

Appendix 3

Air Change International Limited

ABN 14 087 737 068

Half yearly report

Period ended 31 December 2023

Results for Announcement to the Market

Corresponding period is 31 December 2022

Total revenue & other income from ordinary activities	up/down	14.07%	to	\$A'000 8,762
Profit from ordinary activities after tax attributable to members	up/down	36.62%	to	270
Net profit for the period attributable to members	up/down	36.62%	to	270
Dividends/distributions	Amount per security	Franked amount per security		
Final dividend	n/a	-		
Interim dividend	n/a	-		

Record date for determining entitlements to the interim dividend
N/A

n/a

Explanation of Revenue

Refer attached half-year report

Explanation of Profit from ordinary activities after tax

Refer attached half-year report

Explanation of Net Profit

Refer attached half-year report

NTA Backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary share	\$0.231	\$0.173

This report is based on accounts which have been reviewed by the auditors of Air Change International Limited. A report of their review appears in the half-year financial report.

Air Change International Limited

ACN 087 737 068

Half-year Report

For the half-year ended 31 December 2023

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Directors:	Alan Stephen Jones (Non-Executive Chairman) Raymond Neil Fimeri (Executive Director) Peter Anthony Curry (Independent Non-Executive Director)
Secretary:	Robert Lees
Principal & Registered Office:	11 Broadhurst Road Ingleburn NSW 2565 Tel: (02) 8774 1400 e-mail: invest@airchange.com.au
Share Registrar:	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 1115
Auditors:	BDO Audit Pty Ltd ("BDO") Level 11, 1 Margaret St Sydney NSW 2000
Bankers:	ANZ Level 4, 20 Smith St Parramatta NSW 2150
Solicitors:	Addison Lawyers Level 12 60 Carrington Street Sydney NSW 2000
Stock Exchange Listing:	Air Change International Limited shares are listed on the National Stock Exchange of Australia Limited (Code: ordinary shares "AC1")
Company number:	ACN 087 737 068 ABN 14 087 737 068

DIRECTORS' REPORT

Your directors present their report on the Air Change International Group, consisting of Air Change International Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2023 ("the Group").

Directors and Officers

The following persons were directors of the Company at any time during the half year and up to the date of this report:

Alan Stephen Jones (Chairman, Non-Executive Director)

Raymond Neil Fimeri (Executive Director)

Peter Anthony Curry (Independent Non-Executive Director)

Principal Activities & Operational Structure

The principal activity of the Group is the design, manufacture and sale of heating, cooling and ventilation equipment for industrial, commercial and institutional buildings and industrial processes. The Group has four principal brand identities:

Air Change	dehumidification and dedicated outdoor air systems (DOAS) for building ventilation with precise temperature and humidity control
Dunnair	water and air cooled packaged air conditioning equipment
Fan Coil Industries	air handling and fan coil units (ahu's & fcu's) to heat and cool building spaces using hot/cold water coils
Summit Industrial Chillers	process cooling systems for industrial, food and manufacturing processes.

The Group operates in Australasia and South East Asia with:

- company sales offices in NSW, Victoria and Queensland;
- distribution agents in South Australia, West Australia, Northern Territory, Tasmania, New Zealand, Singapore, and Vietnam;
- engineering design, research and administration operations in Sydney, Australia;
- Group manufacturing operations in Sydney, Australia and Johor, Malaysia; and
- component and sub-assembly suppliers principally from China, Malaysia, Thailand and Europe.

Review of Operations for half year to 31 December 2023

The year ended 30 June 23 reported solid earning after a poor 21/22 financial year. This improvement came as a result of better component and part availability in 22/23 which had been in short supply in 21/22.

The results for the first 4 months of this current half 23/24 financial year were solid but fell away in the last 2 months again due to component and part shortages.

Firstly, cyclonic weather conditions in October delayed container shipping out of China with additional delays for these containers and other shipments from South East Asia resulting from the industrial action occurring at the ports on the Australian eastern seaboard.

These delays impacted sales in November and December and caused production downtime in the Australian manufacturing operation.

The end result was a profit of \$269k on revenue of \$8.74 million which declined from \$10.1 million in the corresponding half of last year.

In addition to the negative impact on profitability, these shipping delays have a major impact on cashflow.

Containers that were due in early December have arrived in early February and not in the order that they were shipped which causes additional completion and delivery problems.

Some, but not all, of these deferred sales will be regained in the second half provided that sufficient labour is available to complete manufacture and testing when all parts are available. Fully completed units from overseas will be shipped immediately upon arrival and final testing.

As indicated in the 22/23 Annual Report, the Company moved its manufacturing operation in Malaysia in November and December 23 which has impacted production.

Again, this lost manufacturing will be completed in the second half which should increase this next half sales revenue.

Relocation and set up costs have negatively impacted the result for this last half year. New equipment and production processes should be up and running around April which will then justify the additional rental and amortisation costs now being incurred.

Staff shortages, particularly the availability of experienced engineering staff, continues to be an issue. To partially offset this Australian problem, additional engineering staff have been appointed in Malaysia but their role is manufacturing and not design focused.

Container freight continues to be available at reasonable rates but road freight prices in Australia are still well above the historical norm.

The A\$:US\$ has been positive in the last 2 to 3 months of the half year staying over \$0.65 but is now again falling adding to component costs.

Orders on hand presently exceeds 6 months production at current rates.

Enquiries were well down in December and early January but have picked up significantly since Australia Day. There is no shortage of enquiry or order intake.

The outlook for the second half year is better than the first half now that the dock dispute has been resolved and shipments predicted to return to normal.

Dividends

The Directors do not recommend the payment of a dividend at this time.

Auditor's independence declaration

A copy of auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Directors.



Raymond N Fimeri
Managing Director
Sydney
4 March 2024

DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF AIR CHANGE INTERNATIONAL LIMITED

As lead auditor for the review of Air Change International Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Air Change International Limited and the entities it controlled during the period.



Ian Hooper
Director

BDO Audit Pty Ltd

Sydney, 4 March 2024

Air Change International Limited
Consolidated statement of profit or loss and other comprehensive income
for half year ended 31 December 2023

		Half-year	
	Note	31 December 2023 \$'000	31 December 2022 \$'000
Revenue		8,744	10,158
Other income		18	39
Total revenue & other income		8,762	10,197
Changes in inventories		213	672
Raw materials and consumables used		(4,635)	(6,312)
Administration costs		(403)	(361)
Occupancy costs		(91)	(110)
Employee benefits expenses		(2,909)	(2,889)
Depreciation and amortisation expenses		(62)	(71)
Depreciation on right-of-use assets		(323)	(307)
Finance costs		(211)	(243)
Other expenses		(118)	(202)
Profit before income tax		223	374
Income tax benefit	6	47	52
Net profit for the period		270	426
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		-	5
Other comprehensive income for the period, net of tax		-	5
Total comprehensive income for the period		270	431
Basic earnings per share		\$0.015	\$0.024
Diluted earnings per share		\$0.015	\$0.024

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

Air Change International Limited
Consolidated statement of financial position
as at 31 December 2023

		31 December 2023	30 June 2023
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		174	219
Trade & other receivables		3,148	3,856
Inventories		3,864	3,670
Total current assets		7,186	7,745
Non-current assets			
Plant, equipment, fixtures and fittings		537	479
Right-of-use assets	9	5,712	3,911
Rental bonds & term deposit		329	309
Intangible assets	7	2,912	2,912
Deferred tax assets		478	431
Total non-current assets		9,968	8,042
TOTAL ASSETS		17,154	15,787
Current liabilities			
Trade & other payables		2,361	2,394
Borrowings	8	493	1,253
Lease liabilities		514	373
Employee entitlements		1,196	1,210
Total current liabilities		4,564	5,230
Non-current liabilities			
Other payables		-	8
Lease liabilities	9	5,540	3,762
Employee entitlements		28	35
Make good provision- right-of-use assets		13	13
Total non-current liabilities		5,581	3,818
TOTAL LIABILITIES		10,145	9,048
Net Assets		7,009	6,739
Equity			
Contributed equity	4	7,105	7,105
Reserves		119	119
Accumulated losses		(215)	(485)
Total Equity		7,009	6,739

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

Air Change International Limited
Consolidated statement of changes in equity
For half year ended 31 December 2023

HALF-YEAR ENDED 31 December 2023

	Issued capital	Reserves	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2023	7,105	119	(485)	6,739
Profit for the period	-	-	270	270
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	270	270
As at 31 December 2023	7,105	119	(215)	7,009

HALF-YEAR ENDED 31 December 2022

	Issued capital	Reserves	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2022	7,105	99	(1,670)	5,534
Profit for the period	-	-	426	426
Other comprehensive income, net of tax	-	5	-	5
Total comprehensive income for the period	-	5	426	431
As at 31 December 2022	7,105	104	(1,244)	5,965

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

Air Change International Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		10,344	10,194
Payments to suppliers, employees and creditors		(9,077)	(10,214)
Finance costs		(211)	(243)
Income tax paid		-	(1)
Net cash inflow/ (outflow) from operating activities		1,056	(264)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant, equipment, fixtures and fittings		(138)	(48)
Net cash (outflow) from investing activities		(138)	(48)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		7,890	9,858
Repayment of borrowings		(8,649)	(9,342)
Payment of lease liabilities		(204)	(182)
Net cash (outflow)/ inflow from financing activities		(963)	334
NET (DECREASE)/ INCREASE IN CASH HELD		(45)	22
Cash at the beginning of the reporting period		219	86
Cash at the end of the reporting period		174	108

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

Note 1. Basis of preparation of half-year report

- (i) This general purpose financial report for the interim half-year reporting period ended 31 December 2023 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Air Change International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(ii) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

None of the new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2023 affected any amounts recognised in the current period or any prior period financial statements and are not likely to affect future period financial statements.

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

Air Change International Limited
Notes to and forming part of the financial statements
for the half-year ended 31 December 2023

Note 2. Operating Segments

Operating segment information

	Segment Revenues		Segment Results	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Revenue - heating, cooling & ventilation	8,744	10,158	223	374
Operating profit before income tax			223	374
Operating profit after income tax benefit			270	426
Net profit attributable to members of Air Change International Limited			270	426

Note 3. Dividends

There were no dividends paid during the period.

Note 4. Equity securities on issue

	December 2023 Shares	June 2023 Shares	December 2023 \$'000	June 2023 \$'000
Share Capital				
Ordinary shares, fully paid	17,714,009	17,714,009	7,105	7,105

Note 5. Contingent liabilities

Performance guarantees supported by term deposits at balance date were:

- (a) property rental agreements \$247,000 (2022: \$247,000)
- (b) commercial credit card facility \$30,000 (2022: \$30,000); and
- (c) operating licences \$31,917 (2022: \$25,364)

Note 6. Income tax expense

	2023 \$'000	2022 \$'000
Profit from ordinary activities before income tax expense	223	374
Income tax calculated at 25% (2022 – 25%)	56	94
Tax effect of amounts not (taxable)/ deductible in calculating taxable income:		
Other	(88)	(8)
	(32)	86
Previously unrecognised tax losses now utilised to reduce current tax expense	(120)	(126)
Net taxable losses not recognised	109	8
Temporary differences not recognised	(4)	(4)
Recoupment of foreign subsidiary tax losses not previously recognised	-	(16)
Income tax (benefit)	(47)	(52)

Air Change International Limited
Notes to and forming part of the financial statements
for the half-year ended 31 December 2023

Note 7. Intangible assets

Non-current asset	Agency	Design &	Goodwill	Patents	Total
Year ended 30 June 2023	Agreements	Intellectual			
	\$'000	Property	\$'000	\$'000	\$'000
Carrying value at 1 July 2022	20	71	2,817	-	2,908
Addition	-	-	-	4	4
Amortisation charge	-	-	-	-	-
Carrying value at 30 June 2023	20	71	2,817	4	2,912
At 30 June 2023					
Cost	20	71	2,817	3,621	6,529
Accumulated amortisation	-	-	-	(3,617)	(3,617)
Net book amount	20	71	2,817	4	2,912
Non-current asset	Agency	Design &	Goodwill	Patents	Total
Period ended 31 December 2023	Agreements	Intellectual			
	\$'000	Property	\$'000	\$'000	\$'000
Carrying value at 1 July 2023	20	71	2,817	4	2,912
Amortisation charge	-	-	-	-	-
Carrying value at 31 December 2023	20	71	2,817	4	2,912
At 31 December 2023					
Cost	20	71	2,817	3,621	6,529
Accumulated amortisation	-	-	-	(3,617)	(3,617)
Net book amount	20	71	2,817	4	2,912

Note 8. Borrowings

At reporting date, the Group has the following facilities:

- (a) Debtor finance facilities secured by a general security deed over present and future property of the Group companies. The facility limits are \$3,000,000 (\$2,500,000 at 30 June 2023) subject to the available qualifying receivable assets. The amount drawn down as at 31 December 2023 was \$492,279 (\$1,249,609 at 30 June 2023).
- (b) Asset finance facility secured over the asset financed. This facility has a limit of \$200,000 (\$200,000 at 30 June 2023) and has \$33,000 drawn down as at 31 December 2023 and 30 June 2023.

Note 9. Right-of- use assets and lease liabilities

During the period, a Group entity entered into a long-term tenancy agreement with an initial 5 year term and an option of 3 years, resulting in increases in the amount for right-of-use assets and lease liabilities.

Note 10. Events occurring after reporting date

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 11. Rounding of amounts to the nearest thousand dollars

The Company satisfies the requirements of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and the financial statements to the nearest thousand dollars.

Amounts have been rounded off in the directors' report and the financial statements in accordance with that legislative instrument.


DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) The financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
- (b) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 303(5) of the Corporation Act 2001, and is signed for and on behalf of the directors by

Dated at Sydney



Raymond N Fimeri
Director
Sydney
4 March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Air Change International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Air Change International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper', written over a horizontal line.

Ian Hooper
Director

Sydney, 4 March 2024