

# Appendix 4E

## Preliminary final report for the financial year ended 30 June 2008

Name of entity

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

### Results for announcement to the market

				\$A'000
Revenues from ordinary activities	up	39.6%	to	2,458
(Loss) from ordinary activities after tax attributable to members	down	16.9%	to	(3,366)
Profit (loss) from extraordinary items after tax attributable to members		-		-
Net profit (loss) for the period attributable to members	down	16.9%	to	(3,366)
<b>Dividends (distributions)</b>		Amount per security	Franked amount per security	
Final dividend		Nil ¢	Nil ¢	
Previous corresponding period		Nil ¢	Nil ¢	

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

N/A
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### Compliance statement

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

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

Date: 29 August 2008

Print name: Robert J Waring

## **Highlights**

- Sales revenue grew by 59% over last year
- Change of name to Aeris Environmental Ltd
- \$3.7 million raised to continue the Company's growth and expansion
- Global supply agreement with Merck & Co
- Trane signs pan-Asian distribution agreement
- First service contract with global casino group

## **Financial Performance Summary**

In the year ended 30 June 2008 Sales Revenue grew 59% over last year to \$1.99 million and Total Revenue (including interest income) grew 40% to \$2.46 million.

In December 2007 Aeris Environmental successfully raised \$3.7 million to continue the expansion of the Company's proprietary air-conditioning performance solutions, water treatment and food cold storage businesses. The majority of the funds were placed with new investors.

Operating expenses during the year were well controlled with an overall net decrease over the 2006/2007 financial year.

Aeris' cash on hand at 30 June 2008 was \$2.9 million and the Company remains debt free (excluding finance leases).

## **Change of Name to Aeris Environmental**

The last 24 months have been pivotal in the Company's development as it successfully graduated into a diversified environmental services and technology organisation. As part of this strategy Aeris is investing in market opportunities driven by a number of emerging global societal mega trends including a demand for greener buildings and reduced energy consumption, a need to preserve and protect the quality of our limited water resources, and a constant pressure to improve food hygiene standards.

At the Annual General Meeting in November 2007 the shareholders approved to change the Company's name from Aeris Technologies Ltd to Aeris Environmental Ltd to better reflect the Company's development strategy and the global markets it is targeting. Aeris continues to trade under ASX Code: AEI.

## **Global Casino Group Chooses AerisGuard Performance Solutions**

In February this year Aeris Atlantic LLC (a majority owned USA subsidiary of Aeris Environmental Ltd) was awarded a service contract with a leading global casino group for application of the Company's AerisGuard Air-Conditioning Performance Solution.

The 12 month contract is with a key casino in Atlantic City and was awarded after successful trials of the AerisGuard technology which demonstrated significant improvements in airflow and overall system efficiency.

The corporation is the world's largest provider of branded casino entertainment and has over 45 casinos worldwide, 70% of which are based in USA. The casino in Atlantic City is the 2nd largest in the group.

The total contract is planned to generate revenues in excess of US\$200,000 to Aeris Atlantic. Aeris has also recently completed a significant pilot trial with the casino to AerisGuard the air-conditioning systems of a number of their hotel rooms. The casino had been experiencing poor air flow from the room air systems, difficulty in reaching and then maintaining the desired temperature, and an increase in system failures. As a direct result of applying the AerisGuard Performance Solutions the efficiency of the air-conditioning systems improved dramatically, including an increase in airflow of 66%, improvements in indoor air quality of up to 68%, and a peak temperature drop of 26%. With each casino in the group having an average of 950 hotel rooms this pilot trial opens up another large opportunity for Aeris.

Aeris Environmental is seeking to expand the application of AerisGuard throughout the customer's network and is now working with three other casinos in the same Group.

### **Trane Pan-Asian Distribution Agreement**

In November 2007 Trane signed a pan-Asia agreement for the distribution of the unique AerisGuard Air-Conditioning Performance Solutions. Trane is one of the world's largest manufacturers of air-conditioning systems and a leader in energy efficient air-con chiller technology. The agreement covers China, Hong Kong, Singapore, Malaysia, Thailand, Vietnam, Indonesia, Philippines, Taiwan, Korea, Cambodia, Laos, Fiji, Brunei, Myanmar, Guam, Northern Marianas, and French Polynesia. Trane has a dominant position across Asia as a full service provider of equipment, maintenance and energy consultation services. The AerisGuard Solution's ability to provide corporations with improved IAQ (indoor air quality) and efficiency savings is a strong strategic fit with Trane's goal of "making buildings work better for life". As an indication of Trane's commitment and belief in the AerisGuard opportunity they have recruited a new Asia Product Manager with specific responsibility to drive the AerisGuard business across the region. This highlights the value Trane places on the AerisGuard technology and its commitment for it to become a standard part of their customer offering. This agreement is a definitive endorsement of the AerisGuard environmental services technology by a leading global air-conditioning corporation.

Trane has now rolled out the AerisGuard opportunity to Thailand, Philippines, Singapore, Hong Kong, Korea, Taiwan and most recently the high growth Chinese market.

In Philippines Trane have won a number of early contracts with large technology companies, hotels and property groups and is also confident of securing a lucrative contract with the country's largest owner of shopping malls and owner of the world's 3rd largest mall.

In China, the Trane team is targeting telecoms and technology companies and recently reported its first contract with a facility owned by China Telecom, China's largest basic telecom network operator.

### **Aeris wins AerisGuard contract with USA Brewery**

In January this year Aeris Atlantic LLC won its first service contract in the brewing industry with The Boston Beer Company, Inc ("Boston Beer").

Boston Beer is America's leading brewer of handcrafted, full-flavoured beers and brewer of the renowned Samuel Adams range of beers.

The \$200,000 initial contract is for the application of the AerisGuard Air-Conditioning Performance Solution to Boston Brewery's newly acquired facility in Pennsylvania.

The brewery has been idle for several years and the air-conditioning system had become fouled with commonly occurring biological contamination and this had resulted in a significant impact on system efficiency and particularly reduced air-flow and poor temperature control.

Boston Beer chose the AeriGuard system due to its unique ability to restore efficiency by environmentally removing the contamination build-up and then protecting the system from recontamination.

### **Global Agreement with Merck & Co.**

In January this year Aeri completed the implementation of the AeriGuard Performance Solution at two Merck & Co., Inc. ("Merck") facilities in Puerto Rico as part of Aeri's global supply agreement with the corporation. Merck is one of the top 10 largest pharmaceutical corporations in the world and has a focus on reducing energy consumption at its operations. Visit [www.merck.com](http://www.merck.com) for more information about Merck and its Energy Policy. Following the excellent results from the Puerto Rico sites Aeri is now in discussions with the Merck global energy team on AeriGuard-ing further facilities.

### **Cold Storage Division**

Aeri Hygiene Services, Aeri Environmental's Australian direct services organisation, continues to expand and is targeting large food processors and logistics companies. Work has recently been completed for companies such as Coles, Devondale, Golden Circle, Roadmaster and Mainfreight Logistics. Due to the hygiene benefits of the AeriGuard treatments customers are incorporating AeriGuard into their HACCP based "Food Safety" programs.

In addition to the Food Safety benefits of AeriGuard treatments, customers are experiencing improvements of upwards of 15% in the efficiency of their refrigeration equipment as a direct result of AeriGuard. It is interesting to also note that major corporations in Australia such as Woolworths have publicly identified refrigeration and air-conditioning as significant components of their sustainability programs. Woolworths' CEO, Michael Luscombe, was recently quoted in an article as saying, "In 2006, some 2.6Mt of CO<sub>2</sub> was attributable to electricity consumption, with almost 90 per cent for refrigeration, lighting and air conditioning in stores." These types of statements from CEOs of companies of this size can only assist in Aeri's growth.

### **Aeri Water Treatment Division**

Providing customers significant improvements in system efficiency by the environmentally friendly removal of biofilm is a cornerstone of the Aeri business.

Aeri's emerging water treatment division targets biofilm removal opportunities in water systems. The business is targeting opportunities in the dairy, brewing, cooling tower and ice machine markets. Over the past 6 months it has successfully developed an effective biofilm removal solution for cooling towers and is now moving into commercial application with an established and well skilled partner in Australia.

The Company believes it is also close to finalising application solutions for the extensive large ice machine market (which are notorious for the growth of biofilm) and the large brewing and beer dispensing industry.

### **Aeri Becomes Distributor for 3M in USA**

Early in the year Aeri Environmental LLC (Aeri Environmental's wholly owned USA subsidiary) signed an agreement with 3M giving Aeri an exciting opportunity for national distribution rights in the USA to the novel 3M Filtrete™ Commercial Performance HVAC filter range of products. The Filtrete filter technology is an excellent complimentary fit with the AeriGuard Performance Solutions as the filters provide the customers improved efficiency and longer product life. Aeri has already been successful in winning a number of large accounts in the Mid Atlantic region with the AeriGuard/Filtrete combined solution.

### **Aeris becomes Energy Star Partner in USA and receives USA cold storage approval**

During the year Aeris Environmental LLC (Aeris' USA operating subsidiary) was accepted as an Energy Star Partner in the USA and named as an "Energy Service and Product Provider" for its AerisGuard Air-Conditioning Performance Solution technology.

The Energy Star program recognises companies with energy efficient products and services who demonstrate that they provide customers with energy savings whilst protecting the environment. For more information visit [www.energystar.gov](http://www.energystar.gov)

The Energy Star partnership is the latest recognition of the environmental benefits of the AerisGuard technology and strengthens the Company's status as an emerging international environmental services and cleantech company. Importantly it also fully supports the Company's global supply agreement with Merck & Co to reduce their energy consumption.

Aeris Environmental Ltd also received notification that its core products have received NSF registration in the USA. The NSF Mark is required by many of the major food related corporations in the USA before products can be used in their facilities.

### **Growth Opportunities**

Building on the multiple initiatives Aeris has undertaken to grow its core businesses the Company continues to make a meaningful investment in R&D. As a consequence of these investments the Company is now moving towards commercialisation of novel and potentially very valuable product streams arising out of its R&D program. Of particular note is the collaboration with the CSIRO on a new class of anti-microbial plastics which are demonstrating long lasting antimicrobial properties together with very high degrees of biodegradability. Recent results now allow the Company to commencement commercial partnership discussions with a number of large international corporations in the field.

As previously advised the Company remains in active discussions in respect of a number of potential strategic transactions. These represent both organic and high growth opportunities and will be aimed at driving ever increasing shareholder value.

### **Dividends**

No dividends were paid or proposed during the year.

**Consolidated statement of financial performance**

	For the year ended	
	30 June 2008 \$000's	30 June 2007 \$000's
Revenues from operating activities	1,998	1,253
Export Market Development Grant	90	150
Interest revenue	166	239
Rental income	145	79
Other Income	59	40
Cost of goods sold	(1,268)	(735)
Employee benefits expense	(2,491)	(1,961)
Occupancy expense	(559)	(558)
Depreciation and amortisation expense	(98)	(95)
Other general and Administration	(478)	(496)
Sales, Marketing & Travel	(587)	(1,120)
Distribution expenditure	(56)	(104)
Product Registration, Patents, Trade Marks and R&D expenditure	(487)	(608)
Financial expenditure	(359)	(261)
Profit (loss) from ordinary activities before income tax expenses	(3,925)	(4,177)
Income tax credit relating to ordinary activities	272	85
Net profit (loss) from ordinary activities after income tax expense attributable to members of the parent entity	(3,653)	(4,092)
Total revenues, expenses and valuation adjustments attributable to minority interest	(287)	(41)
Total changes in equity other than those resulting from transactions with owners as owners	<b>(3,366)</b>	<b>(4,051)</b>
<b>Accumulated Losses</b>		
	30 June 2008 \$000's	30 June 2007 \$000's
Accumulated losses at the beginning of the financial year	(18,341)	(14,357)
Net loss attributable to the members of the parent entity	(3,366)	(4,051)
Transfer from Share-based Payment Reserve	-	67
Accumulated losses at the end of the financial year	(21,707)	(18,341)

**Consolidated statement of financial position**

	30 June 2008 \$000's	30 June 2007 \$000's
<b>CURRENT ASSETS</b>		
Cash assets	2,859	2,633
Inventories	66	117
Receivables	376	208
Other	134	128
<b>TOTAL CURRENT ASSETS</b>	<b>3,435</b>	<b>3,086</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	247	216
Intangible assets	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>247</b>	<b>216</b>
<b>TOTAL ASSETS</b>	<b>3,682</b>	<b>3,302</b>
<b>CURRENT LIABILITIES</b>		
Payables	499	582
Provisions	74	85
Interest-bearing liabilities	27	18
<b>TOTAL CURRENT LIABILITIES</b>	<b>600</b>	<b>685</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing liabilities	40	56
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>40</b>	<b>56</b>
<b>TOTAL LIABILITIES</b>	<b>640</b>	<b>741</b>
<b>NET ASSETS</b>	<b>3,042</b>	<b>2,561</b>
<b>EQUITY</b>		
Contributed equity	24,347	20,527
Reserves	729	415
Accumulated losses	(21,707)	(18,341)
Minority Interest	(327)	(40)
<b>TOTAL EQUITY</b>	<b>3,042</b>	<b>2,561</b>

**Consolidated statement of cash flows**

	For the year ended	
	30 June 2008 \$000's	30 June 2007 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,869	1,356
Payment to suppliers and employees	(5,833)	(5,129)
R&D tax offset	272	85
Export Market Development Grant	90	150
Rent Received	145	79
Interest received	131	231
Interest paid	(19)	(17)
Net cash used in operating activities	<u>(3,345)</u>	<u>(3,245)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans to other entities	-	-
Proceeds from sale of assets	22	-
Purchase of assets	<u>(116)</u>	<u>(127)</u>
Net cash provided by (used in) investing activities	<u>(94)</u>	<u>(127)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	3,796	-
Share issue expenses	-	-
Finance lease payments	<u>(45)</u>	<u>(12)</u>
Net cash provided by (used in) financing activities	<u>3,751</u>	<u>(12)</u>
Net increase (decrease) in cash held	312	(3,384)
Cash at the beginning of the financial year	2,633	6,015
Effects of exchange rate changes on cash and cash equivalents	(86)	2
Cash at the end of the financial year	<b><u>2,859</u></b>	<b><u>2,633</u></b>
<b>Reconciliation of cash</b>		
	<b>30 June 2008 \$000's</b>	<b>30 June 2008 \$000's</b>
Cash on hand and at bank	<u>2,859</u>	<u>2,633</u>

**Notes to the consolidated financial statements**

This preliminary final report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the preliminary final report be considered together with any public announcements made by Aeris Environmental Ltd during the year ended 30 June 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**Earnings per security (EPS)**

	<b>30 June 2008</b>	<b>30 June 2007</b>
Calculation of the following in accordance with AASB 1027: Earnings per Share		
Net profit/(loss)	(3,366)	(4,051)
Weighted average number of ordinary shares used in the calculation of the Basic EPS	92,783,057	87,517,564
Basic EPS – loss per share	(3.5) cents	(4.6) cents

**NTA backing**

	<b>30 June 2008</b>	<b>30 June 2007</b>
Net tangible asset backing per ordinary share	3.1 cents	2.9 cents

**Financial reporting by geographical segments**

	<b>Australia</b>	<b>North America</b>	<b>Intersegment elimination</b>	<b>Consolidated</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Segment revenue	1,353	1,124	(19)	2,458
Segment result	(3,839)	(731)	1,204	(3,366)
Segment assets	3,878	314	(510)	3,682
Segment liabilities	1,796	1,479	(2,635)	641