

Appendix 4E

Preliminary final report for the financial year ended 30 June 2005

Name of entity

AERIS TECHNOLOGIES LTD ABN: 19 093 977 336

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	down	65%	to	631
Profit (loss) from ordinary activities after tax attributable to members	up	757%	to	(2,486)
Profit (loss) from extraordinary items after tax attributable to members		-		-
Net profit (loss) for the period attributable to members	up	757%	to	(2,486)
Dividends (distributions)				
		Amount per security		Franked amount per security
Final dividend		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢

Brief Explanation

The past 12 months have seen Aeris Technologies reach a number of strategic milestones including distribution agreements with leading global organisations, the progression of the EPA regulatory approval process in the USA and more recently the winning of the Company's first OEM contract.

These milestones have validated both the Company's technology and the market opportunity and have laid the foundations for Aeris to realise its goal of being a global leader in environmental hygiene.

Global Distribution

In the year ending 30 June 2005 Aeris has focused heavily on strengthening its global distribution network through relationships and agreements with recognised international organisations with proven records in selling technology solutions to key customers.

At the start of the financial year Aeris welcomed Trane as its exclusive distributor in Thailand and Indo China. Trane is a global leader in HVAC (heating ventilation and air-conditioning) systems and services with a turnover estimated at USD \$5 billion and is a subsidiary of the Fortune 500 company American Standards. Trane provides Aeris a unique partnership focusing on its key strengths in commercial, residential and OEM (original equipment manufacturer). Trane has 28 manufacturing operations around the globe offering particular opportunity for the Company's AerisCoat Corrosion Protection products. The signing of the distribution agreement with this industry leader was a strong validation of Aeris' pioneering technology.

In May 2005 Aeris signed a memorandum of understanding (MOU) with Sumitomo 3M Limited for the exclusive distribution and marketing of the complete range of Aeris products in Japan. Sumitomo 3M is a subsidiary of 3M, a leading Fortune 500 company, has over 2,000 employees in Japan and enjoys a strong position in several of the markets that the Aeris products address.

The signing of the MOU followed extensive independent validation of the market opportunity by Sumitomo 3M Limited including the completion of a number of demonstrations with key customer groups in Tokyo. Japan is the second largest heating, ventilation and air-conditioning (HVAC) market in the world and represents an outstanding opportunity for Aeris' complete product portfolio due to a major focus on energy saving and a parallel heightened concern for human health and safety.

Sumitomo 3M plans to commence commercial activity with the Aeris range in late 2005 and will move to a full national launch in 2006. Prior to signing this landmark agreement with Sumitomo 3M, Aeris had received confirmation that the complete range of its products can be marketed in Japan without any additional regulatory requirements. Sumitomo 3M brings a complete coverage and intimate knowledge of the Japanese market to the successful launch of Aeris in Japan and provides a partner with a strong technical capability well aligned with Aeris' requirements.

The Company has now received the first commercial order from Sumitomo 3M in preparation for the planned pre-launch late 2005. It is expected that the first two orders from 3M will total an estimated \$250,000.

In Australia Aeris Technologies entered into a strategic partnership with ChemDry Australia to become a national applicator of the AerisGuard Total Air Care Pack. ChemDry, with headquarters based in USA, is one of the world's leading carpet cleaning organisation with over 3,000 franchises globally. ChemDry Australia have more than 200 active franchises and service approximately 200,000 homes per year. ChemDry had been seeking to expand their product offering to their customers, and with 10% of all carpet cleaning jobs resulting from allergy concerns, the Total Air Care Pack has proven to be a perfect strategic fit.

New Products

Aeris continues to invest in research and development to maintain its already strong R&D pipeline.

Early in 2005 Aeris commenced pre-launch trials of a new corrosion protection product to add to its AerisCoat™ technology range. Whereas the AerisCoat OEM product is applied during the manufacturing of the HVAC system, the new product is designed for application in HVAC systems post installation. Corrosion of HVAC components is a major global problem and significantly reduces the equipment life. The trials are being conducted in USA and Australia and launch is expected in late 2005.

New Markets

The need for the technologies developed by Aeris extends across a broad range of markets. As each market has its own specific requirements the Company seeks leading specialist companies to ensure a successful market entry.

In May the Company signed an memorandum of understanding (MOU) with Ecowize Holdings Pty Ltd for the application of the Aeris HVAC technologies in the food processing industry in Australia and New Zealand. There is a significant need within the food processing industry for uncontaminated air and Ecowize's focus on hygiene solutions is an excellent strategic fit with Aeris Technologies and the unique benefits of the AerisGuard air-conditioning protection system. Ecowize is a leading provider of specialized hygiene, cleaning and sanitation services to the food processing industry in Australasia and South Africa employing a total of 2,000 people with 500 in Australasia.

The MOU provides Ecowize an exclusive distribution agreement within the food processing industry of Australasia and is expected to generate revenues to Aeris of \$600,000 per annum within 2 years and the opportunity to enter the substantial South African market. The Company is currently in the process of acquiring the regulatory approvals specific for the food industry.

AerisGuard Customers

Aeris and its distributors continue to expand the base of AerisGuard customers with particular success in the global hospitality industry.

During the year Le Meridien Hotel in Dubai, which is part of the global Le Meridien group of 130 hotels and resorts in 56 countries, applied AerisGuard in all its 383 rooms. The Grand Hyatt Hotel in Mumbai with 1,000 rooms and the Grant Hyatt hotel in Dubai with 1,400 rooms both also chose the AerisGuard solution to be applied throughout the buildings. Additionally, the Oberoi Hilton Resort in Mumbai became a new AerisGuard customer.

Regulatory Approvals

In May 2005 the Company filed its regulatory submission to the USA Environmental Protection Agency (EPA) for its unique and patented AeriGuard™ Bioactive Coil Treatment product. The AeriGuard Bioactive Coil Treatment is the cornerstone of the Aeri technology solution within the HVAC (heating, ventilation and air-conditioning) market. Once the product is registered the Company expects a rapid acceleration of business in the USA, the largest HVAC market in the world.

In August the Company provided the market an update on its EPA approval process for the Bioactive Coil Treatment Product and advised that there was a potential for an extended review process that would see approval being given in early 2006.

Significant Post Reporting Events

OEM Contracts

In July 2005 Aeri Technologies received its first order for its unique AeriCoat™ OEM (original equipment manufacture) Corrosion Protection product. The order for 2,000 litres was from SKM in the United Arab Emirates, one of the leading manufacturers of residential and commercial air-conditioning equipment in the Gulf region. It is expected that the SKM business will grow over the next 24 months generating an estimated \$500,000 to \$750,000 in annual sales revenue to Aeri Technologies.

At the beginning of September Aeri announced that it had received its second order for the AeriCoat product, this time from Voltas in India. Voltas is a leading diversified Indian company and the largest manufacturer of commercial and residential air-conditioning equipment in India. As Voltas expands the use of the AeriCoat product throughout its production plants it is expected to generate annual revenues to Aeri Technologies in excess of those estimated for the SKM business. This second OEM customer in 2 months adds significant momentum to Aeri's global OEM business.

R&D Grant

In August 2005 Aeri advised the market that, in conjunction with the University of New South Wales, it has been awarded a \$540,000 Australian Research Council ARC Linkage Grant.

The grant covers a period of 3 years from July 2005 and will fund research into substantially broadening the Aeri enzyme applications and product portfolio. This new range of enhanced enzymes is to be achieved through chemical modification technology thereby offering Aeri new opportunities across a broad range of novel applications.

The potential commercial outcomes of the research include temperature sensitive applications, significant cost advantages, and the potential to use Aeris formulations in the large potable water and food contact markets.

This research project has already delivered a significant result whereby Aeris has successfully extended the range of operating temperatures at which one of its key enzymes retains full activity. This outcome will further expand the market opportunities arising from the Company's enzyme technology into areas such as hot water applications.

The expansion of the Company's advanced enzyme technology will significantly strengthen its intellectual property portfolio and Aeris intends to invest in resources to take advantage of the resulting extensive commercial opportunities.

Further details are provided in the commentary below.

Highlights of results

	For the year ended	
	30 June 2005	30 June 2004
	\$000's	\$000's
Revenue from ordinary activities	631	1,786
Net profit/(loss) attributable to members of Aeris Technologies Ltd	(2,486)	(290)

Commentary on results

Results from Operations

The financial results for the last 12 months reflect the continuing focus on building a strong and enduring global distribution network and longer-than-expected regulatory approval processes in key markets.

Over the period the Company incurred a net loss of \$2.4 million on revenue of \$631,597. The loss was as envisaged in Aeris' internal forecast following the protracted regulatory processes in key markets, including USA and IndoChina, as well as the investment in staff resources at the beginning of the year to manage the Company's expanding global relationships and opportunities.

The sales income received during the year primarily came from a repeat order from our French distributor for the unique Enzyme Cooling Tower Cleaner and the direct sales activity in Australia in both the commercial and residential markets.

Aeris' operating costs were less than the internal forecast and increased in line with the planned support activities for our current and newly appointed distributors. The average monthly operating expenses (excluding cost of goods sold, non-cash items and before the expected government grant reimbursements) was only \$233,000.

As at 30 June 2005 the Company had \$8.18 million in cash (following the exercise of share options which expired 1 July 2005), \$1.31 million in receivables and remains

debt free. As previously announced cash receipts were primarily impacted by the EPA process in the USA.

During the year, the Company received the full entitlement of \$150,000 for the Government's Export Market Development Grant and is also entitled to other Government rebates in respect to its research expenditure.

Aeris firmly believes that the pilot launch in Japan (the world's second largest HVAC market), the awarding of regulatory approval in USA in early 2006, and success with the AerisCoat corrosion protection technology will contribute to a ramp-up of the Company's revenues in the coming 12 months.

Dividends

No dividends were paid or proposed during the year.

Consolidated statement of financial performance

	For the year ended	
	30 June 2005 \$000's	30 June 2004 \$000's
Revenues from operating activities	317	1,712
Export Market Development Grant	150	-
Interest revenue	113	74
Rental income	51	-
Consulting and administration services	(205)	(65)
Cost of goods sold	(135)	(692)
Depreciation and amortisation expense	(188)	(108)
Employee benefits expense	(1,000)	(449)
Marketing and travel	(752)	(487)
Occupancy expense	(213)	(53)
Other expenses from ordinary activities	(433)	(309)
Product Registration	(191)	(1)
Profit (loss) from ordinary activities before income tax expenses	(2,486)	(378)
Income tax expense relating to ordinary activities	-	88
Net profit (loss) from ordinary activities after income tax expense attributable to members of the parent entity	(2,486)	(290)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised in equity	-	-
Total changes in equity other than those resulting from transactions with owners as owners	(2,486)	(290)
Accumulated Losses		
	30 June 2005 \$000's	30 June 2004 \$000's
Accumulated losses at the beginning of the financial year	(2,087)	(1,797)
Net loss attributable to the members of the parent entity	(2,486)	(290)
Accumulated losses at the end of the financial year	(4,573)	(2,087)

Consolidated statement of financial position

	30 June 2005 \$000's	30 June 2004 \$000's
CURRENT ASSETS		
Cash assets	8,182	898
Inventories	264	188
Receivables	1,312	1,533
Other	65	28
TOTAL CURRENT ASSETS	9,823	2,647
NON-CURRENT ASSETS		
Plant and equipment	136	126
Intangible assets	5,609	5,438
TOTAL NON-CURRENT ASSETS	5,745	5,564
TOTAL ASSETS	15,568	8,211
CURRENT LIABILITIES		
Payables	327	480
Provisions	53	15
Interest-bearing liabilities	7	8
TOTAL CURRENT LIABILITIES	387	503
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	-	7
TOTAL NON-CURRENT LIABILITIES	-	7
TOTAL LIABILITIES	387	510
NET ASSETS	15,181	7,701
EQUITY		
Contributed equity	19,754	9,788
Accumulated losses	(4,573)	(2,087)
TOTAL EQUITY	15,181	7,701

Consolidated statement of cash flows

	For the year ended	
	30 June 2005 \$000's	30 June 2004 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	364	371
Payment to suppliers and employees	(3,332)	(2,171)
R&D tax offset	-	88
Export Market Development Grant	150	-
Foreign Exchange Gains	103	-
Interest received	110	74
Interest paid	(1)	(2)
Net cash used in operating activities	<u>(2,606)</u>	<u>(1,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of assets	<u>(77)</u>	<u>(94)</u>
Net cash provided by (used in) investing activities	<u>(77)</u>	<u>(94)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	10,097	1,659
Share issue expenses	<u>(130)</u>	<u>(43)</u>
Net cash provided by (used in) financing activities	<u>9,967</u>	<u>1,616</u>
Net increase (decrease) in cash held	7,284	(118)
Cash at the beginning of the financial year	<u>898</u>	<u>1,016</u>
Cash at the end of the financial year	<u>8,182</u>	<u>898</u>
Reconciliation of cash		
	30 June 2005 \$000's	30 June 2004 \$000's
Cash on hand and at bank	<u>8,182</u>	<u>898</u>

Notes to the consolidated financial statements

Impact of adopting Australian equivalents to International Financial Reporting Standards (“AIFRS”)

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity's management has analysed most of the AIFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adoption AIFRS are shown for each key area. Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change due to:

1. Amended or additional standards or interpretations may be issued by the AASB and the IASB
2. Emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group (UIG) Interpretations

Therefore, until the consolidated entity prepares its full AIFRS financial statements, the possibility cannot be excluded that the major changes shown below may have to be adjusted.

(i) Income tax

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

It is not expected that there will be a financial impact as a result of the change in accounting policy.

(ii) Equity-based compensation benefits

Under current Australian GAAP no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted will be measured using the binomial method, taking into account the terms and conditions attached to the options. The amount recognised as an expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions.

For the financial year ended 30 June 2005, employee benefits expense and retained earnings are expected to be increased by \$148,027 in the consolidated entity and \$148,027 in the Company representing the options expense for the period.

(iii) Impairment of Assets

The standard AASB 136 Impairment of Assets will require a change in accounting policy to determine if impairment indicators exist, and if they do exist then the consolidated entity will perform an impairment assessment focussing on the discounted cashflows of the related cash generating unit, to determine whether any assets need to be written down. This will result in a change to the current accounting policy, under which the relevant cashflows are not discounted. Whilst a full assessment has not yet been performed management do not believe that any assets were impaired on transition or at 30 June 2005.

(iv) Research and Development Expenditure

Under AIFRS costs associated with the research phase of the development of an asset must be expensed. This will result in a change in the current accounting policy, which capitalises research costs as an intangible asset where it is expected beyond reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

On transition and as at 30 June 2005, research expenditure previously capitalised will be derecognised and an adjustment of \$5,610,382 is expected to be made through retained earnings of the consolidated entity at 1 July 2004. This amount is made up of both the acquisition of the initial intellectual property and patents, through the acquisition of Aeris Pty Ltd in mid 2002 and subsequent research and patent costs incurred.

(v) Presentation of Financial statements

There will be presentation impact as required under various standards. Key impacts include:

Under AIFRS, government grants, interest revenue and shareholder contributions are classified as other income. This is in contrast to the current Australian GAAP treatment under which such items are classified as revenue. This will require a reclassification in the financial statements.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify all of the impacts of the transition to AIFRS on the consolidated entity's financial position and reported results.

Earnings per security (EPS)

	30 June 2005	30 June 2004
Calculation of the following in accordance with AASB 1027: Earnings per Share		
Net profit/(loss)	(2,486)	(290)
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	48,798,911	43,478,037
Basic EPS – loss per share	(5.1) cents	(0.7) cents

NTA backing

	30 June 2005	30 June 2004
Net tangible asset backing per ordinary share	16.6 cents	5.00 cents

Compliance statement

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

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

Date: 13 September 2005

Print name: Robert J Waring