

## **CHAIRMANS ADDRESS 2023 ANNUAL GENERAL MEETING 29 NOVEMBER 2023**

We described 2022 FY as “Annus Horribilis” with sales falling by 21% from the previous year because of the impact of the scarcity of component parts resulting from the Covid pandemic

It was pleasing to report that sales rebounded in the 2022/23 financial year and those sales level trends have continued since year end.

Recorded sales are up and down each month as sales are only recognised on the shipment of goods and this can be impacted by delivery delays which arise for a number of reasons.

Based on present trends, we expect to record sales of \$20 - \$21 million this financial year and remain profitable

### **Operation Review**

#### **Australian Operations**

The effects of the Covid 19 pandemic are now behind us.

Part supply, shipping services and labour attendance have stabilised with container pricing presently pre-pandemic levels.

Skilled and semi-skilled production labour in Australia has always been, and continues to be, a problem. This labour shortage is now evident across the whole economy with particular emphasis on skilled engineering labour.

There is an extreme shortage of engineers who are suitably qualified and experienced to design and detail the complex HVAC products which are the Group's main revenue source.

The new factory in Ingleburn, occupied since April 2022, has had a positive impact on production capacity. The move coincided with the introduction of a 4 day work week that has improved productivity and labour force stability.

The Ingleburn factory is sufficient for present and planned Australian manufacturing and testing operations.

#### **South East Asian Operations**

The Malaysian manufacturing operation has become an essential part of the Group's ability to meet demand for the range of products it offers.

The annual report referred to a possible Malaysian factory move. A new lease has been signed with the move to be completed by early December 2023.

This new factory is double the size of the present production area.

As part of this expansion, there has been significant capital expenditure in metal processing machinery panel making equipment and automated insulation fabrication which will produce components and undertake operations that are presently outsourced.

### **Product Demand & Sales**

Project enquiries slowed in late 2022 and early 2023.

This slowing enquiry trend reversed in March 2023 and has maintained consistency since that time.

Forward orders are now approx.5 months production capacity.

We have noted that heat and energy recovery products, which were the backbone of the company's foundation and early operations, now account for less than 35% of Group revenue with the growth in other products.

There has been significant growth in requests for specialised climate control systems that can cool and dehumidify in the hotter summer months but heat and humidify in the cooler winter period. These units are used for specialised manufacturing facilities, data centres, laboratory make up air and climate controlled storage facilities.

Looking forward, demand for these complex systems is forecast to increase with the effects of climate change if design and manufacturing capacity is available.

### **Future Strategy & Outlook**

Enquiry levels remain very strong.

The group has built up an engineering capacity that gives it a distinct advantage over its competitors where complex cooling and dehumidification solutions are required.

The Company has become the preferred supplier of certain HVAC systems by a number of major Australian companies which require tight heat and humidity control in their operations.

Future growth, is and will be, constrained by a shortage of specialist engineers and manufacturing staff.

Staff recruitment and retention is increasingly difficult.

Experienced engineering staff are difficult to find and recruit.

Employment costs have risen significantly over the past year and will continue to rise as engineering and trade staff become increasingly difficult to source in a very competitive employment environment.

The Australian dollar has traded in the range of US0.62 to US\$ 0.70 during this past financial year which was just within our expected trading range.

### **Research & Development**

Research and new product development ("R&D") has almost ceased. Detailed engineering and product improvement of DOAS and dehumidification solutions continues but there was no new fundamental R&D during the year.

These product improvements focus on energy efficient and close control space temperature and humidity systems with emphasis on intelligent controls and programming.

**Alan Jones**  
**Chairman**