/2021**	**1,000,000**	**$0.1585**	**29/10/2023**	**Nil**	**29/10/2028**	**158,500**	-
P Iancov	**2021**	**29/10/2021**	**750,000**	**$0.1585**	**29/10/2023**	**Nil**	**29/10/2028**	**118,875**	-
M Fennell	**2021**	**29/10/2021**	**750,000**	**$0.1585**	**29/10/2023**	**Nil**	**29/10/2028**	**118,875**	-
G Leone	**2021**	**29/10/2021**	**1,500,000**	**$0.1585**	**29/10/2023**	**Nil**	**29/10/2028**	**237,750**	-
	2020	28/07/2020	250,000	$0.1990	12/07/2021	Nil	17/10/2022	49,750	-
D Hibbs	**2021**	**29/10/2021**	**1,500,000**	**$0.1585**	**29/10/2023**	**Nil**	**29/10/2028**	**237,750**	-
	2020	28/07/2020	250,000	$0.1990	12/07/2021	Nil	17/10/2022	49,750	-
A Bell	**2021**	**10/12/2021**	**300,000**	**$0.1850**	**12/07/2023**	**Nil**	**12/07/2023**	**55,500**	-

7. EQUITY INSTRUMENTS

The number of shares in the Company held directly, indirectly or beneficially, during the year by each KMP of the Group, including their related parties, are set out below. No shares were granted to any KMP during the year as compensation.

	BALANCE AT 31 DECEMBER 2020	SHARE SPLIT ON RATIO OF 1:175.787998	RECEIVED ON EXERCISE OF RIGHTS	PURCHASE OF SHARES	NET CHANGE OTHER[1]	BALANCE AT 31 DECEMBER 2021
B Barnes	-	-	-	-	-	-
P Iancov	-	-	-	-	-	-
M Fennell	-	-	-	75,000	-	75,000
Q Qiao[2]	343,250	59,995,980	-	-	(15,000,000)	45,339,230
D Hibbs	500,000	87,393,999	-	250,000	(10,000,000)	78,143,999
G Leone	500,000	87,393,999	-	250,000	(10,000,000)	78,143,999
A Bell	-	-	-	-	-	-

1. Collectively, Q Qiao, D Hibbs and G Leone sold 30,000,000 shares as part of the initial public offering on 12 July 2021.
2. Q Qiao ceased as a NED on 29 March 2021. Closing details are at the date of his cessation as a KMP.

The number of performance rights or share rights held directly, indirectly or beneficially during the year by each KMP of the Group, including their related parties, is set out below:

	BALANCE AT 31 DECEMBER 2020	SHARE SPLIT ON RATIO OF 1:175.787998[2]	GRANTED IN THE YEAR	LAPSED IN THE YEAR	NET CHANGE OTHER	BALANCE AT 31 DECEMBER 2021	VESTED AND EXERCISABLE	VESTED BUT NOT EXERCISABLE
B Barnes	-	-	1,000,000	-	-	1,000,000	-	-
P Iancov	-	-	750,000	-	-	750,000	-	-
M Fennell	-	-	750,000	-	-	750,000	-	-
G Leone	250,000	43,697,000	1,500,000	-	(35,197,000)	10,250,000	-	8,750,000
D Hibbs	250,000	43,697,000	1,500,000	-	(35,197,000)	10,250,000	-	8,750,000
A Bell	-	-	300,000	-	-	300,000	-	-

2. On 28 July 2020, 500,000 performance rights were issued to the spouses of the G. Leone and D. Hibbs in return for the provision of unlimited personal guarantees in favour of Export Finance Australia, which provided a $4.960 million guarantee facility to the Group. During 2021, the number of performance rights on issue increased from 500,000 to 87,894,000 to reflect the share split on a ratio of 1:175.787998. Thereafter, 70,394,000 performance rights were immediately cancelled. On 12 July 2021, the performance rights vested with the admission of the ordinary shares of the Company for quotation on the ASX. The performance rights may not be exercised until 12 October 2022.

8. OTHER TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

- On 1 November 2021, the Group entered into a Surety Bond Facility (the Facility) with Asset Insure Pty as agent for Swiss Re for $15.500 million. A condition of the Facility required both the CEO and COO to provide unlimited personal guarantees in favour of Asset Insure.

  The Board determined that it was appropriate for the CEO and COO to be compensated an amount equal to 0.8% per annum of the face value of the Facility drawn for the duration for which the unlimited personal guarantees were provided.

  For the year ended 31 December 2021, an amount of $23,110 was expensed to profit or loss in consideration for the provision of the unlimited personal guarantees by the CEO and COO. At 31 December 2021, $23,110 was payable to the CEO and COO.

- On 26 March 2021, $340,000 was reimbursed to M. Lu in consideration for expenses incurred in her capacity as a Non-Executive Director in a prior period. M. Lu is a related party of Q Qiao.

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Aerison Group Limited for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 28 February 2022

TUTU PHONG
Partner

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 $'000	2020 $'000
Revenue	3	**134,886**	**100,527**
Expenses			
Construction and material costs		(52,780)	(25,828)
Employee benefits expense	4	(63,827)	(61,092)
Depreciation and amortisation	4	(2,656)	(2,053)
Other expenses	4	(6,760)	(3,152)
Operating profit		**8,863**	**8,402**
Finance income		3	11
Finance costs	4	(2,216)	(1,705)
Profit before income taxes		**6,650**	**6,708**
Income tax expense	5	(1,292)	(1,649)
Profit after income taxes		**5,358**	**5,059**
Other comprehensive income		-	-
Total comprehensive income		**5,358**	**5,059**
Earnings per share attributable equity holders of AE1			
Basic earnings per share	16	**1.96**	**2.10**
Diluted earnings per share	16	**1.75**	**1.95**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	NOTE	2021 $'000	2020 $'000
Assets			
Current assets			
Cash and cash equivalents	6	13,219	7,754
Trade and other receivables	7	64,718	38,109
Inventories		54	508
Total current assets		**77,991**	**46,371**
Non-current assets			
Deferred tax assets	5	-	1,121
Trade and other receivables	7	174	-
Property, plant and equipment	8	2,591	2,403
Right-of-use assets	9	4,672	2,692
Total non-current assets		**7,437**	**6,216**
Total assets		**85,428**	**52,587**
Liabilities			
Current liabilities			
Lease liabilities	9	1,315	670
Trade and other payables	10	28,464	14,205
Employee benefits	11	2,503	2,559
Borrowings	12	14,536	14,950
Total current liabilities		**46,818**	**32,384**
Non-current liabilities			
Lease liabilities	9	3,862	2,110
Employee benefits	11	129	58
Deferred tax liability	5	838	-
Total non-current liabilities		**4,829**	**2,168**
Total liabilities		**51,647**	**34,552**
Net assets		**33,781**	**18,035**

	NOTE	2021 $'000	2020 $'000
EQUITY			
Issued capital	13	13,496	3,329
Reserves	14	608	100
Accumulated surplus		19,677	14,606
TOTAL EQUITY		**33,781**	**18,035**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 $'000	2020 $'000
Receipts from customers		109,206	96,182
Payments to suppliers and contractors		(44,476)	(33,783)
Payments to employees		(62,221)	(61,108)
Finance costs paid		(3,140)	(1,694)
Income taxes paid		(1,016)	-
Cash flows used in operating activities	6	**(1,647)**	**(403)**
Payments for plant and equipment		(1,854)	(373)
Proceeds from sale of plant and equipment		310	-
Cash flows used in investing activities		**(1,542)**	**(373)**
Proceeds from issue of ordinary shares		7,500	-
Purchase of treasury shares		(120)	-
Net proceeds from borrowings	12	5,695	(1,706)
Convertible note repayment		-	(2,228)
Convertible note proceeds		-	3,156
Payment of lease liabilities	12	(1,096)	(901)
Share issue costs paid		(1,761)	-
Dividends paid	15	(287)	(576)
Cash flows from / (used in) financing activities		**9,931**	**(2,255)**
Movement in cash and cash equivalents		6,741	(3,031)
Opening cash and cash equivalents	6	6,477	9,508
Closing cash and cash equivalents	6	**13,219**	**6,477**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	ISSUED CAPITAL $'000	SHARE BASED PAYMENT RESERVE $'000	TREASURY RESERVE $'000	ACCUMULATED SURPLUS $'000	TOTAL EQUITY $'000
Balance at 1 January 2021		3,329	100	-	14,606	18,035
Net profit after taxes		-	-	-	5,358	5,358
Other comprehensive income, net of taxes		-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**5,358**	**5,358**
Conversion of convertible notes to equity	12	3,900	-	-	-	3,900
Issue of fully paid ordinary shares	13	7,500	-	-	-	7,500
Transaction costs arising on share issue	13	(1,233)	-	-	-	(1,233)
Treasury shares purchased for incentive plans	14	-	-	(120)	-	(120)
Dividends	15	-	-	-	(287)	(287)
Share-based payment expense	17	-	628	-	-	628
Balance at 31 December 2021		**13,496**	**728**	**(120)**	**19,677**	**33,781**
Balance at 1 January 2020		3,329	-	-	10,123	13,452
Net profit after taxes		-	-	-	5,059	5,059
Other comprehensive income, net of taxes		-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**5,059**	**5,059**
Dividends	15	-	-	-	(576)	(576)
Share-based payment expense	17	-	100	-	-	100
Balance at 31 December 2020		**3,329**	**100**	**-**	**14,606**	**18,035**

NOTE 1 – GENERAL INFORMATION

ABOUT THIS REPORT

Aerison Group Limited (the Company or the Parent) is a for-profit company incorporated and domiciled in Australia. The Company is registered under the *Corporations Act 2001* and is publicly listed on the Australian Securities Exchange (ASX). The principal activities and operations of the Company and its subsidiaries (the Group) is described in the "Aerison and Our Operations" section on pages 4 to 20.

The consolidated financial report of the Group for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 28 February 2022. The Directors have the power to amend and re-issue the financial report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB),
- has been prepared on a historical cost basis, unless otherwise stated,
- is presented with values rounded to the nearest thousand dollars ($'000) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated,
- is presented in Australian dollars, which is the functional currency of the Group. The Group does not have any foreign operations, being entities of the Group which operate outside of Australia,
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods starting on or before 1 January 2021,
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective, unless otherwise stated.

SIGNIFICANT ESTIMATES OR JUDGEMENTS

In applying the Group's accounting policies, management continually evaluate judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances known to management. Actual results may differ from expected results.

Significant judgements, estimates and assumptions which are material to the financial statements are found in the following notes:

PAGE	NOTE	SIGNIFICANT ESTIMATE OR JUDGEMENT
45	Note 3	Revenue recognition
53	Note 9	Lease term and discount rate
55	Note 11	Valuation of the provision for long service leave
56	Note 12	Fair value hierarchy
57	Note 12	Valuation of the provision for expected credit losses

Estimates are designated by a symbol in the notes to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are disclosed within each of the applicable notes to the financial statements.

Accounting policies are designated with a symbol.

The Group's accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

To ensure consistency with the current period, comparative figures have been amended to confirm with the current period presentation where appropriate.

NOTE 2 – SEGMENT DISCLOSURES

The Group's segments are organised and managed separately according to the nature of the service provided, with each segment representing a strategic business unit of the Group. The Executive Leadership Team ("the Chief Operating Decision Maker"), comprising the Chief Executive Officer and Chief Operating Officer, monitor the operating results of the business units separately for the purpose of resource allocation and performance assessment. Assets, liabilities, depreciation and amortisation and net finance costs are managed on a consolidated basis.

OPERATING SEGMENTS

The operating segments of the Group, including the nature of services provided, are as follows:

- **Specialist Projects and Engineering and Asset Projects**

  Specialist Projects and Engineering and Asset Projects operations comprises supply and construct, or engineer, procure and construct services for customers involved in the construction of complex infrastructure. Examples of contracted works include switchrooms, dust collectors, gas scrubbers, conveyor belts and saline water reverse osmosis plants.

- **Asset Services**

  Asset Services renders routine and preventative, mechanical and electrical maintenance services, including minor sustaining capital works. Asset Services specialises in the maintenance of chutes, bins, conveyors and material handling equipment on mine sites.

- **Eliminations and Other**

  Other includes central support functions, such as treasury and human resources, and other corporate expenses. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

AGGREGATION OF OPERATING SEGMENTS

The Specialist Projects and Engineering and Asset Projects operating segments were aggregated into a single "Construction Services" reportable segment.

In aggregating the two operating segments into one reportable segment, the Group concluded that the Specialist Projects and Engineering and Asset Projects operating segments exhibit similar long-term economic characteristics, such as gross profit margins. In support of this view:

- The nature of construction activities is weighted to the execution of structural, mechanical and piping or electrical and instrumentation works.
- The majority of revenues from construction services are generated from the same customers, comprising listed Australian mining companies with market capitalisations exceeding $5 billion.
- Operating risks arising from construction contracts are similar, such as the availability of blue-collar labour, health and safety hazards, subcontractor defaults and customer change orders (e.g. excusable delays and scope variations).
- The execution of construction activities operates under the same regulatory environment, including independently accredited quality management systems and enterprise awards.

	CONSTRUCTION SERVICES		ASSET SERVICES		ELIMINATIONS AND OTHER		TOTAL	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Segment revenue	**126,124**	87,760	**8,762**	12,767	**-**	-	**134,886**	100,527
Segment EBITDA	**23,891**	14,634	**291**	1,079	**(11,677)**	(5,258)	**12,505**	10,455
Initial public offering costs							(986)	-
Depreciation and amortisation							(2,656)	(2,053)
Net finance costs							(2,213)	(1,694)
Profit before income taxes							**6,650**	6,708
Capital expenditure	1,532	373	-	-	341	-	1,873	373

NOTE 3 – REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the performance obligations are satisfied (partially or in full) and revenue may be reliably measured, regardless of whether payment is received. Revenue is measured at the fair value of the consideration received or receivable.

CONSTRUCTION REVENUE

The Group generates revenue from the construction of complex infrastructure in Australia. The supply and construction, or engineer, procurement and construction, of each project is taken as one performance obligation to the extent that contracted activities either creates or enhances an asset that the customer controls as the asset is created or enhanced. As a result, construction revenue is recognised over time with regard to the stage of completion of the contract.

MAINTENANCE REVENUE

The Group generates revenue from the provision of maintenance services, including minor sustaining capital works, in Australia. Maintenance services is taken as one performance obligation to the extent that the customer simultaneously receives and consumes the benefits of the contracted activities as maintenance works are executed. Maintenance revenue is recognised over time with reference to the stage of completion of the contract.

	2021 $'000	2020 $'000
Revenue by major service line		
Construction revenue	126,124	87,760
Maintenance revenue	8,762	12,767
	134,886	**100,527**

MAJOR CUSTOMERS

Revenue from three customers, which individually contributed at least 10 per cent to total revenue, amounted to $105.858 million (2020: Three customers amounted to $83.807 million). 100 per cent (2020: 91 per cent) of this revenue was attributed to the Construction Services reportable segment.

KEY ESTIMATES AND JUDGEMENTS: REVENUE RECOGNITION

STAGE OF COMPLETION

Determining the stage of completion of a contract requires an estimate of actual costs incurred to date as a percentage of total estimated contract costs.

VARIABLE CONSIDERATION

Variable consideration comprises performance bonuses and penalties, variations, claims and contract modifications. Where consideration in respect of a contract is variable, the "expected value" or "most likely amount" of revenue is only recognised to the extent that it is highly probable that it will not result in a significant reversal of revenue in future periods.

For construction and maintenance contracts, revenue from variations and claims is recognised to the extent it is approved or enforceable under the contract. In making this assessment, the Group considers factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

Revenue in relation to modifications, such as a change in the scope of the contract, is brought to account when it is approved by the parties to the contract or the modification is enforceable and the amount becomes highly probable. Modifications may be recognised when client instruction has been received in line with customary business practice for the customer.

NOTE 4 – EXPENSES

	2021 $'000	2020 $'000
Remuneration, bonuses and on-costs	60,203	57,355
Superannuation	3,453	3,637
Share-based payment expense	171	100
Employee benefits expense	**63,827**	**61,092**
Depreciation	1,540	1,104
Depreciation of right-of-use assets	1,116	949
Depreciation and amortisation	**2,656**	**2,053**
Insurance	1,583	728
Consultants and legal services	1,120	577
Initial Public Offering costs	986	-
Occupancy outgoings and utilities	854	440
Information technology costs	799	713
Loss on disposal of property, plant and equipment	214	55
Other	1,204	639
Other expenses	**6,760**	**3,152**
Interest expense on borrowings and bank guarantees	1,868	1,237
Interest expense on lease liabilities	271	201
Amortisation of borrowing costs	77	-
Redemption premium on convertible notes	-	267
Finance costs	**2,216**	**1,705**

EMPLOYEE BENEFITS EXPENSE

The Group's accounting policy for liabilities associated with employee benefits and share-based payments is set out in notes 11 and 17, respectively.

All employees of the Group are party to a defined contribution superannuation scheme and receive fixed contributions from the Group. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

DEPRECIATION AND AMORTISATION

The Group's accounting policy for depreciation on property, plant and equipment and right-of-use assets is set out in notes 8 and 9, respectively.

INITIAL PUBLIC OFFERING COSTS

The costs of an initial public offering (IPO) which involve both the issue of new ordinary shares and a stock market listing on the ASX are accounted for as follows:

- incremental costs that are directly attributable to issuing new shares are deducted from issued capital, net of any income tax benefit, or
- costs that relate to the initial public offering, or are otherwise not incremental and directly attributable to issuing new shares, are expensed to profit or loss.

Costs that relate to both the issue of ordinary shares and the IPO are allocated between those functions on a rational and consistent basis.

On 12 July 2021, the ordinary shares of the Company were admitted for quotation on the ASX. IPO costs were assigned as a deduction to issued capital or profit or loss based on the proportion of new and existing ordinary shares offered to subscribers of the IPO.

FINANCE COSTS

Finance costs comprises interest expense on borrowings and leases. Finance costs are recognised as an expense in the period in which those costs are incurred. Fees paid on the establishment of banking facilities are recognised as transaction costs of the loan. Such fees are amortised across the term of the banking facility.

NOTE 5 – INCOME TAXES

RECOGNITION AND MEASUREMENT

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the Australian Tax Office. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the asset is realised or the liability is settled. Tax balances are calculated on tax rates and laws that have been enacted or substantially enacted at balance date. Taxes relating to items recognised directly in equity are recognised in equity.

CURRENT TAXES

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

DEFERRED TAXES

Deferred tax expense represents movements in the temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits only if it is probable that sufficient future taxable income will be available to utilise those temporary differences and losses. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither accounting profit nor the taxable profit.

OFFSETTING DEFERRED TAX BALANCES

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that the Group intends to settle its current tax assets and liabilities on a net basis.

UNCERTAIN TAX POSITIONS

There were no uncertain tax positions as of 31 December 2021 and 2020.

TAX CONSOLIDATION

Aerison Group Limited and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as of 10 May 2021. Aerison Group Limited is the head entity of the tax consolidated group.

Aerison Group Limited and its subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, Aerison Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from its subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTE 5 – INCOME TAXES (CONTINUED)

INCOME TAX EXPENSE

The income tax expense, including a numerical reconciliation of accounting profit to the income tax expense, for 2021 and 2020, is set out below:

	2021 $'000	2020 $'000
Current tax expense		
Current period	(667)	667
Deferred tax expense		
Origination and reversal of temporary differences	1,696	1,321
Adjustments for the prior period	263	(339)
	1,959	982
Income tax expense	**1,292**	**1,649**

	2021 $'000	2020 $'000
Reconciliation of effective tax rate		
Profit before taxes	6,650	6,708
Income tax at current rate of 30 per cent	1,995	2,012
Non-deductible expense	(3)	11
Blackhole expenditure	(296)	-
Adjustments for prior period	(404)	(374)
Income tax expense	**1,292**	**1,649**

DEFERRED TAX EXPENSE

The net deferred tax assets/(liabilities), including deferred tax benefit/(expense) recognised to profit or loss or other comprehensive income for 2021 and 2020, is reconciled below:

	PROPERTY, PLANT AND EQUIPMENT $'000	CONTRACT ASSETS $'000	EMPLOYEE BENEFITS $'000	TRADE AND OTHER PAYABLES $'000	OTHER ASSETS $'000	UNUSED TAX LOSSES $'000	TOTAL $'000
At 1 January 2020	**(17)**	**-**	**130**	**233**	**45**	**1,712**	**2,103**
Charged to profit or loss	(125)	-	381	471	3	(1,712)	(982)
At 31 December 2020	**(142)**	**-**	**511**	**704**	**48**	**-**	**1,121**
Charged to profit or loss	(96)	(2,706)	278	(368)	635	298	(1,959)
At 31 December 2021	**(238)**	**(2,706)**	**789**	**336**	**683**	**298**	**(838)**

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less from the date of acquisition. Cash and cash equivalents are stated at face value in the statement of financial position.

	2021 $'000	2020 $'000
Cash at bank	8,806	2,722
Short-term deposits	4,413	5,032
Cash and cash equivalents	**13,219**	**7,754**
Bank overdraft	-	(1,277)
Cash and cash equivalents for the cash flow statement	**13,219**	**6,477**
Reconciliation of net profit after taxes to net cash flows		
from operations:		
Net profit after taxes	5,358	5,059
Non-cash items		
Depreciation and amortisation	2,656	2,053
Loss on disposal of property, plant and equipment	214	55
Share issue costs	986	-
Share-based payment expense	171	100
Change in assets and liabilities		
Increase in trade and other receivables	(26,812)	(5,660)
Decrease/(increase) in inventories	454	(367)
Increase/(decrease) in trade and other payables	14,515	(4,318)
Increase in employee entitlements	536	1,026
Decrease in current and deferred tax balances	275	1,649
Net cash flows used in operating activities	**(1,647)**	**(403)**

NOTE 7 – TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES

Trade and other receivables are amounts due from customers for services rendered in the ordinary course of business. Trade and other receivables are financial assets classified and measured at amortised cost, less an allowance for expected credit losses.

Trade and other receivables are short-term in nature and their carrying amounts are held to be a reasonable approximation of fair value.

CONTRACT ASSETS

Contract assets represent the Group's right to consideration for unbilled and completed services for which settlement is contingent on the passage of time. Contract assets are reclassified to trade receivables when those services are certified by and invoiced to the customer. The timing of customer invoicing is linked to a claim period (ordinarily a calendar month) or the achievement of performance milestones.

	2021 $'000	2020 $'000
Trade receivables	16,061	11,812
Contract assets	45,871	25,009
Prepayments	1,138	576
Income taxes receivable	1,017	-
Other receivables	805	712
	64,892	**38,109**
Current	64,718	38,109
Non-current	174	-

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses. Costs comprises:

- the consideration paid on acquisition of the asset,
- the cost of materials, direct labour and other directly attributable costs in bringing the asset to a working condition for its intended use,
- the costs of dismantling the asset, and
- borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The capitalisation of costs ceases when the asset is available for use, at which point in time depreciation commences. Subsequent expenditure which increases the economic benefits derived from an asset is capitalised.

Capital works in progress of $322,000 (2020: $2,000) is included within the appropriate category of property, plant and equipment.

DEPRECIATION

Depreciation of property, plant and equipment, other than land, is calculated on a diminishing value basis and expensed over the useful life of the asset. Depreciation methods, useful lives and residual values are re-assessed at least annually. Leasehold improvements are depreciated over the shorter of their lease term and estimated useful lives on a straight-line basis.

Estimated useful lives (in years) by class of asset are as follows:

	2021	2020
Plant and equipment	**4.0 – 5.5 years**	4.0 – 5.5 years
Computer equipment and software	**1.3 –3.0 years**	1.3 – 3.0 years

DERECOGNITION

Property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset is recognised to profit or loss in the period the asset is disposed.

IMPAIRMENT

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at balance date to determine whether there is any indication of impairment. An impairment loss is recognised where the carrying amount of an asset, or the cash generating unit to which the asset belongs, exceeds its recoverable amount, which is the greater of its value in use and fair value less costs to sell. No indicators of impairment which would trigger impairment testing were identified for the years ended 31 December 2021 and 2020.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2021				2020			
	LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	COMPUTER EQUIPMENT AND SOFTWARE $'000	TOTAL $'000	LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	COMPUTER EQUIPMENT AND SOFTWARE $'000	TOTAL $'000
At 1 January	**199**	**1,283**	**921**	**2,403**	**89**	**1,188**	**1,177**	**2,454**
Additions	331	856	759	1,946	145	705	255	1,105
Disposals and write-offs	-	(214)	(4)	(218)	(2)	(35)	(15)	(52)
Depreciation	(119)	(813)	(608)	(1,540)	(33)	(577)	(494)	(1,104)
At 31 December	**411**	**1,112**	**1,068**	**2,591**	**199**	**1,281**	**923**	**2,403**
Cost	713	4,654	3,351	8,718	381	4,370	2,746	7,497
Accumulated depreciation and impairment	(302)	(3,542)	(2,283)	(6,127)	(182)	(3,089)	(1,823)	(5,094)
Carrying amount at 31 December	**411**	**1,112**	**1,068**	**2,591**	**199**	**1,281**	**923**	**2,403**

NOTE 9 – RIGHT OF USE ASSETS AND LIABILITIES

RIGHT-OF-USE ASSETS

Right-of-use assets are recognised at the commencement date of the lease, being the date on which the underlying asset is available for use. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- the estimated useful lives of right-of-use land and building assets are between one and five years,
- the estimated useful lives of right-of-use plant and equipment is between one and four years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment testing. To this end, the Group's impairment policy is separately set out in note 8.

LEASE LIABILITIES

Lease liabilities are recognised by the Group at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments across the lease term.

Lease payments include fixed payments, variable lease payments that depend on an index or rate and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

Lease liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after balance date.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases, which are defined as those leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

NOTE 9 – RIGHT OF USE ASSETS AND LIABILITIES (CONTINUED)

KEY JUDGEMENTS AND ESTIMATES: LEASES

DETERMINATION OF LEASE TERM

The lease term is the minimum non-cancellable period of the lease, plus periods captured under an extension option. An extension option is brought to account where an economic incentive for extension exists, and it is reasonably certain that the Group will exercise that option. Economic incentives include material penalties for early termination, the uniqueness of the underlying asset and whether the quantum of leasehold improvements is significant. After the commencement of the lease, the lease term is reassessed on the occurrence of a significant event or change in circumstances. The Group has not brought to account extension options as part of the valuation of right-of-use assets and lease liabilities.

DETERMINATION OF INCREMENTAL BORROWING RATES

The Group determines its incremental borrowing rate (IBR) by evaluating published rates from external financial institutions, adjusting for the tenure and currency of the lease. At 31 December 2021, the IBR on lease liabilities ranged between 8.3% to 2.9% (2020: 8.3% to 3.0%).

RIGHT-OF-USE ASSETS

Amounts recognised as right-of-use assets at 31 December 2021 and 2020 are tabulated below:

	2021			2020		
	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
At 1 January	**2,614**	**78**	**2,692**	**302**	**-**	**302**
Additions	2,632	464	3,096	3,465	85	3,550
Disposals and write-offs	-	-	-	(211)	-	(211)
Depreciation and impairment	(1,016)	(100)	(1,116)	(942)	(7)	(949)
At 31 December	**4,230**	**442**	**4,672**	**2,614**	**78**	**2,692**
At cost	5,487	542	6,029	3,394	85	3,479
Accumulated depreciation and impairment	(1,257)	(100)	(1,357)	(780)	(7)	(787)
At 31 December	**4,230**	**442**	**4,672**	**2,614**	**78**	**2,692**

NOTE 9 – RIGHT OF USE ASSETS AND LIABILITIES (CONTINUED)

LEASING ACTIVITIES

The Group leases land and buildings, principally related to the West Perth corporate office and Forrestfield fabrication and assembly facility, and motor vehicles. Land and building leases are for periods between 1 to 5 years, plus extension options. Plant and equipment leases are for periods between 1 to 4 years, with no extension options. Rent is either fixed or reset periodically based on an index or rate. Rent may be adjusted on the basis of annual fixed percentage increases or market reviews.

LEASE LIABILITIES

Amounts recognised as lease liabilities at 31 December 2021 and 2020 is set out below:

	2021			2020		
	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Current	1,099	216	1,315	651	19	670
Non-current	3,602	260	3,862	2,046	64	2,110

PRESENT VALUE OF FUTURE RENTALS PAYABLE

The maturity profile of lease liabilities at 31 December 2021 and 2020 is set out below:

	2021			2020		
	PRINCIPAL $'000	INTEREST $'000	GROSS $'000	PRINCIPAL $'000	INTEREST $'000	GROSS $'000
Less than one year	1,315	237	1,552	670	270	940
Between two and five years	3,862	348	4,210	1,874	390	2,264
More than five years	-	-	-	236	3	239
Total	**5,177**	**585**	**5,762**	**2,780**	**663**	**3,443**

NOTE 10 – TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES

Trade and other payables are recognised when goods and services are received, whether or not billed to the Group, prior to the end of the reporting period. Trade and other payables are financial liabilities classified and measured at amortised cost.

Trade and other payables are short-term in nature and their carrying amounts are held to be a reasonable approximation of fair value.

CONTRACT LIABILITIES

Contract liabilities arise where advance payments are received prior to services being performed. Advance payments are allocated to the performance obligations under the contract and recognised as revenue when those performance obligations are fulfilled.

	2021 $'000	2020 $'000
Trade payables	15,871	5,525
Accrued expenses	7,105	3,825
Accrued salaries and wages	2,387	1,527
Contract liabilities	1,326	1,502
Income taxes payable	-	667
Other payables	1,775	1,159
	28,464	**14,205**

NOTE 11 – EMPLOYEE ENTITLEMENTS

RECOGNITION AND MEASUREMENT

Employee entitlements in respect of annual leave and long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These liabilities are measured as the present value of estimated future payments using the projected unit credit method.

Employee entitlements which are not expected to be settled within one year after balance date are recognised as non-current liabilities.

	2021 $'000	2020 $'000
Annual leave	1,883	2,096
Long service leave	749	521
	2,632	**2,617**
Current	2,503	2,559
Non-current	129	58

KEY ESTIMATES AND JUDGEMENTS: PROVISION FOR LONG SERVICE LEAVE

Long service leave is discounted using market yields on high quality Australian corporate bonds at balance date with terms to maturity which closely match the estimated future cash flows. Management exercises judgement over key assumptions used in the long service leave calculation, which includes future increases in salaries and wages, on-cost rates and attrition rates of current employees.

NOTE 12 – FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are classified into three categories depending on their contractual cash flow characteristics and the Group's business model for managing the financial assets. These categories are:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

A financial asset which is a debt instrument is measured at amortised cost only if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Financial liabilities are classified at either amortised cost or fair value through profit or loss. The Group may choose at initial recognition to designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. All financial liabilities of the Group are measured at amortised cost, except for derivative financial instruments, which are measured at fair value. The Group does not carry any derivative financial liabilities.

KEY ESTIMATE OR JUDGEMENT: FAIR VALUE HIERARCHY

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categories into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – Inputs for the asset and liability are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

FINANCIAL RISK MANAGEMENT

Exposure to credit and liquidity risks arises in the ordinary course of business for the Group and are explained on the following pages. Financial risks related to interest rates and foreign currencies are not substantive as follows:

RISK	EXPOSURE
Interest rates	The secured trade finance loan securitises 81 per cent of the face value of trade receivables with recourse. The settlement of drawdowns against the trade finance loan is linked to the settlement of the underlying trade receivable, which ordinarily occurs between 30 to 45 days after invoicing. The exposure to changes in the fair value or future cash flows of the trade finance loan arising from changes in the BBSY is not significant.
Foreign currencies	Customer contracts are negotiated and billed in Australian dollars. Costs to perform contracted works are denominated in Australian dollars. The Group does not hold foreign denominated financial assets or liabilities.

NOTE 12 – FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

CREDIT RISK MANAGEMENT

Credit risk is the risks that a customer or counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss to the Group. Credit risk arises from the financial assets of the Group, comprising cash and cash equivalents and trade and other receivables.

The Group does not require collateral in respect of trade and other receivables. Rather, the Group manages its credit risk on trade receivables by contracting with counterparties with investment grade credit ratings. Credit evaluations are performed for all customers where contract values exceed $10,000. Ageing of trade receivables is monitored on an ongoing basis. As a result, the Group's exposure to bad debts is not significant.

Cash and cash equivalents are held with reputable financial institutions with investment grade credit rating of no less than A-.

MAXIMUM EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the Group's maximum credit exposure as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	13,219	7,754
Trade receivables	16,061	11,812
Other receivables	805	712
Contract assets	45,871	25,009
Maximum credit exposure	**75,956**	**45,287**

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer past due or avoid a possible past due status.

CONCENTRATION OF CREDIT RISK

At 31 December 2021, the Group had three customers (2020: four customers) that owed the Group more than $1 million each and accounted for 80% (2020: 71%) of all trade receivables. Payment terms are between 30 to 45 days, limiting credit exposure to a short period of time.

The status of trade receivables at the reporting date is as follows:

	GROSS TRADE RECEIVABLES 2021 $'000	ALLOWANCE FOR EXPECTED CREDIT LOSSES 2021 $'000	GROSS TRADE RECEIVABLES 2020 $'000	ALLOWANCE FOR EXPECTED CREDIT LOSSES 2020 $'000
Not past due	15,902	-	11,435	-
Past due 0 – 30 days	78	-	55	-
Past due 31 – 120 days	81	-	21	-
Past due 121 – 365 days	-	-	301	-
Past due more than one year	-	-	-	-
	16,061	**-**	**11,812**	**-**

KEY ESTIMATE AND JUDGEMENTS: PROVISION FOR EXPECTED CREDIT LOSSES

The Group applies the simplified approach to providing for expected credit losses, which permits the use of a lifetime provision for expected credit losses for all trade receivables.

To determine the provision for expected credit losses, the Group allocates its exposure to a credit risk considering data which is predictive of the risk of loss, such as external credit ratings, audited financial statements, publicly available press information and receivables ageing. Expected credit losses also incorporate forward looking information and pertinent macroeconomic factors.

NOTE 12 – FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

LIQUIDITY MANAGEMENT

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to repay those financial liabilities as and when they fall due.

The liquidity position of the Group is managed to ensure sufficient funds are available to satisfy its financial obligations as and when they fall due. The Group's evaluates its liquidity requirements on a daily basis, which involves the review of cash flow forecasts to determine expected liquidity positions. The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank overdrafts in place to cover potential shortfalls.

At 31 December 2021, the Group had $18,307,000 (2020: $15,798,000) of available undrawn facilities and cash and cash equivalents at its disposal.

The following table sets out the contractual and expected cash flows for all financial liabilities:

	2021						
	STATEMENT OF FINANCIAL POSITION $'000	CONTRACTED CASH FLOWS $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
Trade payables	15,871	15,871	15,871	-	-	-	-
Borrowings	14,950	15,460	15,266	194	-	-	-
Total financial liabilities	**30,821**	**31,331**	**31,137**	**194**	**-**	**-**	**-**

	2020						
	STATEMENT OF FINANCIAL POSITION $'000	CONTRACTED CASH FLOWS $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
Trade payables	5,525	5,525	5,525	-	-	-	-
Borrowings	14,957	15,034	15,017	17	-	-	-
Total financial liabilities	**20,482**	**20,559**	**20,542**	**17**	**-**	**-**	**-**

NOTE 12 – FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK (CONTINUED)

BORROWINGS

Borrowings are recognised initially at fair value, net of directly attributable transaction costs. Borrowings are subsequently measured at amortised cost under the effective interest rate method.

	2021 $'000	2020 $'000
Secured trade finance loan	14,912	9,729
Unsecured premium funding loan	548	120
Bank overdraft	-	1,277
Convertible notes	-	3,908
Gross borrowings	**15,460**	**15,034**
Prepaid borrowing costs	(924)	(84)
Borrowings	**14,536**	**14,950**

Facilities, interest rate ranges, maturity dates and balances of banking facilities are as follows:

	2021				2020			
	FACILITY $'000	DRAWN $'000	EXPIRY	INTEREST RATE	FACILITY $'000	DRAWN $'000	EXPIRY	INTEREST RATE
Borrowings								
Secured trade finance loan	15,000	14,912	March 2022	BBSW + 1.75%	15,000	9,729	February 2021	BBSW + 1.75%
Bank overdraft	5,000	-	March 2022	OIR – 1.08%	4,000	1,227	February 2021	OIR – 1.08%
	20,000	**14,912**			**19,000**	**10,956**		
Guarantees and bonds								
Bank guarantees	16,000	15,029	March 2022	2.50%	8,000	7,697	February 2021	2.50%
Surety bonds	15,500	13,728	November 2022	2.95 – 3.30%	-	-	-	-
	31,500	**28,757**			**8,000**	**7,697**		

NOTE 12 – FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK (CONTINUED)

Changes in liabilities from financing cash flows for the year ended 31 December 2021 are as follows:

$'000	LEASE LIABILITIES	PREMIUM FUNDING	CONVERTIBLE NOTES	TRADE FINANCE LOAN	TOTAL
At 31 December 2020	2,781	120	3,908	9,728	**16,537**
Payment of lease liabilities	(1,096)	-	-	-	**(1,096)**
Net drawings of borrowings	-	428	-	5,267	**5,695**
Conversion to issued capital	-	-	(3,900)	-	**(3,900)**
New leases	3,096	-	-	-	**3,096**
Other	396	-	(8)	(83)	**305**
At 31 December 2021	**5,177**	**548**	**-**	**14,912**	**20,637**

The 'Other' column includes the effect of accrued but not yet paid interest on interest-bearing borrowings, including lease liabilities. The Group classifies interest paid as cash flows from operating activities.

CAPITAL MANAGEMENT

The Group's debt and capital comprises ordinary shares and financial liabilities, supported by financial assets. The Group's capital management policy is to achieve a sustainable debt to equity ratio to generate shareholder value, ensure the Group may fund sustainable growth in its operations and continue as a going concern. Adjustments to the capital structure of the Group to achieve these goals may include debt raisings, distributions to shareholders and ordinary share issues. The Group is not exposed to any externally imposed capital requirements, but for a 15 per cent placement capacity on new equity raisings set out in ASX Listing Rules Chapter 7.

The allocation of capital between operating segments and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to operating segments and activities is undertaken independently of those responsible for the operation. The Group's capital management and allocation policies are regularly reviewed by the Board.

There were no material changes in the Group's management of capital during 2021.

NOTE 13 – ISSUED CAPITAL

Ordinary shares are classified to equity and recorded at the value of consideration received, less transaction costs arising from the issue of new shares.

	NUMBER OF SHARES #	$'000
Shares on issue on 31 December 2019	1,373,014	3,329
Shares on issue on 31 December 2020	1,373,014	3,329
Share split on a ratio of 1:175.787998	239,986,368	-
Shares on issue on 31 December 2020	241,359,382	3,329
Conversion of convertible notes to issued capital[1]	27,078,106	3,900
Issue of fully paid ordinary shares[2]	37,500,000	7,500
Less:		
Transaction costs arising on share issue	-	(1,233)
Shares on issue on 31 December 2021	305,937,488	13,496

1. On 30 June 2021, convertible notes of $3.900 million were converted to 27,078,106 fully paid ordinary shares.
2. On 6 July 2021, 37,500,000 fully paid ordinary shares were issued to subscribers of the initial public offering.

All ordinary shares are single class with equal rights to dividends, capital, distributions and voting. The Company does not have authorised capital nor par value in relation to its issued shares.

NOTE 14 – RESERVES

	2021 $'000	2020 $'000
Share based payments reserve	728	100
Treasury share reserve	(120)	-
	608	**100**

The nature and purpose of reserves is explained below:

Share based payments reserve

This reserve comprises the fair value of equity instruments granted to employees and non-employees under long-term incentive arrangements separately described in note 17.

Treasury share reserve

This reserve comprises the Group's own equity instruments, which are required for later use in employee share-based payment arrangements, which are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

The Group held 605,969 treasury shares in trust at 31 December 2021 (2020: Nil).

NOTE 15 – DIVIDENDS

The Company declared and paid cash dividends on Class B and C preference shares[1] as follows:

	2021 $'000	2020 $'000
Fully franked dividends paid on preference shares		
Final dividend of $72,000 per share (2020: $144,000)	**287**	576
Dividend franking account		
Franking credits available for subsequent periods	**3,333**	2,440

1. S2S Investment Holdings Pty Ltd, as trustee for S2S Investment Trust, and Arioso Financial Investments Pty Ltd, as trustee for the Hibbs Family Trust, held two Class B and C preference shares in Aerison Holdings Pty Ltd. The preference shares were transferred to Aerison Group Limited on 10 May 2021.

NOTE 16 – EARNINGS PER SHARE

The Company declared and paid cash dividends on Class B and C preference shares as follows:

	2021	2020
Profit attributable to equity holders of the Company ($'000)	5,358	5,059
Basic EPS (cps)	1.96	2.10
Weighted average number of ordinary shares (million)[2]	273,474,312	241,359,382
Diluted EPS (cps)	1.75	1.95
Weighted average number of ordinary shares (million)[2]	273,474,312	241,359,382
Plus:		
Contingently issuable shares	32,950,000	17,500,000

2. The weighted average number of ordinary shares presented for 2020 was retrospectively restated for the 2021 share split on a ratio of 1:175.787998. Refer to note 13 for further details.

There have been no transactions involving ordinary shares between balance date and the date of completion of these financial statements.

The calculation of basic and diluted earnings per share is explained as follows:

- **Basic earnings per share**

  Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

- **Diluted earnings per share**

  Diluted earnings per share is calculated as per basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

  Dilution arises as a result of share rights and performance rights issued to employees and non-employees as part of long-term incentive arrangements separately described in note 17.

NOTE 17 – SHARE BASED PAYMENTS

RECOGNITION AND MEASUREMENT

The cost of equity-settled transactions with employees and non-employees is measured using their fair value at the date on which they are granted. In determining the fair value, only performance conditions linked to the price of Aerison Group Limited (market conditions) are considered.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period on which performance conditions (excluding market conditions) are met, ending on the date on which employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a non-market performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market performance condition not being met.

MODIFICATION

Where the terms of an equity-settled awards are modified, as a minimum, an expense is recognised as if the terms had not been modified. An expense is recognised for any increase in the value of a transaction as a result of the modification, as measured at the date of modification.

CANCELLATION

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification to the original award.

The nature of equity-settled share-based payment arrangements may be explained as follows:

- **Aerison Equity Plan (AEP)**

  The AEP was introduced on 29 October 2021. Under the 2021 AEP, 3,950,000 share rights were issued to employees and consultants identified as being retention critical to the Group. A share right issued under the AEP entitles the participant to receive a fully paid ordinary share on vesting, which occurs either one to two years after grant date, and subject to a continuous employment service condition. Participants do not make any payment in respect of the share rights at grant date or upon vesting.

- **Director Incentive Plan (DIP)**

  The DIP was introduced on 29 October 2021. Under the 2021 DIP, the Board of Directors received in aggregate 5,500,000 performance rights in the Company.
  Each performance right entitles a Board member to receive a fully paid ordinary share for no consideration, subject to a market-based performance condition requiring a 20-day volume weighted average price of $0.35 per share or more during the 24 months ended 29 November 2023. Upon vesting, the Board member has five years to exercise the performance right, subject to the earlier termination of their directorship.

- **Lead Manager Performance Rights (LPR)**

  On 6 July 2021, 6,000,000 share options were issued to Peloton Capital in consideration for managing the Company's initial public offering. The exercise price of the share options was $0.30, being a 50 per cent premium on the initial public offering price of $0.20 per share. The share options are exercisable within three years of 12 July 2021.

- **Guarantor Performance Rights (GPR)**

  On 28 July 2020, 500,000 performance rights were issued to the spouses of G. Leone and D. Hibbs in return for providing unlimited personal guarantees in favour of Export Finance Australia, which provided a $4.960 million guarantee facility to the Group. Each performance right entitles the spouse to a fully paid ordinary share for no consideration and no earlier than 15 months after a Liquidity Event.
  On 12 July 2021, the performance rights vested with the admission of the ordinary shares of the Company for quotation on the ASX, which met the definition of a Liquidity Event. The performance rights cannot be exercised until 12 October 2022.

NOTE 17 – SHARE BASED PAYMENTS (CONTINUED)

EXPENSE DURING THE YEAR

The share-based payment expense recognised for employee and non-employee services received during the year is set out below. There were no cancellations to awards in 2021 or 2020.

	2021 $'000	2020 $'000
Aerison Equity Plan	53	-
Director Incentive Plan	118	-
Lead Manager Performance Rights[1]	203	-
Guarantor Performance Rights	-	100
	374	**100**

1. The total fair value of the Lead Manager Performance Rights was $458,000, comprising:
   - $255,000 was deducted against issued capital as a transaction cost for the issue of 37,500,000 fully paid ordinary shares on 6 July 2021.
   - $203,000 was treated an initial public offering cost, recognised in other expenses in profit or loss.

MOVEMENTS DURING THE YEAR

The number and weighted average exercise prices (WAEP) of, and movements in, performance rights and share rights set out below:

	2021 NUMBER	2021 WAEP	2020 NUMBER	2020 WAEP
Outstanding at 1 January	500,000	-	-	-
Net change other[2]	17,000,000	-	-	-
Granted during the year	15,450,000	0.12	500,000	-
Outstanding at 31 December	**32,950,000**	**0.05**	**500,000**	**-**
Exercisable at 31 December	-	-	-	-

2. During 2021, the number of Guarantor Performance Rights increased from 500,000 to 87,894,000 to reflect the share split on a ratio of 1:175.787998. Thereafter, 70,394,000 performance rights were cancelled.

MEASUREMENT OF GRANT DATE FAIR VALUES

The fair value of share-based payment arrangements was calculated by independent, accredited valuation specialists. The following table lists inputs to the models used as part of the valuation of performance rights and share rights issued during 2021:

	2021 AEP	2021 DIP	2021 LPR
Fair value at grant date ($)	$0.185	$0.159	$0.076
Share price at grant date ($)	$0.185	$0.200	$0.200
Exercise price ($)	-	-	$0.300
Dividend yield (%)	-	-	-
Expected volatility (%)	80.00%	80.00%	80.00%
Risk-free interest rate (%)	0.54%	0.19%	2.09%
Grant date	29/10/21	29/10/21	06/07/21
Vesting date	12/07/23	29/11/23	Immediately
Expiry date	12/07/23	29/11/28	06/07/24
Valuation model	Trinomial	Trinomial	Trinomial

The Company was admitted to quotation on the ASX as part of its initial public offering on 12 July 2021. As a result, expected volatility was benchmarked against the historical volatility of comparable companies over a period similar to the life of the performance rights and share rights granted. This assessment assumes the historical volatility of comparable companies is indicative of future trends, which may not necessarily be the actual outcome.

NOTE 18 – CONTINGENT LIABILITIES

	2021 $'000	2020 $'000
Bank guarantees and surety bonds	**28,965**	8,027

The Group has guarantees with its banking partners. Guarantees are provided to customers in the ordinary course of business as security against non-performance by the Group of its contracted obligations. In this respect, the Group treats guarantees as contingent liabilities until such time it is probable that the Group will be required to make payments under the guarantees. It is not expected that these guarantees will be called upon.

In addition, the Group is managing claims and disputes arising from construction and maintenance contracts in the ordinary course of business. These claims and disputes may involve adjudication, arbitration or litigation. Due to the uncertainty in relation to the quantum or timing of the resolution of these claims, no amounts were recognised in the financial statements in respect of these matters.

NOTE 19 – GROUP ENTITIES AND BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, the variable returns from involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the financial statements from the date on which control commences to the date on which control ceases.

Intra-group balances and transactions, including any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Group comprises the Company and the subsidiaries listed below. All members of the Group are incorporated and operate solely in Australia.

NAME	2021 INTEREST (%)	2020 INTEREST (%)	PRINCIPAL ACTIVITIES
Aerison Holdings Pty Ltd	100	100	Holding company
Aerison Pty Ltd	100	100	Construction company
Aerison Services Pty Ltd	100	100	Construction company
Aerison EPC Pty Ltd	100	100	Construction company
Aerison Mechanical and Electrical Technology Pty Ltd	100	25	Dormant

NOTE 20 – PARENT ENTITY

Supplementary financial information of Aerison Group Limited in its capacity as the ultimate parent entity of the Group is as follows:

	2021 $'000	2020 $'000
Current assets	1,038	12
Total assets	15,960	10,362
Current liabilities	(3,322)	(6,933)
Total liabilities	(4,313)	(6,933)
Net assets	**11,647**	**3,429**
Issued capital	13,496	3,329
Accumulated losses	(2,457)	-
Reserves	608	100
Total equity	**11,647**	**3,429**
Loss of Aerison Group Limited	**(2,457)**	**-**
Total comprehensive loss of Aerison Group Limited	**(2,457)**	**-**

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Aerison Group Limited and its subsidiaries entered into a deed of cross guarantee (the Deed) on 21 December 2021. The effect of the Deed is that Aerison Group Limited guaranteed to pay any deficiency in the event of winding up any subsidiary or if any subsidiary does not meet their obligations under the terms of the overdrafts, loans, guarantees, leases or other liabilities subject to the Deed. Similarly, the subsidiaries of the Group provided the same guarantees in the event Aerison Group Limited is wound up or cannot meet its obligations as and when they fall due.

Aerison Group Limited had no contingent liabilities or capital commitments at balance date (2020: Nil).

NOTE 21 – DEED OF CROSS GUARANTEE

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief was granted to Aerison Holdings Pty Ltd and Aerison Pty Ltd from the preparation, audit and lodgement of financial reports under the *Corporations Act 2001*.

As a condition of the Instrument, both Aerison Holdings Pty Ltd and Aerison Pty Ltd are parties to a Deed of Cross Guarantee with Aerison Group Limited. The effect of the Deed is described in note 20.

All subsidiaries of Aerison Group Limited, which are listed in note 19, are party to the Deed. As a result, the consolidated financial statements of the Group mirror the consolidated financial statements of the Closed Group.

NOTE 22 – RELATED PARTIES

Transactions with related parties have been entered into the ordinary course of business and undertaken on normal commercial terms.

Material transactions and receivables with related parties associated with directors of the Group are as follow:

		REVENUE FROM RELATED PARTIES $'000	RECEIVABLE FROM RELATED PARTIES[1] $'000
Other Directors' interests	**2021**	**845**	**15**
	2020	293	100

1. Amounts are classified as trade and other receivables at note 7.

During 2021 and 2020, the Group rendered construction services to Synergy (Electrical Generation and Retail Corporation). The Group shares a common director with Synergy (Electrical Generation and Retail Corporation).

Sales to related parties are on terms equivalent to those that prevail in arm's length transactions. Trade receivables at the end of the reporting period are unsecured, interest-free and settled in cash. There were no guarantees provided on receivables for any related party receivables.

Material transactions and payables with significant shareholders of the Group were as follow:

		EXPENSES FROM RELATED PARTIES	PAYABLES DUE TO RELATED PARTIES
		$'000	$'000
Significant shareholders	**2021**	**353**	**38[2]**
	2020	25	-

2. Amounts are classified as trade and other payables at note 10.

The nature of material transactions with key management personnel of the Group are as follow:

- On 1 November 2021, the Group entered into a Surety Bond Facility (the Facility) with Asset Insure Pty as agent for Swiss Re for $15.500 million. A condition of the Facility required both the CEO and COO to provide unlimited personal guarantees in favour of Asset Insure.

  The Board determined that it was appropriate for the CEO and COO to be compensated an amount equal to 0.8% per annum of the face value of the Facility drawn for the duration for which the unlimited personal guarantees were provided.

  For the year ended 31 December 2021, an amount of $23,000 was expensed to profit or loss in consideration for the provision of the unlimited personal guarantees by the CEO and COO. At 31 December 2021, $23,000 was payable to the CEO and COO.

- On 26 March 2021, $340,000 was reimbursed to M. Lu in consideration for expenses incurred in her capacity as a Non-Executive Director in a prior period.

NOTE 23 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation included in employee benefits expense in profit or loss comprises:

	2021 $'000	2020 $'000
Short term employee benefits	1,432	29
Long term employment benefits	81	160
Post-employment benefits	78	297
Share based payments	120	-
	1,711	**486**

NOTE 24 – AUDITORS' REMUNERATION

The external auditor of the Group was RSM Australia for the years ended 31 December 2021 and 2020. Amounts received or due and receivable by RSM Australia are set out below:

	2021 $	2020 $
Audit and review of the financial statements	178,000	87,000
Taxation services	69,068	40,021
Information technology shared services	186,850	96,580
Procurement of computer equipment and software	606,245	372,915
	1,040,163	**596,516**

NOTE 25 – SUBSEQUENT EVENTS

There were no subsequent events.

NOTE 26 – OTHER ACCOUNTING POLICIES

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within 12 months after the reporting period, or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities are non-current.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated under the weighted average cost method and captures direct materials, direct labour and an allocation of production overheads necessary to bring inventories to the present location and condition. Costs arising from extraordinary wastage are expensed as incurred.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses.

GOODS AND SERVICES TAX (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of asset or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue, expense or as part of the cost of the acquisition of the asset, as applicable.
- When receivables are payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO, is included as part of trade receivables or trade payables in the statement of financial position. Contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are includes in the statement of cash flows on a gross basis and the GST component of cash flows arsing from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, is classified as part of operating cash flow

CONVERTIBLE NOTES

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. The fair value of the liability component is carried as a liability on an amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the convertible note proceeds are allocated to the conversion option that is recognised in equity as a reserve, net of transaction costs.
The carrying amount of the conversion option is not remeasured in subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AERISON GROUP LIMITED

Opinion

We have audited the financial report of Aerison Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is 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 2021 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Revenue Refer to Note 3 in the financial statements	
The Group has recognised revenue of $134,886,000 from contracts with customers. As disclosed in Note 3, these revenues are recognised over time as performance obligations are fulfilled. Construction contracts, engineering and related services revenue is recognised by management after assessing all factors relevant to each contract, including specifically the following as applicable: • Determination of the stage of completion and measurement of progress towards performance obligations; • Estimation of total contract revenue and costs including the estimation of cost contingencies; • Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and • Estimation of project completion date. This area is a key audit matter due to the number and type of estimation events over the course of the contract life, the unique nature of individual contract conditions, leading to complex and judgmental revenue recognition from contracts with customers.	Our audit procedures included: • Reviewing contractual terms with customers and substantiated project revenues and costs incurred against underlying supporting documents; • Assessing management's assumptions in determining the stage of completion and challenging project managers and finance personnel on various assumptions used to determine total contract revenue and total estimated costs; • Checking mathematical accuracy of revenue recognised during the year based on the stage of completion; • Testing a sample of costs incurred to date and agreeing these to supporting documents; • Reviewing customer and subcontractor documentation and discussed the progress of the projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the total contract revenue and total estimated costs; • Evaluating the probability of recovery of outstanding amounts by reference to the status of contract negotiations, historical recoveries and other supporting documentation; and • Reviewing management's assessment and assessed the reasonableness of the provision for foreseeable losses provided by management.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2021 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Aerison Group Limited, for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 28 February 2022

TUTU PHONG
Partner

DIRECTORS' DECLARATION

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

- In the opinion of the directors:
  - (a) the consolidated financial statements and notes of Aerison Group Limited for the year ended 31 December 2021 comply with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards, including Australian Accounting Interpretations, and the Corporations Regulations 2001;
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1 of the consolidated financial statements; and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2021.
- In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group, comprising Aerison Group Limited and its controlled entities identified in note 19, will be able to meet any obligations or liabilities to which they may or may become subject to by virtue of the Deed of Cross Guarantee referred to in note 20 and 21.

On behalf of the Board,

B d Barnes.

B Barnes
Non-Executive Chair
28 February 2022
Perth

APPENDICES

CONTENTS

APPENDIX A – ASX SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange and not disclosed elsewhere in this Annual Report is set out below. This information is current as of 11 February 2022.

SHAREHOLDER SUMMARY

The following details of the shareholders of Aerison Group Limited have been summarised from the share register as of 11 February 2022 as follows:

- 305,937,488 fully paid ordinary shares are held by 518 individual shareholders
- 3,950,000 share rights are held by 20 individual right holders
- 6,000,000 share options are held by one individual option holder
- 23,000,000 performance rights are held by seven individual right holders.

Only issued ordinary shares carry one vote per share and carry a right to dividends. The number of shareholders, by size of holding, in each class are as follows:

	ORDINARY SHARES	SHARE RIGHTS	SHARE OPTIONS	PERFORMANCE RIGHTS
1 – 1,000	15	-	-	-
1,001 – 5,000	69	-	-	-
5,001 – 10,000	74	-	-	-
10,001 – 100,000	218	13	-	-
100,001 and over	142	7	1	7
Total	**518**	**20**	**1**	**7**

VOLUNTARY ESCROW SHARES

201,127,228 fully paid ordinary shares are held in voluntary escrow and are due to be released on 12 July 2022.

ON-MARKET SHARE PURCHASES FOR AERISON EQUITY PLAN

During 2021, Pacific Custodians Pty Ltd purchased 605,969 shares in trust at an average price of $0.20 per share for the purposes of satisfying the entitlements of share right holders under the Aerison Equity Plan.

ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
ARAOSC FINANCIAL INVESTMENTS PTY LTD	77,893,999	25.46
S2S INVESTMENT HOLDINGS PTY LTD	77,893,999	25.46
MR QIUDONG QIAO	45,339,230	14.82
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,226,000	2.36
METECH SUPER PTY LTD	5,004,218	1.64
MISS YEDAN WU	4,900,000	1.60
HOLICARL PTY LIMITED	2,842,903	0.93
BFB HOLDINGS PTY LTD	2,812,903	0.92
HYLEC CONTROLS PTY LTD	2,000,322	0.65
FLUE HOLDINGS PTY LTD	2,000,000	0.65
SUNSET CAPITAL MANAGEMENT PTY LTD	2,000,000	0.65
BASS FAMILY FOUNDATION PTY LTD	1,980,576	0.65
MR CALCIDON CAMILLERI	1,937,903	0.63
LINDA CAMPOS & LUIS CAMPOS	1,845,774	0.60
FESTIVA HOLDINGS PTY LTD	1,845,774	0.60
MR GEOFFREY JOHN FENNELL & MRS CARMEL ANN FENNELL	1,800,000	0.59
CS FOURTH NOMINEES PTY LIMITED	1,650,166	0.54
MR DOMINIC OHANLON & MRS KAREN OHANLON	1,500,000	0.49
MEURER INVESTMENTS PTY LTD	1,250,161	0.41
NORTHMEAD HOLDINGS PTY LTD	1,250,000	0.41
DAHIMA PTY LTD	1,225,161	0.40
MR STEPHEN KAM LO TONG & MRS PATSY LIN HAP TONG	1,150,161	0.38
PW SADDINGTON & SONS PTY LTD	1,125,161	0.37
Total	**248,474,411**	**81.22**

APPENDIX B – CORPORATE DIRECTORY AND GLOSSARY

AS AT 11 FEBRUARY 2022

DIRECTORS

B Barnes (Non-executive Chair)

G Leone (Managing Director and Chief Executive Officer)

D Hibbs (Chief Operating Officer)

P Iancov (Non-executive Director)

M Fennell (Non-executive Director)

JOINT COMPANY SECRETARIES

A Bell (Chief Financial Officer)

K Garvey (Company Secretary)

PRINCIPAL REGISTERED OFFICE

Level 1, 56 Ord Street

West Perth WA 6005

Phone: +61 (08) 9352 5900

SHARE REGISTRY

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

SECURITIES EXCHANGE

Aerison is listed on the Australian Securities Exchange with an ASX code of "AE1"

AUDITOR

RSM Australia Partners

Level 32/2 The Esplanade

Perth WA 6000

OTHER INFORMATION

Aerison Group Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia.

GLOSSARY

EBIT	Earnings before finance costs and income tax expense
EBITDA	Earnings before finance costs, income tax expense, depreciation and amortisation
NPAT	Net profit after taxes
NPBT	Net profit before taxes
LTIFR	Lost time injury frequency rate
TRIFR	Total recordable injury frequency rate
SPE	Specialist Projects and Engineering
AP	Asset Projects
AS	Asset Services