Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2023

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336

Reporting period: 30 June 2023
Previous period: 30 June 2022

Results for announcement to the market

				$A'000
Revenues from ordinary activities	down	24.82%	to	2,110,315
Profit from ordinary activities after tax attributable to	down	-48.76%	to	3,653,743
Loss for the period attributable to owners of Aeris Environmental Ltd	down	-48.76%	to	3,653,743

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

Brief explanation of the above

The Group has recorded an operating loss (after tax) of $3,653,743 for the year ended 30 June 2023 (2022 Loss: $7,130,427) and has net assets of $2,951,081 as at 30 June 2023 (2022: $6,592,865). The operating cash burn rate for the financial year ended 30 June 2023 was $2,582,587 (2022: $6,107,356). The cash balance as at 30 June 2023 was $2,599,996 (2022: $5,303,142).

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2022. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2022-23 financial year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

NTA backing	**30-Jun-23 cents**	**30-Jun-22 cents**
Net tangible asset backing per ordinary share	1.20	2.70

Events occurring after Balance Date

No matter or circumstance has arisen since 30 June 2023 that has significantly affected or may significantly affect the consolidated entities' operations, the results of these operations, or the consolidated entities' state of affairs in future financial years.

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

Not Applicable

Foreign Entities details

Not Applicable

Dividends

No dividends were paid or proposed during the financial year.

Audit or Review details

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

Sign here: RWaring **Date: 31 August 2023**
(~~Director/~~Company Secretary)

Print name: **Robert J Waring**

Aeris Environmental Ltd

ACN 093 977 336

Preliminary Final Report

Year Ended 30 June 2023

2023 Preliminary Final Report: Review of Operations

Sector outlook

The Company is focusing its business to cater for the growing environmental, social and governance (ESG) requirements of its enterprise clients, both in Australia and internationally. Awareness and action on ESG issues are growing in the business community, with organisations recognising the social and economic costs of inaction. The built sector comprises over a third of global energy consumption, and there is now focused investment into meeting the challenges of global warming, and energy and carbon reduction.

Fundamental to enterprise compliance for ESG performance is the ability to report satisfactorily on the IFRS S1 and S2 requirements issued in June 2023, which apply initially to large entities and will be required in the 2024-25 financial year. These requirements include mandated reporting for metrics and targets relating to energy efficiency, and present an opportunity for Aeris that is uniquely suited to help enterprises respond to the proposed changes. In China, the government has released new standards for indoor air quality, which Aeris is working to address as a priority.

Consistent with the Company's focus on energy efficiency and air quality in the built environment, its product portfolio is now broader and deeper than prior years, and being actively designed to address the needs of this market.

Finance Performance

Annual revenue for the 2022-23 financial year (FY23) was $2,110,315 (2022: annual revenue $2,806,835). The Company made a loss before income tax of $4,028,470 compared to a loss before income tax of $7,423,212 in the prior year. The loss primarily results from a further reduction in demand for pandemic-related items. Gross margins were steady at 53% (improved from 45% in the June 2022 year), reflecting the proportional revenue shift away from lower margin products.

The Company's cash receipts from customers for the year were $2,721,188 compared to the previous year of $3,240,986. As at 30 June 2023 Aeris has net assets of $2,951,081 compared to $6,592,864 on 30 June 2022. Cash at 30 June 2023 was $2,599,996 compared to $5,303,142 at 30 June 2022. The net cash used in operating activities decreased by $3,524,769. Balance sheet movements included a decrease in trade debtors of $403,475.

Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R)

Aeris is delivering on a twin value proposition of energy efficiency and indoor air quality (IAQ), driven by its HVAC&R range of products and services. FY23 has been a steady year of progress for the programs relating to these deliverables, with numerous funded pilot studies generating positive outcomes at enterprise client sites. There are clear and present needs in the built environment sector for site-based programs that deliver higher operating efficiencies from current assets and real improvements to air quality. As the Company's portfolio of solutions to address these pressing issues develops, there is a broader scope of opportunities to serve this market. During FY23 the Company acquired certain distribution rights for two key IAQ technologies (AtmosAir and EnviroGuard) and continues to research further technology additions.

Enterprise customers in this segment face mounting reporting requirements with respect to ESG, specifically the recently issued IFRS S1 and S2 standards. The changing nature of energy rebate schemes on a state-by-state basis, along with the forward pricing outlook for energy, creates the need for a comprehensive solution provider that can address this evolving landscape.

The S2 standard is being prioritised by the government and is focused on increasing energy efficiencies, which aligns with Aeris' value proposition and the body of evidence from its site-based studies. Aeris is investing resources into developing an integrated Energy Alliance that brings several industry leaders together to provide a comprehensive solution, including participation in the development of an innovative software platform.

Although the clarity of Scope 3 targets lags that for Scope 1 and 2, with the disclosures required for the 2024-25 reporting period, it is obvious that organisations should be working with their supply chain partners on the environmental profile of manufactured products. Environmental Profile Disclosures (EPDs) are a future requirement of supply chains that seek to comply with Scope 3 targets and will affect most enterprise clients. This is another strength of the Aeris portfolio, as the Company's products have a more environmentally friendly profile than many of its competitors.

Aeris is now able to assess a commercial building or enterprise from the perspective of its overall energy and IAQ profile, provide recommendations on how to reduce overall energy consumption and improve air quality, and implement product and service programs to drive a consistent and sustainable improved ESG performance. The Aeris HVAC&R portfolio is now broader in scope and able to deliver on the needs of the built environment sector as it develops its sustainability programs.

Environmental Hygiene

The fiscal year was impacted with the overstocking by customers, particularly in relation to PPE and hygiene products, which led to limited demand for some of Aeris' hygiene products. As the Company progresses its ESG mandate, some of its hygiene products are being repositioned to address mould in the built environment. The products and services that are valuable for ESG related activities are now the focal point for the Aeris portfolio. The Company has updated its market leading hard surface disinfectant Aeris Defence, which continues to have a unique TGA registration of 24 hours of residual kill protection against viruses, mould, and bacteria, including COVID-19. This latest formulation of Aeris Defence will soon be available in a range of presentations such as disinfectant wipes, which show increasing demand by customers.

Specialty Products and Services

The Company has a highly regarded team of specialists based in Queensland who have built a very solid reputation in the mould remediation sector. The core capability of site assessment and remediation protocol design is now relied upon by multiple leading companies such as Grosvenor Engineering Group, and the Queensland Government. This service offering has grown steadily over the past year and unlocks the adjacent product markets related to IAQ and mould remediation.

Arising from Aeris’ proactive investment in research and development, we now have an increasing range of proprietary products, such as Corrosion Protection Plus, which are highly focused on meeting customer needs, and we believe to be commercially attractive. This improved range of speciality products addresses an attractive market opportunity for the Company, with a focus on developing the original equipment manufacturer (OEM) market in the United States.

International Markets

Through the course of the year, Aeris has applied increasing resources to developing its international markets, including China and the USA. These international markets have a differing focus for near-term product opportunities.

The Company has now secured contract manufacturing agreements with three Chinese entities (two of which are publicly listed companies), to better access the markets available for Aeris technologies. Strong partnerships are essential for successful market development in China, in order to gain the promotional and logistical resources to access the domestic Chinese market. The partner entities Aeris is working with are substantial companies with experienced management teams and strong track records of growth, covering multiple market segments.

It has been recognised by these groups that Aeris can provide higher value and a point of differentiation to its competitors. The Company’s distribution partners provide important access across multiple verticals, and diversification in its China supply chain. Aeris proprietary paper treatment technology is a key area where the Company is collaborating with partners on products specifically targeted at the local market. Strategically, Aeris technology will provide a value-add component to existing products manufactured by these entities, and elsewhere the Company and its partners are combining R&D expertise to develop novel products with Aeris and partner branding. This development of premium products in the Chinese market is driven by demand from our partner entities who are seeking to invest in higher margin products as part of their growth planning.

To support the Aeris brand in China, the Company’s wholly foreign owned enterprise (WOFE) has successfully registered multiple products in its own name (Aeris Defence®; Actisan®; Aeris Protect®; Purox®) with China’s National Health Commission. This allows the Company the ability to work with a variety of partners to cover promotion more effectively for different provinces. Our contract manufacturing partners have provided assistance with the registration process and are actively engaged in the market development activities. These partners also enable the Company to compete more effectively in a market which has speed and cost of supply as critical sales factors.

China in the near term provides opportunities for a range of consumable products such as Aeris’ paper technologies, where a competitive advantage can be gained in the premium segment. In parallel, the Company is developing its HVAC&R solutions in the China market, which offer energy efficiencies and ESG driven outcomes which appear to be increasingly aligned to domestic policy in China. Two product registrations have been completed (Bioactive Surface Treatment®; Bioactive Filter Treatment®), and early market development work is underway.

In the United States we continue to focus on the HVAC&R OEM corrosion protection market. This market has a complex sales cycle due to the rigorous process of introducing changes to production processes. Key customers are now working to trial and implement the Aeris Corrosion Protection solutions, and once adopted we believe this could result in ongoing annuity revenues. Trials are progressing according to plan at installations in Texas, California, and New Jersey with several OEMs. Our corrosion protection products retain their market leading performance attributes of world leading salt test performance, and excellent heat transfer and thermal properties.

Australia

In Australia the Company's focus is on customers ESG needs, specifically on aiming for carbon neutrality and meeting the growing reporting requirements of its enterprise customers. Aeris has invested considerable time and resources in understanding the "pain points" and challenges that our enterprise customers have. This activity is further supported by the initiative of the Energy Alliance, which offers highly regarded expertise in energy trading certificates, measurement and verification, and a range of technologies that seek to improve both energy efficiency and environmental hygiene.

The strengthening of the Company's expanded product range has been driven by its R&D focus, together with developing strategic distribution agreements for products that complement its proprietary HVAC&R range. Two current examples are EnviroGuard and AtmosAir, active air quality protection technologies that can be deployed into small and large indoor environments. Now businesses and organisations can implement world class levels of improved energy efficiency, air quality and environmental hygiene to support employers' duty of care requirements in providing sustainable and healthy workplaces. The Company's IAQ solutions also offer real time air quality monitoring, which will become one of the environmental measures for healthy buildings.

In 2024 many Australian companies will commence ESG reporting per the recent IFRS S2 requirements (issued in June 2023), with energy efficiency metrics and targets forming a large component of this reporting activity. Aeris has an energy renovation program that delivers efficiencies from in-situ assets, providing customers with a solution to assess, plan, and deliver energy efficiencies with their current asset base. As the enterprise ESG requirements grow, the Company's broad set of solutions will continue to be developed through both local and global partnerships.

Summary

Aeris has been addressing the operational and strategic changes required by the Company arising from the landscape post the COVID-19 pandemic. The Company has addressed its cost base and priorities together with a substantial investment in the acquisition of new, complementary technologies, and updated existing products in line with distributor and customer feedback.

It is widely accepted that not only enterprise customers, but a wide range of SMEs will be required to provide measurement and verification of their efforts to demonstrate improvements in energy efficiency and carbon neutrality. Environmental hygiene has also taken a position of increased focus, as companies are required to meet their obligations in terms of duty of care to their staff, customers, and visitors.

Aeris has moved in a highly focused way to assemble solutions that will address these various needs of the built environment. It is anticipated that an increasing number of customers will find challenges in meeting both their reporting and improvements to baseline energy goals, and Aeris is clearly positioning itself as a comprehensive and integrated solutions provider.

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30 June 2023

General information

The financial statements cover Aeris Environmental Ltd as a consolidated entity consisting of Aeris Environmental Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Aeris Environmental Ltd's functional and presentation currency.

Aeris Environmental Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

5/26-34 Dunning Avenue
ROSEBERY
NSW 2018

Aeris Environmental Ltd

Statement of profit and loss and other comprehensive income

For the year ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Revenue	5	2,110,315	2,806,835
Expenses			
Research and development and patent expense		(442,206)	(636,100)
Employee benefits expense	6	(1,552,561)	(2,598,526)
Depreciation and amortisation expense	6	(117,387)	(99,851)
Impairment of assets		(426,517)	(1,594,891)
Finance costs	6	(47,936)	(12,457)
Cost of sales		(982,660)	(1,472,176)
Distribution		(450,751)	(571,255)
Sales, Marketing and Travel expenses		(329,364)	(699,275)
Occupancy		(263,862)	(432,497)
Administration	6	(1,525,541)	(2,113,019)
Loss before income tax benefit		(4,028,470)	(7,423,212)
Income tax benefit	7	374,727	292,785
Loss after income tax benefit for the year attributable to the owners of Aeris Environmental Ltd	20	(3,653,743)	(7,130,427)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		17,079	57,301
Other comprehensive income for the year, net of tax		17,079	57,301
Total comprehensive loss for the year attributable to the owners of Aeris Environmental Ltd		(3,636,664)	(7,073,126)
		Cents	**Cents**
Basic earnings per share	23	(1.49)	(2.92)
Diluted earnings per share	23	(1.49)	(2.92)

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

Aeris Environmental Ltd
Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents	8	2,599,996	5,303,142
Trade and other receivables	9	688,761	1,092,236
Inventories	10	882,417	1,262,798
Other	11	300,174	310,401
Total current assets		4,471,348	7,968,577
Non-current assets			
Property, plant and equipment	12	92,306	109,255
Right-of-use assets	13	106,970	-
Total non-current assets		199,276	109,255
Total assets		4,670,624	8,077,832
Liabilities			
Current liabilities			
Trade and other payables	14	1,483,791	1,392,486
Lease liabilities	15	62,378	-
Provisions	16	120,999	92,481
Total current liabilities		1,667,168	1,484,967
Non-current liabilities			
Lease liabilities	17	52,375	-
Total non-current liabilities		52,375	-
Total liabilities		1,719,543	1,484,967
Net assets		2,951,081	6,592,865
Equity			
Issued capital		62,520,726	62,520,726
Reserves	19	1,883,769	1,861,906
Accumulated losses	20	(61,453,414)	(57,793,452)
Equity attributable to owners of Aeris Environmental Ltd		2,951,081	6,589,180
Non-controlling interest		-	3,685
Total equity		2,951,081	6,592,865

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

Aeris Environmental Ltd
Statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2021	62,430,276	1,700,432	(50,663,025)	3,685	13,471,368
Loss after income tax benefit for the year	-	-	(7,130,427)	-	(7,130,427)
Other comprehensive income for the year, net of tax	-	57,301	-	-	57,301
Total comprehensive income/(loss) for the year	-	57,301	(7,130,427)	-	(7,073,126)
Shares issued	90,450	-	-	-	90,450
Transactions with owners in their capacity as owners:					
Share-based payments (note 25)	-	104,173	-	-	104,173
Balance at 30 June 2022	62,520,726	1,861,906	(57,793,452)	3,685	6,592,865

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2022	62,520,726	1,861,906	(57,793,452)	3,685	6,592,865
Loss after income tax benefit for the year	-	-	(3,653,743)	-	(3,653,743)
Other comprehensive income for the year, net of tax	-	17,079	-	-	17,079
Total comprehensive income/(loss) for the year	-	17,079	(3,653,743)	-	(3,636,664)
Transactions with owners in their capacity as owners:					
Disposal of Investment in Aeris Cleantech Pte Ltd (note 20 and 33)	-	-	(6,219)	(3,685)	(9,904)
Share-based payments (note 19 and 25)	-	4,784	-	-	4,784
	-	4,784	(6,219)	(3,685)	(5,120)
Balance at 30 June 2023	62,520,726	1,883,769	(61,453,414)	-	2,951,081

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

Aeris Environmental Ltd
Statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,721,188	3,240,986
Payments to supplier (inclusive of GST)		(5,771,359)	(9,343,010)
R&D tax offset rebate received		441,774	-
		(2,608,397)	(6,102,024)
Interest received		32,624	-
Interest and other finance costs paid		(6,814)	(5,332)
Net cash used in operating activities	35	(2,582,587)	(6,107,356)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(72,967)	(63,826)
Net cash used in investing activities		(72,967)	(63,826)
Cash flows from financing activities			
Repayment of lease liabilities		(64,671)	(68,595)
Net cash used in financing activities		(64,671)	(68,595)
Net decrease in cash and cash equivalents		(2,720,225)	(6,239,777)
Cash and cash equivalents at the beginning of the financial year		5,303,142	11,485,616
Effects of exchange rate changes on cash and cash equivalents		17,079	57,303
Cash and cash equivalents at the end of the financial year	8	2,599,996	5,303,142

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

Note 1. Significant accounting policies

Corporate information

The financial report of Aeris Environmental Ltd (the Group) for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 31 August 2023.

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 operations and principal activities of the Group will be described in the Directors' Report.

New or amended Accounting Standards and Interpretations adopted
No new or amended Accounting Standards were applicable to the Group for the current financial year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

Going concern
The Group made a loss before income tax for the financial year ended 30 June 2023 of $4,028,470 (2022: $7,423,212). The Group's cash outflow for the financial year ended 30 June 2023 was $2,720,225 (2022: $6,239,777). The Group held cash as at 30 June 2023 of $2,599,996 compared to $5,303,142 as at 30 June 2022.

The above matters may give rise to a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report. However, the Directors believe that the Group will be able to continue as a going concern due to the following mitigating factors in relation to the material uncertainty.

The Directors have prepared detailed cash flow projections for the period of 12 months from the date of signing this Report. The sales outlook for the Company is markedly improved from previous year, with a conservative sales budget still yielding significant growth. Several new products are slated to be introduced. However, the Group is dependent on capital raisings to continue to operate. The Group has investigated the funding options including a capital raise in 2024. Further, in the event of the Group not raising sufficient funds to meet its current cash flow forecasts, the Group will need to further reduce its expenditure accordingly to be able to pay its debts as and when they are due.

Consequently, the Group's financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities should the Group be unable to continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. These standards are not expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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 32.

Note 1. Significant accounting policies (continued)

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 2023 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.

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.

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.

Foreign currency translation

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.

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

On consolidation, exchange difference 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.

Revenue recognition

The consolidated entity recognises revenue as follows:

Note 1. Significant accounting policies (continued)

Sale of goods and disposal of assets

The group manufactures and sells a range of products that enhances the performance, longevity, cost-effectiveness, and energy efficiency of systems which contributes to the creation of a more sustainable built environment via the wholesaler market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from services

Revenue from consultancy and engineering services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

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.

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 33. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 1. Significant accounting policies (continued)

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

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

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.

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.

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	4 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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Note 1. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Research and development

Research and development costs are expensed in the period in which they are incurred.

Development costs are capitalised as an intangible asset, only if the following criteria are met:

- when it is probable that the project will be a success considering its commercial and technical feasibility;
- the consolidated entity is able to use or sell the asset;
- the consolidated entity has sufficient resources; and
- intent to complete the development and its costs can be measured reliably.

Development expenditure that do not meet the criteria above are recognised as an expense as incurred.

Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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.

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.

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.

Note 1. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

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.

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 wholly within 12 months of the reporting date 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 measured at 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 high quality corporate 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 25.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefit expenses 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.

Note 1. Significant accounting policies (continued)

Share-based payment (continued)

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.

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 principal 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 interests. 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 at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of 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.

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, 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.

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.

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.

Comparative amounts

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

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements 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 judgements, 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 judgements have been made in respect of the following items:

Share-based payment transactions

The consolidated entity 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 by using either the Binomial or Black- Scholes model taking into account the terms and conditions upon which the instruments were granted. 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 profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on in-depth evaluation of customers expected to incur future credit losses. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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 judgement is required in establishing fair values. The judgements 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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency 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.

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.

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.

Cash flow and fair value interest rate risk

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

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.

Note 4. Operating segments

Identification of reportable operating segments

From 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 internationally, as these are the sources of the Group’s major risks and have the most effect on the rates of return.

Note 4. Operating segments (continued)

Identification of reportable operating segments (continued)

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

(a) Australia - Sales and service on account of Australian operations
(b) International - Sales and service on account of international 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

During the year ended 30 June 2023 the most significant client accounts for approximately 9% (2022: 15%) of the consolidated entity's external revenue through Australian Sales and Services operating segment. There were no other customers who individually amounted to 6.5% or more of the total revenue during 2023.

Operating segment information of the consolidated entity

	Australia $	International $	Intersegment eliminations $	Consolidated $
2023				
Revenue				
Sales	1,909,750	148,010	(127,615)	1,930,145
Other income	172,140	89,702	(81,672)	180,170
Total Revenue	2,081,890	237,712	(209,287)	2,110,315
Expenses				
Cost of goods sold	(1,016,870)	(93,405)	127,615	(982,660)
Operating expenses	(5,006,500)	(983,450)	833,825	(5,156,125)
Total Expenses	(6,023,370)	(1,076,855)	961,440	(6,138,785)
Profit (Loss) before tax	(3,941,480)	(839,143)	752,153	(4,028,470)

	Australia $	International $	Intersegment eliminations $	Consolidated $
2022				
Revenue				
Sales	2,558,829	188,776	(69,472)	2,678,133
Other income	117,639	11,063	-	128,702
Total Revenue	2,676,468	199,839	(69,472)	2,806,835
Expenses				
Cost of goods sold	(1,362,628)	(179,020)	69,472	(1,472,176)
Operating expenses	(9,029,213)	(962,112)	1,233,454	(8,757,871)
Total Expenses	(10,391,841)	(1,141,132)	1,302,926	(10,230,047)
Profit (Loss) before tax	(7,715,373)	(941,293)	1,233,454	(7,423,212)

Note 4. Operating segments (continued)

Segment assets and liabilities

	Assets 2023	Assets 2022	Liabilities 2023	Liabilities 2022
Australia	5,730,308	9,082,505	4,491,270	2,436,327
International	1,310,039	1,866,865	5,155,667	6,454,193
Total	7,040,347	10,949,370	9,646,937	8,890,520
Intersegment elimination	(2,369,723)	(2,871,538)	(7,927,394)	(7,405,553)
Consolidated	4,670,624	8,077,832	1,719,543	1,484,967

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time for the following major geographical segments:

	Australia 2023	Australia 2022	International 2023	International 2022
Segment revenue	1,909,751	2,558,829	148,010	188,776
Intersegment elimination	(127,615)	(69,472)	-	-
Revenue from external customers	1,782,136	2,489,357	148,010	188,776
Timing of revenue recognition				
At a point in time	1,262,705	1,782,756	148,010	188,776
Over time	519,431	706,601	-	-
	1,782,136	2,489,357	148,010	188,776

Note 5. Revenue

	Consolidated 2023 $	Consolidated 2022 $
Revenue from contracts with customers		
Revenue from sales	1,410,714	1,971,532
Revenue from services	519,431	706,601
	1,930,145	2,678,133
Other revenue		
Financial income	35,699	4,445
Other income	144,471	124,257
	180,170	128,702
Revenue	2,110,315	2,806,835

Note 6. Expenses

	Consolidated	
	2023	2022
	$	$
Profit (loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	-	981
Plant and equipment	63,902	59,607
Right-of-use assets	53,485	39,263
Total depreciation	117,387	99,851
Employment benefit expenses		
Base salary and fees	1,321,022	2,120,947
Superannuation & statutory costs	195,427	352,752
Share based payment	4,784	64,381
Other employment expenses	31,328	60,446
Total employment benefits expenses	1,552,561	2,598,526
Finance costs		
Interest, bank fees and other financial expenses	47,936	12,457
Administration		
Compliance cost	1,245,272	1,769,870
Corporate and Overheads	78,066	94,677
Insurance	139,183	147,332
IT and Maintenance	63,020	101,140
Total administration	1,525,541	2,113,019
Other expenses		
Impairment of receivables	121,004	145,646
Impairment of inventory	305,513	1,365,000
Rental & occupancy expenses	263,862	432,498
Research and development and patent expenses	442,206	636,100

Note 7. 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:

	Consolidated	
	2023	2022
	$	$
Income tax benefit		
Current tax	(374,727)	(292,785)
Aggregate income tax benefit	(374,727)	(292,785)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(4,028,470)	(7,423,212)

Note 7. Income tax benefit (continued)

Tax at the Australian tax rate of 25%	(1,007,118)	(1,855,803)
Impact of overseas tax rates	(38,422)	
R&D tax offset receivable	(230,000)	(292,785)
R&D tax offset received - Prior year adjustment	(148,816)	-
Temporary differences and tax losses not recognised:		
Non-deductible expenses	918,014	1,653,435
Share-based payments	1,196	16,095
R&D Expenditure	130,418	186,273
Income tax expense (benefit) attributable to profit (loss)	(374,727)	(292,785)

- The enacted corporate tax rates across all jurisdictions are as follows:

Australia	25%
UK	25%
USA (Including state taxes)	29.99%

Deferred tax balances not recognised

Calculated at current tax rates and not brought to account assets or liabilities: which may be realised in future years

	Consolidated	
	2023	**2022**
	$	**$**
Deferred tax assets		
Tax losses		
Revenue tax losses available to offset against future taxable income	9,304,335	7,845,547
Deferred tax assets not recognised comprises temporary differences attributable to:		
Provision for doubtful debts	81,158	53,589
Provision for inventory impairment	744,518	639,000
Provision for employee entitlements	30,250	40,260
Difference between book and tax values of fixed assets	8,494	(7,308)
Accrued expenses	13,250	132,145
Future lease obligations	28,688	-
	906,358	857,686
Total deferred tax assets	9,641,097	8,703,233
Deferred tax liabilities not recognised comprises temporary differences attributable to:		
Difference between book value and tax values of right of use asset	(26,743)	-
Total deferred tax liabilities	(26,743)	-
Net deferred tax asset not recognised	9,614,354	8,703,233

Note 7. Income tax benefit (continued)

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.

i) (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 consolidations contributions by (or distributions to) equity participants of the tax consolidated group.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2023	2022
	$	$
Cash at bank and on hand	136,575	269,737
Cash on deposit	2,463,421	5,033,405
	2,599,996	5,303,142

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

Note 9. Current assets - trade and other receivables

	Consolidated 2023 $	Consolidated 2022 $
Trade receivables	783,391	1,013,805
Less: Allowance for expected credit losses	(324,630)	(214,354)
	458,761	799,451
R&D tax offset rebate receivable	230,000	292,785
	688,761	1,092,236

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

Allowance for expected credit losses

For the 2023 and 2022 financial years, the Group has undertaken an in-depth evaluation of each individual customer which the entity considers to have a risk of incurring credit losses.

Based on the evaluation and considering average industry credit terms of 60 days, loss allowance provision was calculated and grouped as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023	2022	2023	2022	2023	2022
Consolidated	%	%	$	$	$	$
Current < 60 days	-	-	302,169	324,829		-
Past due > 60 days	-	-	35,314	148,855		-
Past due > 90 days	72.80%	39.69%	445,908	540,121	324,630	214,354
			783,391	1,013,805	324,630	214,354

Note 9. Current assets - trade and other receivables (continued)

	Consolidated 2023 $	Consolidated 2022 $
Loss allowance calculation continued:		
Less than 6 months overdue	-	-
More than 6 months overdue	324,630	214,354
Amounts recognised in profit or loss		
During the year, the following losses were recognised in profit or loss in relation to impaired receivables		
Individually impaired receivables	(10,728)	-
Previous provisions written back	-	195,646
Movement in provision for impairment	(110,276)	(50,000)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2023 $	2022 $
Opening balance	214,354	360,000
Additional provision recognised	110,276	50,000
Unused amounts reversed	-	(195,646)
Closing balance	324,630	214,354

Note 10. Current assets - Inventories

	Consolidated	
	2023 $	2022 $
Inventories - at cost	3,743,930	3,818,798
Less: Provision for impairment	(2,861,513)	(2,556,000)
	882,417	1,262,798

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

Note 11. Current assets - other

	Consolidated	
	2023 $	2022 $
Prepayments	285,985	288,402
Deposits, bonds and other receivables	14,189	21,999
	300,174	310,401

The carrying amount of the Group's other current assets are a reasonable approximation of their fair values.

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2023 $	Consolidated 2022 $
Leasehold improvements - at cost	138,093	130,228
Less: Accumulated depreciation	(131,461)	(130,228)
	6,632	-
Plant and equipment under lease	187,474	187,474
Less: Accumulated depreciation	(182,879)	(162,801)
	4,595	24,673
Computer equipment - at cost	325,983	347,393
Less: Accumulated depreciation	(318,283)	(318,736)
	7,700	28,657
Office equipment - at cost	139,709	133,595
Less: Accumulated depreciation	(132,882)	(130,789)
	6,827	2,806
Field equipment - at cost	51,647	51,647
Less: Accumulated depreciation	(51,647)	(51,647)
	-	-
R & D equipment - at cost	54,974	40,773
Less: Accumulated depreciation	(44,352)	(32,367)
	10,622	8,406
Software - at cost	72,351	50,762
Less: Accumulated depreciation	(16,421)	(6,049)
	55,930	44,713
	92,306	109,255

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Computer equipment $	Leasehold improvements $	Office furniture $	Plant and equipment $	R&D equipment $	Software $	Total $
Balance at 1 July 2021	35,351	981	4,838	50,136	14,711	-	106,017
Additions	15,881	-	-	-	-	47,945	63,826
Depreciation expense	(22,575)	(981)	(2,032)	(25,463)	(6,305)	(3,232)	(60,588)
Balance at 30 June 2022	28,657	-	2,806	24,673	8,406	44,713	109,255
Additions	2,510	7,865	6,114	-	14,201	21,589	52,279
Disposals	(23,920)	-	-	-	-	-	(23,920)
Depreciation expense	453	(1,233)	(2,093)	(20,078)	(11,985)	(10,372)	(45,308)
Balance at 30 June 2023	7,700	6,632	6,827	4,595	10,622	55,930	92,306

Note 13. Non-current assets - right-of-use assets

	Consolidated 2023 $	Consolidated 2022 $
Land and buildings - right-of-use	160,455	-
Less: Accumulated depreciation	(53,485)	-
	106,970	-

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Right-of-use asset $	Total $
Balance at 1 July 2021	295,036	295,036
Disposals	(255,773)	(255,773)
Depreciation expense	(39,263)	(39,263)
Balance at 30 June 2022	-	-
Additions	160,455	160,455
Depreciation expense	(53,485)	(53,485)
Balance at 30 June 2023	106,970	106,970

Refer to note 17 for further information on lease liabilities.

Note 14. Current liabilities - trade and other payables

	Consolidated 2023 $	Consolidated 2022 $
Trade payables	687,515	524,577
GST and PAYG payable	6,043	35,288
Accrued expenses	790,233	832,621
	1,483,791	1,392,486

Refer to note 26 for further information on financial instruments.

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

Note 15. Current liabilities - lease liabilities

	Consolidated 2023 $	Consolidated 2022 $
Lease liabilities	62,378	-

Refer to note 17 for further information on non-current lease liabilities and note 26 for further information on financial instruments.

Note 16. Current liabilities - provisions

	Consolidated 2023 $	Consolidated 2022 $
Annual leave	109,997	83,016
Long service leave	11,002	9,465
	120,999	92,481

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

Note 17. Non-current liabilities - lease liabilities

	Consolidated 2023 $	Consolidated 2022 $
Lease liabilities	52,375	-

Refer to note 26 for further information on financial instruments.

Particulars relating to lease liabilities

The Group had recognised 'Right-of-Use Asset' and an associated 'Lease Liability' in the 2023 financial year for the office space leased in Townsville and Sydney following AASB 16 for accounting of leases. During the year ended 30 June 2023, a new lease was signed for an office space in Townsville and renewed its lease in Sydney. Following this decision, the 'Right-of-Use Asset' is disclosed in note 13 and the current lease liability is disclosed in note 15.

	2023 $	2022 $
The financial statements show the following amounts relating to leases:		
Depreciation	53,485	39,263
Interest expense (included in finance cost)	10,219	10,160
Value of Right-of-Use asset	106,970	-
Expense relating to short-term leases (included in occupancy expenses)	-	39,263
Total cash flows for leases	64,671	72,630

Note 18. Equity - issued capital

	Consolidated 2023 Shares	Consolidated 2022 Shares	Consolidated 2023 $	Consolidated 2022 $
Ordinary shares - fully paid	245,644,551	244,376,020	62,520,726	62,520,726

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

Movements in ordinary share capital of Aeris Environmental Ltd

Details	Date	Shares	Issue price	$
Balance - no par value	1 July 2021	243,827,837		62,430,276
Shares issued on conversion of performance rights		441,179	0.08	37,500
Shares issued to consultants and advisors		107,004	0.49	52,950
Balance - no par value	30 June 2022	244,376,020		62,520,726
Shares issued on conversion of performance rights*		1,068,531	0.00	-
Shares issued to consultants and advisors**		200,000	0.00	-
Balance - no par value	30 June 2023	245,644,551		62,520,726

*On 5 August 2022, former CEO Peter Bush was issued 1,068,531 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on 1 July 2023.

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on 5 August 2022.

**On 2 September 2022, a contractor was issued 50,000 shares as the result of work completed, issued at a deemed issue price of $0.05 per share and two consultants were issued a total of 150,000 shares on the conversion of their performance rights that were issued on 9 September 2019.

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

Note 18. Equity - issued capital (continued)

Share buy-back

There is no current on-market share buy-back.

Note 19. Equity - reserves

	Consolidated 2023 $	Consolidated 2022 $
Share-based payments reserve	1,965,645	1,960,861
Foreign currency translation reserve	(81,876)	(98,955)
	1,883,769	1,861,906

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments $	Foreign currency translation $	Total $
Balance at 1 July 2021	1,856,689	(156,257)	1,700,432
Foreign currency translation	-	57,301	57,301
Share based payments during the year allocated to:			
Employees and consultants	134,685	-	134,685
Key Management Personnel	59,938	-	59,938
Utilized for share issue	(90,450)	-	(90,450)
Balance at 30 June 2022	1,960,862	(98,956)	1,861,906
Foreign currency translation	-	17,079	17,079
Share based payments during the year allocated to:			
Employees and consultants	4,784	-	4,784
Balance at 30 June 2023	1,965,646	(81,877)	1,883,769

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.

The share-based payments reserve records the value of options or performance rights issued to employees, consultants and Directors, as part of the remuneration for their services and issued in consideration for business combinations.

Note 20. Equity - accumulated losses

	Consolidated 2023 $	Consolidated 2022 $
Accumulated losses at the beginning of the financial year	(57,793,452)	(50,663,025)
Loss after income tax benefit for the year	(3,653,743)	(7,130,427)
Disposal of investment in Aeris Cleantech Pte Ltd	(6,219)	-
Accumulated losses at the end of the financial year	(61,453,414)	(57,793,452)

Please refer to Singapore entity closure in note 33.

Note 21. Equity - non-controlling interest

	Consolidated 2023 $	Consolidated 2022 $
Retained profits	-	3,685

Note 22. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Earnings per share

	Consolidated 2023 $	Consolidated 2022 $
Loss after income tax attributable to the owners of Aeris Environmental Ltd	(3,653,743)	(7,130,427)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	245,422,124	243,957,661
Weighted average number of ordinary shares used in calculating diluted earnings per share*	245,422,124	243,957,661
	Cents	**Cents**
Basic earnings per share	(1.49)	(2.92)
Diluted earnings per share	(1.49)	(2.92)

Options and performance rights eligible for conversion into ordinary shares in future

	Number	Number
Performance rights	150,000	150,000
Options over ordinary shares issued subsequent to year-end	550,000	550,000
Performance rights issued subsequent to year-end**	-	1,068,831
	700,000	1,768,831

*Options and rights eligible for conversion into ordinary shares in future have an anti-dilutive effect, hence diluted EPS is same as basic EPS.

**This performance rights were converted in 2023 financial year.

There were no options over ordinary shares issued subsequent to year-end 2023

Note 24. Options and performance rights

On 15 July 2022, 550,000 options with an exercise price of $0.01 were issued to consultant Tim Fortin for services performed from June 2021 to January 2022. The options vested on the date of issue and each option may be exercised from the date of issue at any time up until the expiry date of 15 July 2025.

On 5 August 2022, former CEO Peter Bush was issued 1,068,531 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on 1 July 2023.

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on 5 August 2022.

Note 25. Share-based payments

Recognised share-based payment expenses

The expense recognised for employee services and external consultants during the year is shown in the table below:

	Consolidated 2023	Consolidated 2022
Employee Share Option Plan		
Employees and consultant	4,784	104,173
Total arising from share-based payment transactions	4,784	104,173

Details of share-based payment plan

The share-based payment plan will be described in the remuneration report in the Directors' Report. There have been no cancellations or modifications to the plan during 2023 and 2022.

Fair value of options or performance rights granted

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 fair value of performance rights granted is based on the market price of shares at the date of issue.

Particulars of options or performance rights granted over unissued shares:

	Options 2023	Options 2022	Rights 2023	Rights 2022
Options or rights on issue:				
Employees and consultants	-	-	-	150,000
Key management personnel	-	-	-	-
	-	-	-	150,000
Options or rights granted during the year:				
Employees and consultants	550,000	-	150,000	-
Key management personnel *	-	-	1,068,531	-
	550,000	-	1,218,531	-
Shares issued as a result of exercise of options or rights:				
Employees and consultants	-	-	150,000	107,004
Key management personnel *	-	-	1,068,531	441,179
	-	-	1,218,531	548,183
Options or rights expired or forfeited:				
Employees and consultants	-	345,000	-	313,417
Key management personnel	-	50,000	-	-
	-	395,000	-	313,417
Weighted average remaining contractual life	2.04 years	0 years	3.48 years	1.07 years
Range of exercise prices	$0.01	$0.42	-	-

*Peter Bush, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2023 financial year.

Note 26. Financial instruments

Financial risk management objectives

Capital

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

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.

Note 26. Financial instruments (continued)

Financial risk management objectives (continued)

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.

Principal financial instruments

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

- Cash at bank;
- Trade and other receivables;
- Deposits and bonds; and
- Trade and other payables

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:

	Consolidated	
	2023 $	2022 $
Trade receivables	165,366	799,451
R&D tax offset rebate receivable	230,000	292,785
Deposits and bonds	9,310	21,999
Deposits with BankWest	2,463,421	5,033,418
Deposits with Wise, USA	48,844	-
Deposits with Bank of America, USA	5,448	61,395
Deposits with ANZ Bank	67,413	208,328
Deposits with Bank of China, China	14,870	-
	3,004,672	6,417,376

(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.

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.

Note 26. Financial instruments (continued)

Maturity analysis - 2023	**Cash flows** $	**< 6 months** $	**6 - 12 months** $	**1-3 years** $	**>3 years** $
Financial assets					
Cash and cash equivalents	2,599,996	2,599,996	-	-	-
Trade and other receivables	458,761	337,483	37,515	83,668	95
R&D tax offset rebate receivable	230,000	230,000	-	-	-
Security deposits	14,189	-	-	-	14,189
	3,302,946	3,167,479	37,515	83,668	14,284
Financial liabilities					
Trade payables	(687,519)	(428,659)	(211,215)	(47,645)	-
Other payables including GST and PAYG payable	(796,276)	(679,326)	-	(116,950)	-
Lease liabilities	(114,753)	(22,138)	(27,457)	(65,158)	-
	(1,598,548)	(1,130,123)	(238,672)	(229,753)	-
Net Maturity	1,704,398	2,037,356	(201,157)	(146,085)	14,284

Maturity analysis - 2022	**Cash flows** $	**< 6 months** $	**6 - 12 months** $	**1-3 years** $	**>3 years** $
Financial assets					
Cash and cash equivalents	5,303,142	5,303,142	-	-	-
Trade and other receivables	799,451	799,451	-	-	-
R&D tax offset rebate receivable	292,785	292,785	-	-	-
Security deposits	21,999	-	-	-	21,999
	6,417,377	6,395,378	-	-	21,999
Financial liabilities					
Trade payables	(524,578)	(524,578)	-	-	-
Other payables including GST and PAYG payable	(867,908)	(867,908)	-	-	-
	(1,392,486)	(1,392,486)	-	-	-
Net Maturity	5,024,891	5,002,892	-	-	21,999

(iii) Market risk

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 is set out below:

Note 26. Financial instruments (continued)

2023	Notes	Weighted Average Interest Rates	Floating Interest Rates	Fixed Interest Rates	Non-Interest Bearing	Total
Financial assets						
Cash and cash equivalents	8	1.25%	2,599,996	-	-	2,599,996
Deposits	11	0.00%	-	-	14,189	14,189
Trade and other receivables	9	0.00%	-	-	688,761	688,761
Total assets			2,599,996	-	702,950	3,302,946
Financial liabilities						
Trade and other payables	14	0.00%	-	-	(1,483,792)	(1,483,792)
Lease liabilities		7.22%	-	(114,753)	-	(114,753)
Total liabilities			-	(114,753)	(1,483,792)	(1,598,545)
			2,599,996	(114,753)	(780,842)	1,704,401

2022	Notes	Weighted Average Interest Rates	Floating Interest Rates	Fixed Interest Rates	Non-Interest Bearing	Total
Financial assets						
Cash and cash equivalents	8	0.20%	5,033,405	-	269,737	5,303,142
Deposits	11	2.20%	-	-	21,999	21,999
Trade and other receivables	9	0.00%	-	-	1,092,236	1,092,236
Total assets			5,033,405	-	1,383,972	6,417,377
Financial liabilities						
Trade and other payables	14	0.00%	-	-	(1,392,486)	(1,392,486)
Total liabilities			-	-	(1,392,486)	(1,392,486)
			5,033,405	-	(8,514)	5,024,891

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	Carrying Amount	+2% Interest rate Profit or Loss	-1% Interest rate Profit or Loss
2023			
Deposits on call	2,463,421	49,268	(24,634)
Tax charge of 25%	-	(12,317)	6,159
	2,463,421	36,951	(18,475)
2022			
Deposits on call	5,033,405	100,668	(50,334)
Tax charge of 25%	-	(25,167)	12,584
	5,033,405	75,501	(37,750)

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.

Note 26. Financial instruments (continued)

Currency risk (continued)

The Group's exposure to foreign currency risk, including inter-company balances which are eliminated on consolidation, is as follows:

	2023				2022			
Exposure Currency	Balance in denominated currency	Balance in functional currency	Sensitivity	Equity Change	Balance in denominated currency	Balance in functional currency	Sensitivity	Equity Change
US Dollar	(3,108,291)	(4,682,056)	10%	425,641	(2,587,128)	(3,754,211)	10%	341,292
Chinese Yuan	4,737,589	983,749	10%	(89,432)	-	-	10%	-
Euro	(7,457)	(12,227)	10%	1,112	(7,457)	(11,308)	10%	1,028
GBP	(70,822)	(135,098)	10%	12,282	(12,490)	(22,017)	10%	2,001.58

	30-Jun-23			30-Jun-22		
	Balance in AUD	Sensitivity	Profit and Loss Change	Balance in AUD	Sensitivity	Profit and Loss Change
USD - Cash	54,292	10%	(3,604)	61,395	10%	(4,231)
CNY - Cash	14,870	10%	(7,161)	-	10%	-
Euro - Cash	-	10%	-	-	10%	-
GBP - Cash	-	10%	-	-	10%	-

Sensitivity analysis on the foreign currency exposure risk is not disclosed as the foreign currency balances are not material and the impact of any change in exchange rates would be immaterial.

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, 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.

Note 27. Key management personnel disclosures

Directors
The following persons were directors of Aeris Environmental Ltd during the financial year:

Maurie Stang
Steven Kritzler
Abbie Widin
Jenny Harry

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Andrew Just (CEO)

Peter Bush, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2023 financial year.

Compensation

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

	Consolidated	
	2023 $	2022 $
Short-term employee benefits	535,212	704,465
Post-employment benefits	52,837	54,048
Share-based payments	-	59,838
	588,049	818,351

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

Note 28. Remuneration of auditors

	Consolidated 2023 $	Consolidated 2022 $
Remuneration of UHY Haines Norton for -		
Audit of the annual financial report	60,000	35,900
Review of the half yearly financial report	24,278	19,576
	84,278	55,476

Note 29. Contingent liabilities

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

Note 30. Commitments for expenditure

There were no commitments identified at balance date as at the 2023 financial year.

Note 31. Related party transactions

Parent entity

Aeris Environmental Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

There were trade receivables from and trade payables to related parties at the current and previous reporting date, which are set out in the remuneration report in the Directors' Report.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 32. Parent entity information

	Parent 2023 $	Parent 2022 $
Current assets	4,524,838	6,936,049
Total assets	**5,730,275**	**8,086,981**
Current liabilities	(2,622,336)	(1,441,009)
Total liabilities	**(2,674,712)**	**(1,441,009)**
Issued capital	62,520,725	62,520,725
Accumulated losses	(61,430,807)	(57,835,612)
Share-based payments reserve	1,965,645	1,960,861
	3,055,563	**6,645,974**

	Parent 2023 $	Parent 2022 $
Net profit (loss) after tax for the period	(3,562,663)	(7,136,271)
Total comprehensive loss for the period	(3,545,584)	(7,078,970)

Note 33. Interests in subsidiaries - particulars relating to controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
Name of entity	**Principal place of business/Country of incorporation**	**2023 %**	**2022 %**
Aeris Pty Ltd	Australia	100.00%	100.00%
Aeris Biological Systems Pty Ltd	Australia	100.00%	100.00%
Aeris Hygiene Services Pty Ltd	Australia	100.00%	100.00%
Aeris Environmental LLC	USA	100.00%	100.00%
Aeris Cleantech Pte Ltd	Singapore	0.00%	75.00%
Aeris Cleantech Europe Ltd	Malta	100.00%	100.00%
Aeris Environmental (UK) Ltd	UK	100.00%	100.00%
Shanghai Aeris Environmental Technology Co. Ltd	China	100.00%	100.00%

Aeris ceased operations in Aeris Cleantech Pte Ltd during the 2021-22 Financial year and the company was deregistered on 7/02/2022. Any remaining balances have been released through FY23 to remove from the consolidated group. See statement of changes in equity and note 21.

Note 34. Subsequent events

There have been no matters or circumstances, which have arisen since 30 June 2023 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2023, of the consolidated entity; or
(b) the results of those operations;
(c) the state of affairs, in the financial years subsequent to 30 June 2023, of the consolidated entity.

Note 35. Reconciliation of loss after income tax to net cash used in operating activities

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:

	Consolidated	
	2023	**2022**
	$	**$**
Cash at bank and on hand	136,575	269,737
Deposits on call	2,463,421	5,033,405
	2,599,996	5,303,142

	Consolidated	
	2023	**2022**
	$	**$**
Loss after income tax benefit for the year	(3,653,743)	(7,130,427)
Adjustments for:		
Depreciation and amortisation	117,387	99,851
Impairment of current assets	426,517	1,594,891
Interest on lease liability	10,219	7,125
Share-based payments	4,784	104,172
Other adjustments	(50,540)	21,855
Repayment of lease liabilities	64,671	68,595
Change in operating assets and liabilities:		
Decrease in trade receivables and other receivables	293,199	156,154
Decrease/(Increase) in inventories	74,868	184,101
Decrease/(Increase) in other operating assets	10,227	63,349
Decrease in trade and other payables	91,306	(946,301)
Increase/(decrease) in employee benefits	28,518	(330,721)
Net cash used in operating activities	(2,582,587)	(6,107,356)

Note 36. Additional company information

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

Principal registered office and principal place of business
5/26-34 Dunning Avenue
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