AERIS ENVIRONMENTAL LTD

ABN 19 093 977 336

ANNUAL REPORT 2015

Contents

Chairman and CEO Report

Aeris Environmental Ltd (Aeris or the Company) is pleased to present its Annual Report for the financial year ended 30 June 2015 – a transformational period in all dimensions of the Company's activities. Aeris now has a robust platform to execute its key objectives of gaining meaningful commercial traction in several of its main platform technologies, scaling revenue and increasing shareholder value.

The Company has raised significant capital and successfully broadened its shareholder base to now include leading institutions. In parallel, Aeris continues to develop an outstanding advisory board, and has launched a series of new products and technologies that will serve to underpin the Company's future growth and success.

Aeris is scaling-up its commercial activities, both in terms of its team and its focus on targeted international markets, including Thailand, Singapore, Malaysia, Hong Kong, New Zealand, the Middle East and the Philippines. Consistent with the Company's strategy is a direct presence in these countries, supporting a network of platinum partners who have existing infrastructure, facilities and customer bases in their respective markets. Aeris continues to enjoy high levels of interest and enquiry from North American and European industry leaders.

The Company has an outstanding portfolio of validated and registered products providing an ability to support large scale customers with an integrated offering addressing an increasing range of their energy efficiency, environmental and microbial control needs. Aeris has successfully transitioned from pre-commercial, single-site evaluation projects with its customers to a highly targeted programme of enterprise-wide rollouts. The Company has validated its SmartENERGY platform, launched a new generation of advanced OEM coatings, developed and commercialised new technologies in duct and kitchen range hood treatments, and built on its enzymatic cleaning solutions.

The global markets for energy and system efficiency, microbial control, materials protection and biological cleaning are significant and fast growing. The 'product' approach to solving complex and interconnected technical and commercial problems has been shown to be ineffective and clients are increasingly searching for integrated 'single source' solutions. Aeris today is uniquely positioned to leverage over a decade's worth of experience and a trusted brand, with registered and validated technology, application know-how and world-leading clients, combined with structural advantages in both its enhanced balance sheet, and ability to engage with counterparties in multiple industries and territories.

Large-scale technical implementations require experienced channel partners and human resources – to not only articulate and deliver the business case, but to ensure that the ongoing benefits are both significant and lasting. The Company has put in place a growing team of technical sales specialists, and strategic industry partners in the energy, air-conditioning, refrigeration, environmental and electrical sectors. A number of industry leaders have joined Aeris' advisory board, bringing decades of valuable expertise and contacts in the key industries targeted by the Company.

Aeris continues to invest in its product development programme, focusing heavily on the near-term commercial opportunities that are fed back from its customers and international partner network. The Company is currently prioritising its SmartENERGY and coatings portfolios, focusing on both customers and countries where it is able to leverage early growth and market penetration. This strategy is then supported by additional emerging platforms in our portfolio and other large-scale markets that should crystallise in 2016 and beyond. Our intellectual property has delivered, and should continue to provide, attractive margins and our ability to take a holistic approach to Aeris' delivery, where each customer derives multiple value propositions, places the Company in the unique position to monetise our key technologies across our intellectual property portfolio.

Aeris clearly believes that its long journey to-date has established the foundation upon which it can now capitalise on the global megatrends and key priorities of leading corporations, being energy efficiency, healthier air, food safety and water quality, and long-term materials protection with core guiding principles of 'clean, green, protect'. Government and regulatory bodies have seen the value from industry adoption of repeatable and credible solutions, and have been active by both legislating and incentivising environmental efficiency. The independent validation of the SmartENERGY platform, including NSW

Government Energy Savings Scheme (ESS) accreditation, is both unique and an important differentiator for the Company in the marketplace.

The ability to deliver integrated and cost-effective solutions to these great challenges of modern society will commercially position successful companies as attractive investment opportunities. Aeris is putting in place today the fundamental milestones and benchmarks that will support its adoption by the institutional investor market in the future, not only domestically, but to the capital markets internationally, where the Company is investing in raising its profile.

We would like to acknowledge the outstanding contribution of our team and partners, who have now strongly positioned us to realise our longstanding potential.

MAURIE STANG
Non-Executive Chairman

PETER BUSH
Chief Executive Officer

- SMARTENERGY *delivers validated energy savings and improved efficiency across air-conditioning and refrigeration systems, with immediate cash flow improvements.*
- SMART COATINGS *prevent mould and bacteria growth for the life of the product with both OEM and in-field applications.*
- SMART WATER *leads to the remediation of biofilm in circuits, including beverage and brewery.*
- SMART SURFACE *disinfection solutions have proven long-term residual efficacy.*
- SMART POLYMERS *have permanent microbial resistance, whilst being environmentally-friendly.*

2015 FINANCIAL YEAR HIGHLIGHTS

FINANCIAL

- Year-on-year revenue growth of 64% to $800,886. Year-on-year cash receipt increase of 94% to $820,000, with a modest increase in monthly overhead costs. The June 2015 quarter was the highest quarterly sales performance in six years.
- Sales pipeline in excess of $10,000,000, with continual successful, customer engagement.
- Cash-on-hand of $8,655,574, representing approximately 36 months of cash at the current expense burn rate.
- Total capital raised of $10,025,444 through the issue of 32,792,018 shares in two tranches to a group of professional, sophisticated, institutional and strategic investors.
- Shareholder approval will be sought at the Annual General Meeting to enable the Directors to convert $1,500,000 million of the Director loans into Aeris shares at the last placement price of $0.50 per share.

SMARTENERGY

- Launch of SmartENERGY platform into single-site, paid, commercial installations.
- Establishment of strategic relationships with key industry and channel partners, including assets and facilities management, electrical contractors, energy retailers, air-conditioning and refrigeration suppliers, and the property sector.
- Independent validation of the SmartENERGY platform, including NSW Government ESS accreditation, demonstrated in a high-profile, national retailer's building.
- Townsville SmartENERGY was installed for Spotlight Retail Group in January 2015 and continues to exceed its targeted asset level energy reduction of 22.6%.
- Successfully building a portfolio of near-team opportunities for SmartENERGY across Australia and Asia, including high-profile shopping centre groups, retail, property, healthcare and Government opportunities.
- Each SmartENERGY installation to-date has met or exceeded Aeris' projected energy and system efficiency benchmarks.

OEM COATINGS

- A growing HVAC OEM coating manufacturing engagement and awareness, with early orders, in key segments and countries. Active business development in each market and across Asia Pacific region.
- Launch of latest generation of AerisGuard OEM coatings. Each of the products within the AerisGuard portfolio delivers significant value-added properties to its customers that allow the 'clean, green, protect' positioning into each of the consumer, commercial and industrial HVAC equipment sectors. Aeris has scaled-up its manufacturing capability and distribution with a view to supporting customers' supply chains and product offerings.
- First purchase order for AerisGuard OEM coatings from a substantial, new customer, to be used in the offshore oil industry. This order, the first stage of a large project, was in excess of $US100,000 and it is anticipated that the additional stages present an opportunity to Aeris in excess of US$400,000 for this initial requirement, and has been manufactured, delivered, invoiced and paid.
- Executed a contract with SolAir World Pty Limited (SolAir) for the supply of its novel AerisGuard OEM HVAC coating to be applied to all coils sold by SolAir for its breakthrough solar thermal air-conditioning systems. In addition, SolAir will be promoting the AerisGuard range to its OEM manufacturing partner with a view to incorporating the AerisGuard protection into its broad product line supplying multiple global customers.
- Both SolAir and its OEM manufacturing partner have tested and approved the AerisGuard coatings, and, under the agreement, Aeris will be paid on a 'per coil' manufactured basis. It is anticipated that the annualised purchases for SolAir's own sales will be in excess of A$250,000.

SURFACES WITH RESIDUAL PROTECTION – COATINGS

- Two key product launches in Australia, with active business development in each key market and country.
- Commencement of shipping of commercial quantities of unique anti-microbial duct sealing coating with its launch customer in Australia who has projected annual requirements in excess of A$500,000. Aeris will utilise its expanded sales capability to drive its Myco Guard Duct Sealant to customers and applicators across the region.
- Launch of Aeris' novel range hood cleaning solution. The market opportunity for this technology is large and, importantly, the regular cleaning and remediation of exhaust range hoods is mandated by legislation. Early indications are that the Aeris range hood coatings will solve 'real world' problems, and deliver lower costs, time savings, greater compliance and safety for customers and consumers alike. The focus market for the Company will be global fast food chains and restaurants together with leveraging its strong contacts in the retail and hospitality sectors. Recognised by way of a HACCP Australian Food Safety Certification.

ENZYMES AND WATER TREATMENT

- Aeris' unique biological coil remediation represents an immediate point of entry to a cross-section of leading customers in each of the Company's targeted vertical markets. This creates a 'trusted' beachhead for the adoption of the complete SmartENERGY solution. The immediate and measurable benefits of Aeris' environmentally-friendly, uniquely-effective coil remediation and treatment range not only meets the highest of standards, but also extends the life of the HVAC coils, alongside material improvements in the carbon footprint, system efficiency, indoor air quality and performance.
- Expanded distribution network for the AerisGuard range, both domestically and internationally, including a number of significant clients through exclusive product specification.
- Specification by a national retail chain and large-scale health authority for ongoing use in its facilities across a large Australian state. The Company continues to build its key accounts in the high-end facilities management sector with a number of Government and private sector tender specifications prepared and submitted.
- Expanded enzyme cleaning opportunities in the HVAC circuit water treatment and hospitality industry, including beer and beverages.

BIOSTATIC POLYMERS

- The potential market opportunity for Aeris' biostatic polymer systems expands on a daily basis. The Company's resources continue to focus on the SmartENERGY and coatings platforms, and near-term product launches.
- Aeris continues to invest in a 2016 launch of its SMART polymer technologies.
- Early market entry to be focused on high value-added applications.

RESOURCES

- Recruitment of a number of highly-regarded project and corporate sales specialists, both in Australia and Asia, covering its SmartENERGY and OEM coatings portfolios.
- Establishment and ongoing engagement with advisory board of industry experts.
- Expansion of Asian sales and technical delivery resources, in addition to the opening of a representative office in Singapore to service key customers and distributors, building on Singapore's mandated position for 'Green' building certification and energy efficiency. Expansion of direct operations in Thailand, and establishment of platinum partnerships in Hong Kong and New Zealand. Growing run rate in revenue from the Philippines, Japan, United States, Europe and the Middle East.

Directors' Report

The Directors of Aeris Environmental Ltd submit herewith the annual financial report for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the Directors and Company Secretary of the Company during or since the end of the financial year are:

MAURIE STANG

Non-Executive Chairman

Mr M Stang is Chief Executive Officer of the Regional Health Care group of companies and of Novapharm Research. He has over 31 years' experience building and managing successful companies in the Australian healthcare market, and extensive networks within the life-sciences and pharmaceutical sectors, both in Australia and internationally.

Since co-founding the Regional Health Care group, Mr Stang has been instrumental in building it into one of the region's leading healthcare product suppliers, with a key joint venture in the Australasian dental market, and successful operating businesses across a range of medical, pharmaceutical and consumer healthcare sectors.

Director since 2002 – appointed Chairman 2002.

Directorship of other listed companies held in the last three years: Chairman of Nanosonics Limited since November 2000.

STEVEN KRITZLER

Non-Executive Director

Mr Kritzler has a M.Sc from the UNSW in the field of Polymer Chemistry and holds a number of international patents.

Mr Kritzler is the Technical Director of Novapharm Research. He has over 40 years of experience in commercial R&D in the areas of pharmaceutical, medical, cosmetic and specialty industrial products. Under Mr Kritzler's technical direction, Novapharm Research has become a world-leader in infection control science.

Director since 2002.

Directorship of other listed companies held in the last three years: None.

BERNARD STANG

Non-Executive Director

Mr B Stang graduated with a Bachelor of Architecture, and gained significant large-scale project management and building experience prior to co-founding the Regional Health Care group of companies.

Mr Stang is co-founder and Chairman of the Regional Health Care group of companies. He also chairs a number of private companies in the medical sector. Mr Stang manages a broad portfolio of investments in the private and listed sectors and has over 35 years of operational experience in the leadership of successful healthcare businesses.

Mr Stang is the CEO of property development investment company Stangcorp Pty Ltd, which has been involved in various retail, commercial and industrial property transactions over the past 30 years.

Director since 2002.

Directorship of other listed companies held in the last three years: None.

PETER BUSH

Chief Executive Officer, Alternate Director for M and B Stang, and Chief Financial Officer

Mr Bush holds a degree in Commerce from Macquarie University and a graduate diploma in Chartered Accounting from the Institute of Chartered Accountants in Australia. Mr Bush is a member of the Institute of Chartered Accountants in Australia.

Mr Bush is the Chief Financial Officer of The Regional Health Care Group (RHCG) and GryphonCapital. RHCG is one of the region's leading diversified healthcare product suppliers, with successful businesses across a range of medical, pharmaceutical, consumer healthcare, and research and development sectors. GryphonCapital is an independent merchant bank that facilitates the financing and development of emerging health-care related entities. Mr Bush began his career working for 5 years at BDO, a global accounting and consulting firm, and has since spent a number of years working in industry. Mr Bush holds a number of private directorships and board positions. Alternate Director since 2011.

Directorship of other listed companies held in the last three years: None.

DAVID FISHER

Non-Executive Director (Resigned 31 July 2014)

Dr Fisher has a first class honours degree in Rural Science, a PhD in Chemical Engineering from Sydney University, and a Masters degree in Applied Finance and Investments from FINSIA.

Dr Fisher is a founding partner of Brandon Capital Partners, a leading Australian venture capital provider. He has over two decades of extensive operating experience in the biotechnology and healthcare industry in Australia and overseas. Dr Fisher was CEO of Peptech Limited (now part of Cephalon Inc. (Nasdaq:CEPH)). During this period Peptech grew from a start up to having R&D operations in Australia, the UK, the US and manufacturing operations in Denmark.

Director since 2011.

Directorship of other listed companies held in the last three years: Director of Nanosonics Limited since November 2001.

ROBERT WARING

Company Secretary

Mr Waring BEc, CA, FCIS, FFin, FAICD was appointed to the position of Company Secretary in 2002. He has over 40 years of experience in financial and corporate roles, including over 25 years in company secretarial roles for ASX listed companies and over 19 years as a Director of ASX listed companies. Mr Waring has over 30 years of experience in industry and prior, to that, spent nine years with an international firm of chartered accountants. He is a director of Oakhill Hamilton Pty Ltd, which provides company secretarial and corporate advisory services to a range of listed and unlisted companies.

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
GPO Box 2975, Melbourne
VIC 3001
Telephone: +61 3 9415 4000
Web: www.computershare.com

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings and Committee meetings held during the financial year, and the number of meetings attended by each Director (while they were a Director):

	Board of Directors' Meetings	Audit Committee Meetings	Corporate Governance Committee Meetings	Remuneration and Nomination Committee Meetings
Number of meetings held	9	2	1	1
Number of meetings attended				
Maurie Stang	9	2	1	1
Steven Kritzler	8	-*	-*	-*
Bernard Stang	7	2	1	-
David Fisher (Resigned 31 July 2014)	1	-*	1	1

* Not a member of the committee

In addition to the above meetings the Board and senior executives conduct formal management meetings.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit Committee, a Corporate Governance Committee and a Remuneration and Nomination Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

Audit Committee

- Bernard Stang (Chairman)
- Maurie Stang

Corporate Governance Committee

- Maurie Stang (Chairman)
- David Fisher (until 31 July 2014)
- Bernard Stang (Since 31 July 2014)

Remuneration and Nomination Committee

- Maurie Stang (Chairman)
- David Fisher (until 31 July 2014)
- Bernard Stang (Since 31 July 2014)

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were:

- Research, development, commercialisation of proprietory technologies and global distribution of the AerisGuard range of products;
- Provision of HVAC/R Hygeine and Remediation Technology;
- Provision of HVAC/R Energy Efficency services; and
- Provision of Corrosion Protection Technology.

There is no significant change in the nature of activities performed by the Company during the year.

REVIEW OF OPERATIONS

The results of the operations of the consolidated entity during the financial year were as follows:
For a comprehensive review of the Company's operational performance please refer to the attached Chairman and Chief Executive Officer Report.

	2015	2014
	$	$
Income	874,389	487,121
Expenses	(2,891,301)	(1,555,014)
Loss after income tax	(2,016,912)	(1,067,893)
Profit / (loss) from discontinued operations	-	-
Net Loss for the period	**(2,016,912)**	**(1,067,893)**

DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2015 (2014: Nil). No dividends have been paid or declared since the start of the financial year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In the opinion of the Directors, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information other than that disclosed elsewhere in this report regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

The economic entity is not subject to any significant environmental, Commonwealth or State regulation in respect of its operating activities.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

The Company has Deeds of Access and Indemnity with each of the four Directors, by which the Company indemnifies each Director in relation to any liability incurred as a result of being a Director of the Company except where there is lack of good faith.

During or since the financial year, the Company has not indemnified or agreed to indemnify the Auditor of the Company or any related entity against a liability incurred by the Auditor.

Insurance Premiums

During the financial year, the Company paid a premium in respect of a contract to insure its Directors and executives against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

During the financial year, the Company has not paid a premium in respect of a contract to insure the Auditor of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

DIRECTORS' INTERESTS

Equity Holdings	Ordinary Shares	Options over ordinary shares
Maurie Stang	18,816,267	-
Bernard Stang	14,928,109	-
Steven Kritzler	7,331,609	-
David Fisher (Resigned 31 July 2014)	165,000	-
Peter Bush (Alternate Director)	-	750,000

Options granted to Directors and officers of the Company

During or since the end of the 2015 financial year, the Company has granted options for no consideration over unissued ordinary shares in Aeris Environmental Ltd to the following Alternate Director and Officer as part of his remuneration (2014: NIL)

Peter Bush (Alternate Director and Chief Executive Officer) 500,000 Options

PARTICULARS OF OPTIONS GRANTED OVER UNISSUED SHARES

	2015	2014
Options granted by the Company over unissued ordinary shares.	1,470,000	595,000
Shares issued in the period as the result of the exercise of options.	125,000	-
Options expired during the period.	-	410,000
Options granted during the period.	1,000,000	-

Full details of options on issue are shown in Note 19.

NON-AUDIT SERVICES

During the year UHY Haines Norton, the Company's Auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the Auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company, and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the Auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF UHY HAINES NORTON

There are no officers of the Company who are former audit partners of UHY Haines Norton.

AUDITOR

UHY Haines Norton continues in office in accordance with section 327 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Declaration of Independence for the year ended 30 June 2015 is attached to this Directors' Report on page 14.

CORPORATE GOVERNANCE

Aeris Environmental Ltd's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day the Annual Report is released.

The Company's Corporate Governance Statement, and its Corporate Governance Compliance Manual, can be all found on the Company's website at: http://www.aerisenvironmental.com/investor_centre/corporate_governance.phtml

REMUNERATION REPORT (AUDITED)

Key Management Personnel

The key management personnel of the Company comprise the Directors, Chief Executive Officer and Company Secretary only as follows:

Non-Executive Directors

- Maurie Stang
- Bernard Stang
- Steven Kritzler
- David Fisher (Resigned 31 July 2014)

Executive

- Peter Bush (Chief Executive Officer and Alternate Director)

Company Secretary

Robert Waring

REMUNERATION POLICIES

Details of Aeris' remuneration policies and practices, together with details of Directors' and Executives' Remuneration, are as follows:

(a) Overview of remuneration structure

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. Processes have been established to ensure that the levels of compensation and remuneration are sufficient and reasonable, and explicitly linked to the achievement of personal and corporate objectives. The short and long-term incentive plans are specifically aligned to shareholder interests.

Aeris' Remuneration and Nomination Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for staff, including Directors, the Company Secretary and senior managers of the Company.

The Committee has access to the advice of independent remuneration consultants to ensure the remuneration and incentive schemes are consistent with its philosophy as well as current market practices.

(b) Non-Executive Directors

No payments were made during the year to any Non-Executive Director for their services. This is reviewed annually.

(c) Executives

The objective of Aeris' executive reward system is to ensure that remuneration for performance is competitive and appropriate for the results delivered.

Executive pay structures include a base salary and superannuation. In addition, executives and senior managers can participate in the Employee Share Option Plan.

(d) Short-term incentive (STI) scheme

Aeris has not established any STI scheme for its Key Management Personnel. During the financial year ended 30 June 2015 no amounts were paid as STIs.

(e) Share option based compensation

In February 2005, Aeris established an Employee Share Option Plan (ESOP). The plan was approved by shareholders at the Annual General Meeting held on 25 November 2004.

EQUITY HOLDINGS TRANSACTIONS

The movement during the reporting period in the number of ordinary shares in Aeris Environmental Ltd, held directly, indirectly, or beneficially by each specified Director and specified executive, including their personally-related entities, are as follows:

2015 Shares	Number held 30 June 2014	Acquired during year	Sold during year	Issued on exercise of options	Number held 30 June 2015
Specified Directors					
Maurie Stang	18,816,267	-	-	-	18,816,267
Bernard Stang	14,928,109	-	-	-	14,928,109
Steven Kritzler	7,331,609	-	-	-	7,331,609
David Fisher (Resigned 31 July 2014)	25,000	140,000	-	-	165,000
Peter Bush (Alternate Director)	-	-	-	-	-
Specified Executives					
Robert Waring	103,000	-	-	-	103,000
	41,203,985	**140,000**	**-**	**-**	**41,343,985**

Options	Number held 30 June 2014	Granted during year	Lapsed during year	Exercised during year	Number held 30 June 2015
Specified Directors					
Maurie Stang	-	-	-	-	-
Bernard Stang	-	-	-	-	-
Steven Kritzler	-	-	-	-	-
David Fisher (Resigned 31 July 2014)	-	-	-	-	-
Peter Bush (Alternate Director)	250,000	500,000	-	-	750,000
Specified Executives					
Robert Waring	-	-	-	-	-
	250,000	**500,000**	**-**	**-**	**750,000**

2014 Shares	Number held 30 June 2013	Acquired during year	Sold during year	Issued on exercise of options	Number held 30 June 2014
Specified Directors					
Maurie Stang	18,816,267	-	-	-	18,816,267
Bernard Stang	14,928,109	-	-	-	14,928,109
Steven Kritzler	7,331,609	-	-	-	7,331,609
David Fisher (Resigned 31 July 2014)	25,000	-	-	-	25,000
Peter Bush (Alternate Director)	-	-	-	-	-
Specified Executives					
Robert Waring	103,000	-	-	-	103,000
	41,203,985	**-**	**-**	**-**	**41,203,985**

Options	Number held 30 June 2013	Granted during year	Lapsed during year	Exercised during year	Number held 30 June 2014
Specified Directors					
Maurie Stang	-	-	-	-	-
Bernard Stang	-	-	-	-	-
Steven Kritzler	-	-	-	-	-
David Fisher (Resigned 31 July 2014)	-	-	-	-	-
Peter Bush (Alternate Director)	250,000	-	-	-	250,000
Specified Executives					
Robert Waring	27,500	-	(27,500)	-	-
	277,500	**-**	**(27,500)**	**-**	**250,000**

TRANSACTIONS WITH DIRECTORS AND DIRECTOR-RELATED ENTITIES

A number of specified Directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis.

Details of these transactions are shown below:

Regional Healthcare Group Pty Ltd	2015	2014
	$	$
The Company and its controlled entities paid for services provided by Regional Healthcare Group Pty Ltd.		
Office and Administration expenses	287,888	87,246
Rent	46,656	49,913
Distribution expenses	22,225	29,014
Corporate services	108,250	103,520
Interest on loans	-	9,555
Mr M Stang and Mr B Stang are Directors and shareholders of Regional Healthcare Group Pty Ltd.		

Stangcorp Pty Ltd	2015	2014
	$	$
The Company and its controlled entities paid for services provided by Stangcorp Pty Ltd.		
Electricity	375	879
Repairs and Maintenance	-	1,118
Interest on loans	-	13,615
Loan borrowings from Stangcorp Pty Ltd.	-	400,000
Loan repaid to Stangcorp Pty Ltd.	-	650,000
Mr M Stang and Mr B Stang are Directors and shareholders of Stangcorp Pty Ltd.		

Steven Kritzler	2015	2014
	$	$
The Company and its controlled entities provided for interest on loans from Steven Kritzler		
Interest on loans	-	5,592
Loan repaid to Steven Kritzler	-	450,000

Mr S Kritzler is a Non-Executive Director of the Company.

Novapharm Research (Australia) Pty Ltd	2015	2014
	$	$
The Company and its controlled entities paid for services provided by Novapharm Research (Australia) Pty Ltd.		
Research and Development	155,379	111,815
Patent and other expenses	130,584	41,644

Messrs M Stang, S Kritzler and B Stang are Directors and shareholders of Novapharm Research (Australia) Pty Ltd.

Ramlist Pty Ltd	2015	2014
	$	$
The Company and its controlled entities paid rent and utility outgoings to Ramlist Pty Ltd.	5,622	10,426
Mr M Stang and Mr B Stang are Directors and shareholders of Ramlist Pty Ltd.		

Loans from Directors (contributed equally by M Stang, B Stang and S Kritzler)	2015	2014
	$	$
Interest on loans	153,578	54,450
Loan borrowings	715,000	2,050,000
Loan repaid	250,000	-
Messrs M Stang, S Kritzler and B Stang are Non-Executive Directors and shareholders of the Company.		

Outstanding balances payable from purchases of services	2015	2014
	$	$
Regional Healthcare Group Pty Ltd	21,444	8,892
Novapharm Research (Australia) Pty Ltd	3,319	81,633
Stangcorp Pty Ltd	-	259
Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.		
Outstanding loan balances		
Directors' loans	2,515,000	2,050,000
Interest is charged on these loans at 5.95% per annum (ATO benchmark rates)		

Details of Directors' and executive officers' remuneration for the year ended 30 June 2015

	Short term benefits			Post employment benefits	Other long term benefits	Equity based benefits		Total	Performance related
	Salary and Directors' Fees	STI Cash bonus	Non-monetary benefits	Superannuation		Shares	Options (Note (ii))		
-	$	$	$	$	$	$	$	$	%
Consolidated									
Non-Executive Directors									
Maurie Stang	-	-	-	-	-	-	-	-	0.0%
Bernard Stang	-	-	-	-	-	-	-	-	0.0%
Steven Kritzler	-	-	-	-	-	-	-	-	0.0%
David Fisher (Resigned 31 July 2014)	-	-	-	-	-	25,060	-	25,060	0.0%
Total Non-Executive Directors	-	-	-	-	-	25,060	-	25,060	
Executive Directors	-	-	-	-	-	-	-	-	0.0%
Total Directors	**-**	**-**	**-**	**-**	**-**	**25,060**	**-**	**25,060**	
Executives									
(Note (i))									
Peter Bush	-	-	-	-	-	-	617	617	0.0%
Robert Waring	75,382	-	-	-	-	-	-	75,382	0.0%
Total	**75,382**	**-**	**-**	**-**	**-**	**25,060**	**617**	**101,059**	

Details of Directors' and executive officers' remuneration for the year ended 30 June 2014

	Short term benefits			Post employment benefits	Other long term benefits	Equity based benefits		Total	Performance related
	Salary and Directors' Fees	STI Cash bonus	Non-monetary benefits	Superannuation		Shares	Options (Note (ii))		
	$	$	$	$	$	$	$	$	%
Consolidated									
Non-Executive Directors									
Maurie Stang	-	-	-	-	-	-	-	-	0.0%
Bernard Stang	-	-	-	-	-	-	-	-	0.0%
Steven Kritzler	-	-	-	-	-	-	-	-	0.0%
David Fisher (Resigned 31 July 2014)	-	-	-	-	-	-	1,940	1,940	0.0%
Total Non-Executive Directors	-	-	-	-	-	-	1,940	1,940	
Executive Directors	-	-	-	-	-	-	-	-	0.0%
Total Directors	**-**	**-**	**-**	**-**	**-**	**-**	**1,940**	**1,940**	
Executives									
(Note (i))									
Peter Bush	-	-	-	-	-	-	-	-	0.0%
Robert Waring	36,819	-	-	-	-	-	-	36,819	0.0%
Total	**36,819**	**-**	**-**	**-**	**-**	**-**	**1,940**	**38,759**	

Notes to the tables of details of Directors' and executive officers' remuneration

(i) "Executive Officers" are officers who are or were involved in, concerned in, or who take part in, the management of the affairs of Aeris and/or related bodies corporate.

(ii) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account in both the current and prior periods. Comparative information was not restated as market conditions were already included in the valuation.

The following factors and assumptions were used in determining the fair value of options on grant date.

Grant Date	Expiry Date	Fair value at Grant Date	Exercise price	Price of shares on Grant Date	Estimated volatility	Risk free interest rate
30-Jun-09	29-Jun-14	$0.0473	$0.20	$0.16	36.4%	3.25%
17-Nov-11	17-Nov-16	$0.0745	$0.19	$0.21	20.5%	5.00%
17-Nov-11	17-Nov-16	$0.0869	$0.17	$0.21	20.5%	5.00%
08-Jan-15	31-Jul-16	$0.0031	$0.31	$0.28	5.7%	3.00%

EMPLOYMENT CONTRACTS

There are no other contracts to which a Director is a party, or under which a Director is entitled to a benefit other than as disclosed above and in note 27 to the financial statements.

SHARE OPTIONS

750,000 options to take up ordinary shares in Aeris Environmental Ltd, issued to key management personnel, remained unexercised at 30 June 2015 (2014: 250,000 options).

Following options were issued to key management personnel during the year ended 30 June 2015:

	2015	2014
Peter Bush (Alternate Director and Chief Executive Officer)	500,000	-

Following number of options issued to key management personnel expired or were forfeited during the year:

	2015	2014
Robert Waring (Company Secretary)	-	27,500

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company, or any related body corporate or in the interest of any other registered scheme.

Signed in accordance with a resolution of the Directors made pursuant to s. 298(2) of the Corporations Act 2001.

On behalf of the Directors

M.

M. STANG
Director

Sydney, 28 September 2015

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhn.com.au
www.uhyhnsydney.com.au

Auditor's Independence Declaration

To the Directors of Aeris Environmental Ltd

In accordance with the requirements of Section 307C of the Corporations Act 2001, as lead auditor for the audit of Aeris Environmental Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

UHY Haines Norton

M. D. Nicholaeff
Partner – Audit

UHY Haines Norton
Chartered Accountants

Sydney
28 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

Continuing Operations	Note	2015	2014
		$	$
Revenue	4	800,886	487,121
Cost of sales		(239,884)	(157,711)
Gross profit		**561,002**	**329,410**
Other revenue	4	73,503	37,671
Administration expenses		(557,601)	(367,253)
Depreciation and amortisation expense	5	(7,809)	(4,821)
Distribution expense		(58,716)	(48,974)
Employee benefits expense	5	(883,937)	(446,845)
Financial expenses	5	(164,866)	(93,721)
Impairment expense	5	(13,621)	-
Product registration, patents, trade marks and R&D expenditure		(380,001)	(345,502)
Occupancy expenses		(153,016)	(89,472)
Provision for doubtful debt expense		(12,382)	(1,181)
Sales, marketing and travel expenses		(440,697)	(93,371)
Loss before income tax from continuing operations		**(2,038,141)**	**(1,124,061)**
Income tax benefit	6	21,229	56,168
Net loss for the period		**(2,016,912)**	**(1,067,893)**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(20,298)	(822)
Total comprehensive loss for the period, net of tax		**(2,037,211)**	**(1,068,715)**
Loss for the period attributable to:			
Owners of Aeris Environmental Ltd		**(2,016,912)**	**(1,067,893)**
Total comprehensive loss for the period attributable to:			
Owners of Aeris Environmental Ltd		**(2,037,211)**	**(1,068,715)**
Earnings per share	7		
Basic loss per share (cents per share)			
Loss from continuing operations		(1.55)	(0.91)
		(1.55)	**(0.91)**
Diluted loss per share (cents per share)			
Loss from continuing operations		(1.55)	(0.89)
		(1.55)	**(0.89)**

The above consolidated statement of profit or loss and other comprehsive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015	2014
		$	$
Current Assets			
Cash and cash equivalents	9A	3,855,574	161,937
Financial Assets	9B	4,800,000	-
Trade and other receivables	10	143,467	162,377
Inventories	11	46,763	21,894
Other current assets	12	64,751	40,105
Total current assets		**8,910,555**	**386,313**
Non-current assets			
Intangible assets	13	30,957	-
Property, plant and equipment	13	26,314	5,687
Total non-current assets		**57,271**	**5,687**
Total assets		**8,967,826**	**392,001**
Current liabilities			
Trade and other payables	14	393,546	291,803
Provisions	14	49,541	25,855
Interest bearing liabilities	15	2,515,000	100,000
Total current liabilities		**2,908,087**	**417,658**
Non-current liabilities			
Provisions	16	22,876	28,222
Interest bearing liabilities	17	-	2,050,000
Total non-current liabilities		**22,876**	**2,078,222**
Total liabilities		**2,930,963**	**2,495,880**
Net assets		**6,036,863**	**(2,103,879)**
Equity			
Contributed equity	18	38,600,112	28,467,508
Reserves	20	1,186,580	1,161,531
Accumulated losses	21	(33,749,830)	(31,732,918)
Total equity		**6,036,863**	**(2,103,879)**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Equity	Reserves	Accumulated Losses	Total attributable to equity holders of the entity
	$	$	$	$
Balance at 1 July 2013	28,467,508	1,156,978	(30,665,025)	(1,040,539)
Loss for the year	-	-	(1,067,893)	(1,067,893)
Other comprehensive income / (loss)	-	(822)	-	(822)
Total comprehensive loss for the year	**-**	**(822)**	**(1,067,893)**	**(1,068,715)**
Transactions with owners in their capacity as owners:			-	
Value of employee services under ESOP	-	5,375	-	5,375
Balance at 30 June 2014	**28,467,508**	**1,161,531**	**(31,732,918)**	**(2,103,878)**
Loss for the year	-	-	(2,016,912)	(2,016,912)
Other comprehensive income / (loss)	-	(20,298)	-	(20,298)
Total comprehensive loss for the year	**-**	**(20,298)**	**(2,016,912)**	**(2,037,211)**
Transactions with owners in their capacity as owners:				
Shares issued during the year	10,213,004	-	-	10,213,004
Share issue cost	(80,400)	-	-	(80,400)
Value of employee services under ESOP	-	769	-	769
Shares issued as consideration for business combinations	-	44,578	-	44,578
Balance at 30 June 2015	**38,600,112**	**1,186,580**	**(33,749,830)**	**6,036,862**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		$	$
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		819,796	423,147
Payments to suppliers and employees (inclusive of GST)		(2,673,680)	(1,796,224)
R&D tax offset rebate received		21,229	56,168
Interest and other income received		73,503	2,377
Interest paid		(171,022)	(84,902)
Export Market Development Grant		-	35,294
Net cash used in operating activities	**34 (b)**	**(1,930,174)**	**(1,364,140)**
Cash flows from investing activities			
Investment in Term Deposits		(4,800,000)	-
Sales / (purchase) of property, plant and equipment		(28,435)	(3,754)
Net cash used in investing activities		**(4,828,435)**	**(3,754)**
Cash flows from financing activities			
Proceeds from share issues		10,087,944	-
Share issue costs		(80,400)	-
Loans repaid		(250,000)	-
Loans borrowed		715,000	1,350,000
Net cash provided by financing activities		10,472,544	1,350,000
Net (decrease) / increase in cash and cash equivalents		3,713,934	(17,894)
Cash and cash equivalents at the beginning of the financial year		161,937	180,653
Effects of exchange rate changes on cash and cash equivalents		(20,297)	(823)
Cash and cash equivalents at the end of the financial year		**3,855,574**	**161,937**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The Financial Report of Aeris Environmental Ltd (the Company) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 24 September 2015.

Aeris Environmental Ltd (the parent) is a company limited by shares incorporated in Australia whose shares are publicly listed on the Australian Stock Exchange (ASX code: AEI).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Basis of Preparation

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

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

Going Concern

The Group has incurred an operating loss of $2,016,912 for the year ended 30 June 2015 and has a net asset balance of $6,036,863 as at 30 June 2015. A liability for loans from related parties of $2,515,000 is reflected in the overall net asset balance of $6,036,863. The cash balance and other financial assets (term deposits) as at 30 June 2015 aggregated to $8,655,574.

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

Statement of Compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Amendments to Australian Accounting Standards – AASB 2014 -1 (Part A – C)

The group has applied Part A –C of AASB 2014-1 from 1 July 2014. Among other improvements, the amendments arising from the Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles:

- Clarifies the definition of vesting condition by separately defining a performance condition and amends the definition of market condition.

- Clarifies that contingent consideration in business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9.
- Extends the definition of 'related party' to include a management entity that provides KMP services to the entity of its parent and requires disclosure of the fees paid to the management entity.
- Clarifies that on revaluation restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset.

The adoption of these amendments has not had a material impact on the Group's accounting policies or any of the disclosures as they merely clarify the existing requirements.

Investment Entities – Amendments to AASB 10, AASB 12 and AASB 127
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under AASB 10 consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under AASB 10.

Remove Individual Key Management Personnel Disclosure Requirements – Amendments to AASB 124
This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. This amendment has resulted in reduced disclosures in the Group's financial statements.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136
The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments have no significant impact on the Group's financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting, and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to AASB 139
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated any of its derivatives during the current or prior periods.

AASB Interpretation 21 Levies
AASB Interpretation 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for AASB Interpretation 21. This interpretation has no impact on the Group as it has applied the recognition principles under AASB 137 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of AASB Interpretation 21 in prior years.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events are reported.

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report and have been consistently applied unless otherwise stated.

i. Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

ii. Borrowing Costs

Borrowing costs include interest or finance charges in respect of finance leases. Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs. Borrowing costs are expensed as incurred.

iii. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, investments in money market instruments and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts.

iv. Comparative Amounts

Where necessary, comparative amounts have been changed to reflect changes in disclosures in the current year.

v. Depreciation

All assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, taking into account residual values. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. Depreciation and amortisation are expensed.

Depreciation and amortisation are calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life.

The following estimated useful lives are used in the calculation of depreciation.

Computer equipment	2-3 years
Computer software	3 years
Field equipment	2-3 years
Office furniture	5 years
Plant and equipment	2-3 years
Leasehold improvements	6 years
Field equipment under finance lease	2-3 years
Vehicles under finance lease	4 years

vi. Earnings per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

vii. Employee Benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-Based Payment
Share-based compensation benefits are provided to employees via the Aeris Environmental Ltd Employee Option Plan. Information relating to these schemes is set out in Note 26.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

viii. Financial Assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis, or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

ix. Financial Instruments Issued by the Company

Debt and Equity Instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement.

Interest
Interest is classified as an expense consistent with the balance sheet classification of the related debt or equity instruments.

x. Financial Liabilities

The Group classifies its financial liabilities as measured at amortised cost. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk.

These financial liabilities include the following items:
Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Lease liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and subsequently carried at amortised cost using the effective interest method.

xi. Foreign Currency

Foreign currency transactions
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in statement of profit or loss and other comprehensive income in the period in which they arise.

Group companies
The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in the foreign currency translation reserve. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale where applicable.

xii. Functional and Presentation Currency

The functional and presentation currency of Aeris Environmental Ltd and its Australian subsidiaries is Australian dollars (A$). Overseas subsidiaries use the currency of the primary economic environment in which the entity operates, which is translated to the presentation currency upon consolidation.

xiii. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

xiv. Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

xv. Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation
The Company and all its wholly-owned Australian resident entities have entered into a tax consolidated group under Australian taxation law.

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 23. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

xvi. Inventories

Inventories and raw materials are carried at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

xvii. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement, and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

xviii. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Environmental Ltd ('Company' or 'parent entity') as at 30 June 2015, and the results of all subsidiaries for the year then ended. Aeris Environmental Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent. Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets, including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Subsidiaries are accounted for at cost in the separate financial statements of Aeris Environmental Ltd less any impairment charges.

xix. Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

xx. Research and Development

Research and development expenditure is expensed as incurred except to the extent that development expenditure recoverability is assured beyond reasonable doubt, in which case it is capitalised. Deferred development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised once commercial production has commenced.

xxi. Recoverable Amount of Non-Current Assets

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value.

xxii. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and disposal of assets
Revenue from the sale of goods and disposal of assets is recognised when the consolidated entity has passed the risks and rewards of the goods or assets to the buyer.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Interest income
Interest income is recognised as it is accrued using the effective interest rate method.

Other income
Other income is recognised as it is earned.

xxiii. Share Capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. Any transaction costs associated with the issuing of shares are deducted from share capital. The Group is not subject to any externally imposed capital requirements.

xxiv. Borrowings and Convertible Notes

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method if the impact is material to the Financial Report.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

xxv. Trade and Other Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade accounts payable are normally settled within 30 days.

xxvi. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and are generally due for settlement within 30 days.

The collectibility of debts is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement as financial expenses.

xxvii. Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

xxviii. Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

New Accounting Standards

Certain new accounting standards and interpretations have been published, relevant to the Group, that are not mandatory for 30 June 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Effective for annual reporting periods beginning on or after	Standard / Interpretation	Expected to be initially applied in the financial year ending	Impact on group
01-January-2018	AASB 9 'Financial Instruments', and the relevant amending standards	30-June-2019	No material impact
01-January-2017	AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15	30-June-2018	No material impact
01-January-2016	AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	30-June-2017	No material impact
01-January-2016	AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	30-June-2017	No material impact
01-January-2016	AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants	30-June-2017	No material impact
01-January-2016	AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	30-June-2017	No material impact
01-January-2016	AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	30-June-2017	No material impact
01-January-2016	AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	30-June-2017	No material impact
01-January-2016	AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	30-June-2017	No material impact
01-July-2015	AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	30-June-2016	No material impact
01-July-2015	AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	30-June-2016	No material impact
01-January-2016	AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	30-June-2017	No material impact

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, credit risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

a. Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk predominantly arising from currency exposures to the US dollar on its loans to its overseas subsidiaries. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the Board. The Group has not entered into any foreign currency hedging contracts during the year.

b. Credit Risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. There is negligible credit risk on financial assets of the Group since there is limited exposure to individual customers and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet.

c. Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group has a significant interest-bearing liability of $2,515,000, which is the loan from Directors. Interest is charged on this loan at 5.95% (ATO benchmark rates).

d. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to enable the Company to operate as a going concern. The Board monitors liquidity on a monthly basis and management monitors liquidity on a daily basis.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

The following critical estimates and judgments have been made in respect of the following items :

a. Impairment of Non-Financial Assets Other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

b. Recovery of Deferred Tax Assets

Deferred tax assets are not recognised for deductible temporary differences until management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

c. Share-Based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes model, with the assumptions detailed in Note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

d. Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs, such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. REVENUE

Revenue	2015	2014
	$	$
Sales revenue	800,886	487,121
	800,886	**487,121**
Other revenue		
Interest - other entities	68,253	2,058
Export Market Development Grant	-	35,294
Miscellaneous	5,250	319
	73,503	**37,671**

5. EXPENSES

Loss before income tax includes the following items of expense:

	2015	2014
	$	$
Depreciation and amortisation expense		
Amortisation of leasehold plant and equipment	-	260
Depreciation of plant and equipment	7,809	4,561
Total depreciation and amortisation expense	**7,809**	**4,821**
Employment expenses		
Base salary and fees	742,674	350,970
Superannuation and Statutory Oncosts	130,294	59,078
Share based payment expense (Note 26(a))	770	5,375
Transfers from employee entitlements provisions	1,851	4,255
Other employee expenses	8,348	27,167
Total employment expense	**883,937**	**446,845**
Financial expenses		
Interest paid	164,866	93,721
Total Financial Expenses	**164,866**	**93,721**
Other expenses		
Doubtful debts expense	12,382	1,181
Impairment expense	13,621	-
Rental and occupancy expenses	153,016	89,472
Research and development expenditure	380,001	345,502

6. INCOME TAX

(a) Income Tax Benefit

The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

	2015	2014
Loss for the year	(2,038,141)	(1,124,061)
Income tax benefit calculated at 30%	(611,442)	(337,218)
Temporary differences and tax losses not recognised	611,211	335,606
Other permanent differences		
- Non deductible expenses		
- Share based payments	231	1,613
R&D tax offset rebate received	(21,229)	(56,168)
Income tax benefit attributable to loss	**(21,229)**	**(56,168)**

(b) Adjusted Franking Account Balance

	2015	2014
	$	$
Adjusted Franking Account Balance	-	-

(c) Deferred Tax Balances not Recognised

Calculated at 30%, not brought to account as assets:

	2015	2014
	$	$
Deferred tax liabilities	7,529	-
Deferred tax assets		
Tax losses		
Revenue tax losses available for offset against future tax income	5,684,334	5,256,665
Temporary differences	150,006	107,749
Total deferred tax assets	**5,834,340**	**5,364,414**
Net deferred tax asset not recognised	**5,826,810**	**5,364,414**

(d) Tax Consolidation

(i) Relevance of tax consolidation to the consolidated entity

Legislation to allow groups comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes ('the tax consolidation system') was substantively enacted on 21 October 2002. The Company, its wholly-owned Australian resident entities and its sister entities within Australia are eligible to consolidate for tax purposes under this legislation and have elected to implement the tax consolidation system from 1 July 2005.

(ii) Method of measurement of tax amounts

The tax consolidated group has adopted the "stand-alone" method of measuring current and deferred tax amounts applicable to each company.

(iii) Tax sharing agreements

There are no tax sharing or funding agreements in place.

(iv) Tax consolidation contributions

There were no amounts recognised for the period as tax consolidation contributions by (or distributions to) equity participants of the tax consolidated group.

7. LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY-HOLDERS OF THE COMPANY

	2015	2014
	$	$
Basic loss per share (cents per share)	**(1.55)**	**(0.91)**
Diluted loss per share (cents per share)	**(1.55)**	**(0.89)**
Net Profit / (Loss) - used to calculate basic EPS	(2,016,912)	(1,067,893)
Interest of convertible loans portion	-	10,000
Net Profit / (Loss) - used to calculate diluted EPS	(2,016,912)	(1,057,893)
Weighted average number of ordinary shares used to calculate basic EPS	130,365,853	117,746,704
Convertible share options	32,973	-
Convertible loans	-	500,000
Weighted average number of ordinary shares used to calculate diluted EPS	130,398,826	118,246,704

8. AUDITOR'S REMUNERATION

Remuneration of UHY Haines Norton for :	2015	2014
	$	$
Audit of the Annual Financial Report	20,100	19,500
Review of the half yearly financial report	9,000	8,500
Other services	4,650	4,000
Total Auditor's remuneration	**33,750**	**32,000**

9. CASH AND OTHER FINANCIAL ASSETS

(a) Cash and cash equivalents	2015	2014
Cash at bank and on hand	199,409	156,255
Term Deposits (with maturity of less than 3 months from the acquisition date)	3,650,000	-
Deposits on call	6,165	5,682
Total cash and cash equivalents	**3,855,574**	**161,937**

(b) Financial assets	2015	2014
Term Deposits (with maturity of more than 3 months from the acquisition date)	4,800,000	-

The carrying amounts of the Group's cash are a reasonable approximation of their fair values.

10. CURRENT TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables	422,540	436,081
Less provision for doubtful debts	(278,668)	(273,299)
Less provision for unrealised foreign exchange gain or loss	(405)	(405)
	143,467	**162,377**
The carrying amounts of the Group's current trade and other receivables are a reasonable approximation of their fair values.		
Impairment of receivables		
Impairment loss recognised in Statement of Profit or Loss and other Comprehensive Income	-	-
Ageing of impaired receivables are as follows:		
Less than 6 months overdue	-	-
More than 6 months overdue	278,668	273,299
Movements in provision for impairment of receivables		
Opening balance	273,299	271,946
Foreign exchange difference	5,369	1,353
Closing balance	**278,668**	**273,299**
There are no past due receivable balances for which provision for impairment has not been recognised.		

11. INVENTORIES

	2015	2014
Finished goods - at cost	46,763	21,894
	46,763	**21,894**
The carrying amounts of the Group's inventories are a reasonable approximation of their fair values.		

12. OTHER CURRENT ASSETS

	2015	2014
Prepayments	31,967	32,573
Accrued income	25,098	-
Deposits and bonds	7,686	7,532
	64,751	**40,105**
The carrying amounts of the Group's other current assets are a reasonable approximation of their fair values.		

13. NON-CURRENT ASSETS

Carrying values

2015	Cost	Accumulated depreciation	Net carrying value
	$	$	$
Property, plant and equipment			
R & D equipment	25,011	(22,004)	3,007
Computer equipment	127,935	(114,317)	13,617
Field equipment	58,747	(58,747)	-
Leasehold improvements	92,310	(92,310)	-
Office furniture	76,581	(66,891)	9,690
Plant and equipment	81,054	(81,054)	-
	461,638	**(435,323)**	**26,314**
Intangible Assets			
Goodwill	44,578	(13,621)	30,957
Total non-current assets	**506,216**	**(448,945)**	**57,271**

2014			
R & D equipment	23,611	(20,178)	3,433
Computer equipment	111,840	(110,624)	1,216
Field equipment	58,747	(58,747)	-
Leasehold improvements	92,310	(92,310)	-
Office furniture	65,640	(64,602)	1,038
Plant and equipment	81,054	(81,054)	-
	433,202	**(427,515)**	**5,687**

Reconciliations	Opening net carrying value	Additions	Disposals	Depreciation/ Impairment	Exchange movements	Closing net carrying value
	$	$	$	$	$	$
2015						
R & D equipment	3,433	1,400	-	(1,827)	-	3,007
Computer equipment	1,216	16,094	-	(3,693)	-	13,617
Leasehold improvements	-	-	-	-	-	-
Office furniture	1,038	10,941	-	(2,289)	-	9,690
Goodwill	-	44,578	-	(13,621)	-	30,957
	5,687	**73,014**	**-**	**(21,430)**	**-**	**57,271**
2014						
R & D equipment	3,448	3,000	-	(3,015)	-	3,433
Computer equipment	1,726	754	-	(1,263)	-	1,216
Leasehold improvements	260	-	-	(260)	-	-
Office furniture	1,321	-	-	(283)	-	1,038
	6,755	**3,754**	**-**	**(4,821)**	**-**	**5,687**

14. CURRENT TRADE AND OTHER PAYABLES AND PROVISIONS

Unsecured trade and other payables	2015	2014
	$	$
Trade payables	161,522	151,624
Other payables and accruals	168,252	140,365
GST creditors	13,772	(186)
	343,546	**291,803**
Provisions		
Leave entitlements	49,541	25,855
	49,541	**25,855**

The carrying amounts of the Group's current trade and other payables and provisions are a reasonable approximation of their fair values.

15. CURRENT INTEREST BEARING PAYABLES

	2015	2014
	$	$
Unsecured loans (payable on demand)	-	100,000
Unsecured loans from Directors and related entities	2,515,000	-
	2,515,000	**100,000**

The carrying amounts of the Group's current interest bearing payables are a reasonable approximation of their fair values.
Interest on loans from Directors and related entities is charged at 5.95% per annum (ATO benchmark rates).
Interest on other unsecured loans is charged at 10% per annum.

16. NON-CURRENT PROVISIONS

	2015	2014
	$	$
Leave entitlements	22,876	28,222
	22,876	**28,222**

The carrying amounts of the Group's non-current provisions are a reasonable approximation of their fair values.

17. NON-CURRENT INTEREST BEARING PAYABLES

	2015	2014
	$	$
Unsecured loans from Directors and related entities	-	2,050,000
	-	**2,050,000**

The carrying amounts of the Group's non-current interest bearing payables are a reasonable approximation of their fair values.
There are no fixed repayment schedules for these loans.
Interest is charged on these loans at 5.95% per annum (ATO benchmark rates).

18. CONTRIBUTED EQUITY

Share capital	2015	2014
	$	**$**
151,428,722 fully paid ordinary shares - no par value	38,495,236	28,362,632
(2014: 117,746,704)		
Other contributed equity		
Consideration for issue of share options	104,876	104,876
	38,600,112	**28,467,508**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movement in ordinary share capital of Aeris Environmental Ltd	2015	2015	2014	2014
	Number of shares	**$**	**Number of shares**	**$**
Balance at beginning of year	117,746,704	28,362,632	117,746,704	28,362,632
Shares issued during year				
Share placement	32,792,018	10,025,444	-	-
Other share issues	890,000	187,560	-	-
	151,428,722	38,575,636	117,746,704	28,362,632
Transaction costs relating to share issues	-	(80,400)	-	-
Balance at end of year	**151,428,722**	**38,495,236**	**117,746,704**	**28,362,632**

For the purposes of these disclosures, the Group considers its capital to comprise its ordinary share capital and accumulated retained earnings. Neither the share-based payments reserve nor the translation reserve is considered as capital.

Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

19. OPTIONS

	Grant Date	Expiry Date	Exercise Price	Number on issue 30 June 2014	Granted during year	Lapsed during year	Exercised during year	Number on issue 30 June 2015
2015 Unlisted								
*	07-Mar-11	09-Jan-16	0.25	275,000	-	-	(125,000)	150,000
	31-Mar-11	17-Mar-16	0.15	50,000	-	-	-	50,000
*	17-Nov-11	17-Nov-16	0.17	250,000	-	-	-	250,000
	26-Jul-12	23-Feb-17	0.22	20,000	-	-	-	20,000
**	31-Jul-14	31-Jul-19	0.20	-	500,000	-	-	500,000
*	08-Jan-15	31-Jul-16	0.31	-	500,000	-	-	500,000
Total options on issue				**595,000**	**1,000,000**	**-**	**(125,000)**	**1,470,000**

	Grant Date	Expiry Date	Exercise Price	Number on issue 30 June 2013	Granted during year	Lapsed during year	Exercised during year	Number on issue 30 June 2014
2014 Unlisted								
*	30-Jun-09	29-Jun-14	0.20	410,000	-	(410,000)	-	-
*	07-Mar-11	09-Jan-16	0.25	275,000	-	-	-	275,000
	31-Mar-11	17-Mar-16	0.15	50,000	-	-	-	50,000
*	17-Nov-11	17-Nov-16	0.17	250,000	-	-	-	250,000
	26-Jul-12	23-Feb-17	0.22	20,000	-	-	-	20,000
Total options on issue				**1,005,000**	**-**	**(410,000)**	**-**	**595,000**

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate unless the options are exercised prior to the new share issue entitlement date.

* These options expire on the earlier of their expiry date or the date of termination of the employee's employment, or, in the case of voluntary termination, 90 days after voluntary termination of the employee's employment.

** Share options issued as consideration for business combinations.

20. RESERVES

	2015	2014
	$	$
Foreign currency translation reserve	(75,756)	(55,458)
Share based payments reserve	1,262,336	1,216,988
	1,186,580	**1,161,530**

Foreign currency translation reserve

Balance at beginning of financial year	(55,458)	(54,636)
Exchange rate fluctuation during year	(20,298)	(822)
Balance at end of financial year	**(75,756)**	**(55,458)**

Nature and purpose of reserve

The foreign currency translation reserve records the impact of the movement of the exchange rate as it relates to the Company's investment in overseas subsidiaries.

Share based payments reserve

Balance at beginning of financial year	1,216,988	1,211,613
Share based payments during the year allocated to:		
Employees and consultant	770	3,436
Directors	-	1,940
Business Combinations	44,578	-
Balance at end of financial year	**1,262,336**	**1,216,988**

Nature and purpose of reserve

The share based payments reserve records the value of options issued to employees, consultants and Directors, as part of the remuneration for their services.

21. ACCUMULATED LOSSES

	2015	2014
	$	$
Balance at beginning of financial year	(31,732,918)	(30,665,025)
Net loss for year	(2,016,912)	(1,067,893)
Balance at end of financial year	**(33,749,830)**	**(31,732,918)**

22. NON-CONTROLLING INTERESTS

There are NIL non-controlling interests as at 30 June 2015 (2014: NIL)

23. PARTICULARS RELATING TO CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2015	Ownership interest 2014
		%	%
Controlled entities			
Aeris Pty Ltd	Australia	100	100
Aeris Biological Systems Pty Ltd	Australia	100	100
Aeris Hygiene Services Pty Ltd	Australia	100	100
Aeris Environmental LLC	USA	100	100

24. COMMITMENTS FOR EXPENDITURE

(a) Capital expenditure commitments	2015	2014
	$	$
There are no capital expenditure commitments at the end of the financial year.	-	-

(b) Lease commitments	2015	2014
	$	$
Operating leases	-	-
There are no contingent liabilities on operating leases that relate to office facilities. The Company is paying rent for its office facilities on a monthly basis as no formal lease contract has been signed.	-	-
	-	-

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) The Directors of Aeris Environmental Ltd during the year were:

- Maurie Stang
- David Fisher (Resigned 31 July 2014)
- Bernard Stang
- Steven Kritzler
- Peter Bush (Alternate Director and Chief Executive Officer)

(b) Other Key Management Personnel

- Robert Waring (Company Secretary)

(c) Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	2015	2014
	$	$
Short-term employee benefits	75,382	36,819
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	617	1,940
	75,999	**38,759**

Further, disclosures relating to key management personnel are set out in remuneration report in the Directors' Report.

26. SHARE-BASED PAYMENTS

(a) Recognised Share-Based Payment Expenses

The expense recognised for employee services received during the year is shown in the table below:

	2015	2014
	$	$
Employee Share Incentive Plan		
Employees and consultant	770	3,436
Directors	-	1,940
Business Combinations	44,578	-
Total amount arising from share-based payment transactions	**45,348**	**5,375**

(b) Details of Share-Based Payment Plan

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2014 and 2015.

Employee Share Incentive Plan

The Employee Share Incentive Plan was approved at the Annual General Meeting held on 25 November 2004. Under the Employee Share Incentive Plan, Directors, employees and consultants are granted options to acquire shares in the Company.

The terms of the options issued under the Employee Share Incentive Plan provide for the following conditions :

i. Vesting
 33.33% vest on the first anniversary of grant of options
 33.33% vest on the second anniversary of grant of options
 33.34% vest on the third anniversary of grant of options

ii. The contractual life of the options issued is 5 years.

iii. The exercise price determined in accordance with the Rules of the Plan is based on the weighted average price of the Company's shares for the 20 trading days prior to the offer.

iv. Each option is convertible to one ordinary share.

v. All options expire on the earlier of their expiry date or 90 days after voluntary termination of the participant's employment.

vi. There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the ordinary shares which will be issued when the options have been exercised.

vii. The options issued are on an equity settled basis. There are no cash settlement alternatives.

Fair Value of Options Issued

The fair value of the options granted under the plan is estimated using the Black & Scholes valuation methodology taking into account the terms and conditions under which the options are granted.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2015 is 2.10 years (2014: 1.94 years).

The range of exercise prices for options outstanding at the end of the year was $0.15 to $0.31.

The following table shows the inputs to the Black & Scholes model in respect of options granted during 2015 financial year (2014: NIL).

		Options Issued
	For Business Combinations	To Key Management Personnel
Value of Underlying Stock	0.105	0.282
Exercise Price	0.200	0.310
Dividend Yield	0.00%	0.00%
Volatility (per Year)	139.46%	5.70%
Risk free rate	3.00%	3.00%
Maturity	31/07/19	31/07/16
Pricing Date	31/07/14	8/01/15
Value of Option	0.0892	0.0031

27. RELATED PARTY DISCLOSURES

(a) Parent Entity

Aeris Environmental Ltd is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report in the Directors' Report.

(d) Transactions with Directors and Director-Related Entities

Disclosures relating to transactions with Directors and Director-related entities are set out in the remuneration report in the Directors' Report.

28. FINANCIAL INSTRUMENTS DISCLOSURES

(a) Capital

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

(b) Financial Instrument Risk Exposure and Management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(c) Principal Financial Instruments

The principal financial instruments used by the Group, from which financial instrument risks arise, are as follows:

- cash at bank;
- other receivables;
- deposits and bonds;
- trade and other payables;
- lease liabilities; and
- convertible notes

(d) General Objectives, Policies and Processes

The Board has overall responsibility for the determination of the Group's risk management objectives, and policies, and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Credit risk

Credit risk arises principally from the Group's trade receivables, cash and term deposits. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

The maximum exposure to credit risk at balance sheet date is as follows :

	2015	2014
	$	$
Without external credit rating		
Trade receivables	422,540	436,081
Deposits and bonds	7,686	7,532
With external credit rating (Moody's)		
Deposits with Bankwest (credit rating A2)	8,451,471	920
Deposits with Wells Fargo, USA (credit rating Aa1)	7,139	7,416
Deposits with ANZ Bank (credit rating Aa2)	196,964	153,600
	9,085,800	**605,550**

(ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The Group has a financing facility in place and does not have a bank overdraft.

Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g., trade receivables and inventories). These assets are considered in the Group's overall liquidity risk.

(ii) Liquidity risk (continued)

Maturity analysis of financial assets and liability based on management's expectations

	Cash flows	< 6 mths	6-12 mths	1-3 years	> 3 years
	$	$	$	$	$
Maturity analysis - 2015					
Financial assets					
Cash and cash equivalents	3,886,543	3,883,658	2,885	-	-
Term deposits	4,848,132	4,848,132	-	-	-
Other receivables	143,467	143,467	-	-	-
Security deposits	7,686	-	-	-	7,686
Total	**8,885,828**	**8,875,257**	**2,885**	**-**	**7,686**
Financial liabilities					
Trade Creditors	161,522	161,522	-	-	-
Other payables and accruals	231,566	231,566	-	-	-
Loans*	2,589,821	1,089,821	-	-	1,500,000
Total	**2,982,909**	**1,482,909**	**-**	**-**	**1,500,000**
Net maturity	**5,902,919**	**7,392,348**	**2,885**	**-**	**(1,492,314)**

*Out of the total loans, $1,500,000 is expected to be repaid in shares. Due to the improved cash position, the Company expects to repay the loans within 1 year from the balance date.

	Cash flows	< 6 mths	6-12 mths	1-3 years	> 3 years
Maturity analysis - 2014					
Financial assets					
Cash and cash equivalents	165,986	163,961	2,024	-	-
Other receivables	162,377	162,377	-	-	-
Security deposits	7,532	-	-	-	7,532
Total	**335,895**	**326,339**	**2,024**	**-**	**7,532**
Financial liabilities					
Trade Creditors	151,624	151,624	-	-	-
Other payables and accruals	166,034	166,034	-	-	-
Interest bearing liabilities	2,415,925	60,988	60,988	243,950	2,050,000
Loans	110,000	10,000	100,000	-	-
Total	**2,843,583**	**388,645**	**160,988**	**243,950**	**2,050,000**
Net Maturity	**(2,507,688)**	**(62,306)**	**(158,964)**	**(243,950)**	**(2,042,468)**

(iii) Market risk

(a) Interest rate risk

The Group's exposure to fluctuations in interest rates that are inherent in financial markets arise predominantly from assets and liabilities bearing variable interest rates.

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below :

	Note	Weighted average interest rates	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
2015						
Financial assets						
Cash and cash equivalents	9	2.50%	6,165	-	199,409	205,574
Term deposits	9	2.90%	-	8,450,000	-	8,450,000
Receivables	10	0.00%	-	-	143,467	143,467
Total Assets			**6,165**	**8,450,000**	**342,876**	**8,799,040**
Financial liabilities						
Payables	14	0.00%	-	-	343,546	343,546
Interest bearing liabilities	17	6.20%	-	-	-	-
Loans	15	5.95%	-	2,515,000	-	2,515,000
Total Liabilities			**-**	**2,515,000**	**343,546**	**2,858,546**
Net financial assets (liabilities)			**6,165**	**5,935,000**	**(671)**	**5,940,494**
2014						
Financial assets						
Cash	9	2.50%	5,682	-	156,255	161,937
Receivables	10	0.00%	-	-	162,377	162,377
Total Assets			**5,682**	**-**	**318,632**	**324,314**
Financial liabilities						
Payables	14	0.00%	-	-	291,803	291,803
Interest bearing liabilities	17	6.20%	-	2,050,000	-	2,050,000
Loans	15	10.00%	-	100,000	-	100,000
Total Liabilities			**-**	**2,150,000**	**291,803**	**2,441,803**
Net financial assets (liabilities)			**5,682**	**(2,150,000)**	**26,829**	**(2,117,489)**

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The analysis assumes all other variables remain constant.

Sensitivity analysis 2015	Carrying amount	+3% interest rate Profit & Loss	-3% interest rate Profit & Loss
Cash at bank	6,165	185	(185)
	6,165	185	(185)
Tax charge of 30%		(55)	55
Post tax profit increase / (decrease)		129	(129)

Sensitivity analysis 2014	Carrying amount	+3% interest rate Profit & Loss	-3% interest rate Profit & Loss
Cash at bank	5,682	170	(170)
	5,682	170	(170)
Tax charge of 30%		(51)	51
Post tax profit increase / (decrease)		119	(119)

(b) Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group's exposure to foreign currency risk is as follows:

	2015	2014
	US$	US$
Cash at bank	5,465	6,986
Trade and other receivables	800	800
Trade and other payables	(3,336)	(3,336)
Net Exposure	**2,929**	**4,450**

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date. The below analysis assumes all other variables remain constant.

Sensitivity analysis	Carrying amount	+10% USD/AUD Profit & Loss	-10% USD/AUD Profit & Loss
	US$	AUD$	AUD$
2015			
Cash at bank	5,465	(714)	714
Trade and other receivables	800	(105)	105
Trade and other payables	(3,336)	436	(436)
	2,929	**(383)**	**383**
Tax charge of 30%		115	(115)
Post tax profit increase / (decrease)		(268)	268

Sensitivity analysis	Carrying amount	+10% USD/AUD Profit & Loss	-10% USD/AUD Profit & Loss
	US$	AUD$	AUD$
2014			
Cash at bank	6,986	(742)	742
Trade and other receivables	800	(85)	85
Trade and other payables	(3,336)	354	(354)
	4,450	**(473)**	**473**
Tax charge of 30%		142	(142)
Post tax profit increase / (decrease)		(331)	331

(e) Fair Value Measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Therefore, a table detailing the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement is not required.

29. CONTINGENT LIABILITIES

There are no contingent liabilities of the Company or the Group.

30. ADDITIONAL COMPANY INFORMATION

Aeris Environmental Ltd is a listed public company, incorporated in Australia.

Principal registered office and principal place of business

5/26-34 Dunning Avenue

ROSEBERY, NSW 2018

31. SUBSEQUENT EVENTS

There have been no matters or circumstances, which have arisen since 30 June 2015 that have significantly affected or may significantly affect:

a. the operations, in financial years subsequent to 30 June 2015,of the consolidated entity; or

b. the results of those operations or;

c. the state of affairs, in the financial years subsequent to 30 June 2015, of the consolidated entity.

32. OPERATING SEGMENTS

Identification of reportable segments

From the Board of Directors' (Chief Operating Decision Makers' - CODM) perspective, the Group is organised into business units based on its geographical area of operation. The Group has identified two reportable segments as mentioned below.

The reportable segments are based on aggregated operating segments determined by the similarity of the revenue stream and products sold and/or the services provided in Australia and the USA, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The CODM review revenue, COGS, operating expenses, profit before tax, and assets and liabilities for the following segments:

a. Australia - Sales and service on account of Australian operations; and

b. USA - Sales and service on account of USA operations.

Intersegment transactions

Intersegment transactions are made at arm's length and are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received and are eliminated on consolidation.

Major Customer

The Group supplies to four of its major customers, through Australian sales segments, (who individually amount to 10% or more of its revenues that combined account for 64% of external revenue (2014: Two major customers combined accounted for 66%).

During the year ended 30 June 2015 the most significant client accounted for approximately 26% (2014: 38%) of the consolidated entity's external revenue through the Australian Sales operating segment.

Operating segment information of the consolidated entity

2015	Australia	USA	Intersegment eliminations	Consolidated
	$	$	$	$
Revenue				
Sales	800,886	-	-	800,886
Other Income	73,503	-	-	73,503
Total Revenue	**874,389**	**-**	**-**	**874,389**
Expenses				
Cost of goods sold	239,884	-	-	239,884
Operating expenses	2,671,463	31,756	(30,573)	2,672,646
Total Expenses	**2,911,347**	**31,756**	**(30,573)**	**2,912,530**
Loss before tax	(2,036,958)	(31,756)	30,573	(2,038,141)

2014	Australia	USA	Intersegment eliminations	Consolidated
	$	$	$	$
Revenue				
Sales	484,303	39,351	(36,534)	487,121
Other Income	37,670	-	-	37,670
Total Revenue	**521,973**	**39,351**	**(36,534)**	**524,791**
Expenses				
Cost of goods sold	155,115	39,130	(36,534)	157,711
Operating expenses	1,400,007	145,632	(54,498)	1,491,141
Total Expenses	**1,555,122**	**184,762**	**(91,032)**	**1,648,852**
Loss before tax	(1,033,149)	(145,411)	54,498	(1,124,061)

As the Australian Services segment was discontinued, the segments for 2014 have been re-grouped to match with the existing segments in 2015 for better comparison.

Segment assets and liabilities	Assets		Liabilities	
	2015	2014	2015	2014
	$	$	$	$
Australia	9,051,451	540,402	4,720,339	4,306,963
USA	9,010	8,937	1,868,446	1,491,979
Total	**9,060,461**	**549,339**	**6,588,785**	**5,798,943**
Intersegment elimination	(92,635)	(157,339)	(3,657,824)	(3,303,065)
Consolidated	**8,967,826**	**392,000**	**2,930,961**	**2,495,878**

33. INFORMATION RELATING TO AERIS ENVIRONMENTAL LTD (THE PARENT ENTITY)

	2015	2014
	$	$
Current Assets	8,990,097	465,928
Total Assets	9,047,379	471,627
Current Liabilities	2,877,905	409,183
Total Liabilities	2,900,781	2,487,405
Issued Capital (net of costs)	38,600,111	28,467,507
Unissued Capital	-	-
Retained earnings	(33,715,849)	(31,700,272)
Share-based payment reserve	1,262,336	1,216,988
	6,146,598	**(2,015,777)**
Net loss for the period	(2,015,576)	(1,041,531)
Total comprehensive loss for the period	(2,035,874)	(1,042,354)
Contractual Obligations / Commitments (Refer Note 24)	-	-

34. NOTES TO CASH FLOW STATEMENTS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the Statement of Financial Position as follows:

	2015	2014
	$	$
Cash at bank and on hand	199,409	156,255
Term Deposits (with maturity of less than 3 months from the acquisition date)	3,650,000	-
Deposits on call	6,165	5,682
	3,855,574	**161,937**

(b) Reconciliation of Operating Loss after Income Tax to Net Cash Flows from Operating Activities

	2015	2014
	$	$
Operating loss after income tax	(2,016,912)	(1,067,893)
Non cash/non-operating items included in profit and loss		
Depreciation and amortisation	21,430	4,821
Employee entitlement expense	1,851	4,255
Provision for doubtful debts	12,382	1,181
Share based payments	32,496	15,375
Changes in assets and liabilities		
(Increase) / decrease in receivables	6,529	(65,155)
(Increase) / decrease in inventory	(24,869)	(10,597)
(Increase) / decrease in other assets	(24,646)	6,132
Increase / (decrease) in trade creditors	9,897	(237,864)
Increase / (decrease) in other creditors and accruals	51,669	(14,396)
Net cash used in operating activities	**(1,930,174)**	**(1,364,140)**

35. BUSINESS COMBINATION

On 1 July 2014, the Company signed a Memorandum of Understanding for acquisition of the business of Smartcool Systems Australia Pty Ltd (Smartcool). Specifically, the Company acquired the staff, trading business, know-how and related distribution rights from Smartcool. As a consideration for the transaction, on 31 July 2014, the Company issued Chris Rogerson (CEO of Smartcool) and Scott Gregson (National Operations Manager) with 250,000 share options each, at an exercise price of 20 cents and a 3-year vesting period. The issue of share options is subject to significant performance hurdles.

The Company acquired Smartcool because it significantly enlarges the range and scope of products and services, in the Australian Sales segment, that can be offered to its clients.

	Cost
	$
Assets acquired	
Property, plant and equipment	10,941
Goodwill	44,578
	55,519
Purchase consideration	
Share Options	44,578
Cash paid	10,941
	55,519

The goodwill of $44,578 comprises the value of expected synergies and distribution rights arising from the acquisition, which is not separately recognised. Goodwill is allocated entirely to the Australian Sales segment.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

DIRECTORS' DECLARATION

In accordance with a resolution of Directors, I state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes, as set out on pages 15 to 54, are in accordance with the Corporations Act 2001 and

      (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date; and

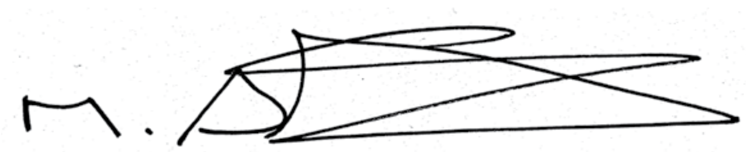
      (ii) comply with Accounting Standards and the Corporations Regulations 2001;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and

   (c) There are reasonable grounds to believe that the Company and the consolidated entity will be able to pay its debts as and when they become due and payable;

2. 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 financial year ended 30 June 2015.

On behalf of the Board of Directors



M. STANG
Director

Sydney, 28 September 2015

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhn.com.au
www.uhyhnsydney.com.au

INDEPENDENT AUDITOR'S REPORT

To the members of Aeris Environmental Ltd

Report on the Financial Report

We have audited the accompanying financial report of Aeris Environmental Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

(a) the financial report of Aeris Environmental Ltd is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 7 to 13 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Aeris Environmental Ltd for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

UHY Haines Norton

M. D. Nicholaeff
Partner

UHY Haines Norton
Chartered Accountants

Sydney
28 September 2015

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange (ASX Limited) Listing Rules, and not disclosed elsewhere in this Annual Report, is detailed below. This information was prepared based on the Company's Share Registry information.

SHAREHOLDING INFORMATION

Distribution of Shareholders

Analysis of the quoted fully paid ordinary shares by holding as at 25 September 2015:

Spread of Holdings	Number of Holders	Ordinary shares	% of Total Issue Capital
1 – 1,000	41	26,045	0.02
1,001 – 5,000	156	434,176	0.29
5,001 – 10,000	138	1,208,491	0.80
10,001 – 100,000	306	11,925,935	7.88
100,001 – and over	133	137,834,075	91.01
Total	**774**	**151,428,722**	**100.00**

On 25 September 2015 there were 48 shareholders holding less than a marketable parcel of $500 worth of shares at a share price of 41 cents. There are no restricted securities on issue.

Statement of Shareholdings as at 24 September 2015

The names of the 20 largest holders of fully paid ordinary shares are listed below:

Shareholder	Number of Shares	% Holding
Mr Maurie Stang	17,779,749	11.74
Mr Bernard Stang	14,331,609	9.46
Link Traders (Aust) Pty Ltd	12,999,776	8.58
Mr Steven Kritzler < S Kritzler Family A/C >	7,331,609	4.84
Mr Giuseppe Pulitano + Ms Verona Pulitano < The Pulitano Family S/F A/C >	6,503,572	4.29
HSBC Custody Nominees (Australia) Limited – A/C 2	5,155,000	3.40
National Nominees Limited	5,049,697	3.33
Australian Shareholder Nominees Pty Ltd	5,043,144	3.33
J P Morgan Nominees Australia Limited	3,917,742	2.59
Henderson International Pty Ltd < Henderson Super Fund A/C >	2,474,714	1.64
HSBC Custody Nominees (Australia) Limited	2,457,433	1.62
Citicorp Nominees Pty Limited	2,263,730	1.49
Jamber Investments Pty Ltd < Amber Schwartz Family A/C >	1,878,485	1.24
BNP Paribas Noms Pty Ltd < DRP >	1,847,762	1.22
Benlee Company Pty Ltd < The Benlee A/C >	1,825,210	1.21
Helensleigh Pty Ltd < Helensleigh Staff S/F A/C >	1,726,827	1.14
Mr Joshua Aaron Ehrlich	1,700,000	1.12
Wakil Family Group Pty Ltd < Ron Ton Fashion P/L R/P A/C >	1,581,612	1.04
Grizzley Holdings Pty Limited	1,388,275	0.92
Bennelong Resources Pty Limited < John Egan Super Fund A/C >	1,363,636	0.90
Total of Top 20 Holdings	**98,619,582**	**65.10**
Other Holdings	**52,809,140**	**34.90**
Total Ordinary Shares	**151,428,722**	**100.00**

UNQUOTED EQUITY SECURITIES

For details of the unissued ordinary shares the Company has under option, refer to the "Share Options" section of the Directors' Report.

VOTING RIGHTS

At general meetings of the Company, all fully paid ordinary shares carry one vote per share without restriction. On a show of hands, every member present at general meetings, or by proxy, shall have one vote and, upon a poll, each share shall have one vote. Option holders have no voting rights until the options are exercised.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in Aeris Environmental Ltd, based on Substantial Shareholder Notices received by the Company, are as follows:

Name	Number	Class
Mr Maurie Stang	18,752,267	Ordinary fully paid shares
Mr Bernard Stang	14,864,109	Ordinary fully paid shares
Link Traders (Aust) Pty Ltd	8,936,038	Ordinary fully paid shares
Mr Steven Kritzler	7,331,609	Ordinary fully paid shares

CORPORATE DIRECTORY

AERIS ENVIRONMENTAL LTD

ACN: 093 977 336

ABN: 19 093 977 336

DIRECTORS

Maurie Stang	Non-Executive Chairman
Steven Kritzler	Non-Executive Director
Bernard Stang	Non-Executive Director
Peter Bush	Chief Executive Officer, Chief Financial Officer and Alternate Director

COMPANY SECRETARY

Robert Waring

REGISTERED AND PRINCIPAL OFFICE

Unit 5, 26-34 Dunning Avenue

Rosebery NSW 2018 Australia

Telephone: +61 2 8344 1315

Facsimile: +61 2 9697 0944

Email: info@aeris.com.au

Website: www.aerisenvironmental.com

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067

GPO Box 2975, Melbourne VIC 3001 Australia

Telephone: +61 3 9415 4000

Telephone: 1300 850 505 (within Australia)

Facsimile: +61 3 9473 2500

Website: www.computershare.com

Investor Link: www.investorcentre.com/contact

AUDITOR

UHY Haines Norton Sydney

Level 11, 1 York Street, Sydney NSW 2000

GPO Box 4137, Sydney NSW 2001

Telephone: + 61 2 9256 6600

Website: www.uhyhnsydney.com.au

STOCK EXCHANGE

The Company's fully paid ordinary shares are quoted on the official list of the Australian Securities Exchange (ASX Limited).

ASX CODE

AEI