2024 Annual Report

Air Change International Limited

ACN: 087 737 068

Content

Corporate Directory

Directors:	Alan S Jones (Non-executive Chairman) Peter A Curry (Non-executive Director) Neil R Fimeri (Managing Director)
Secretary:	Robert Lees
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Share Registrar:	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford Victoria 3067
Auditors:	BDO Audit Pty Ltd ("BDO") Level 11, 1 Margaret Street Sydney NSW 2000
Bankers:	ANZ Level 4, 20 Smith Street Parramatta NSW 2150
Solicitors:	Addisons Lawyers 60 Carrington Street Sydney NSW 2000
Stock Exchange Listing:	Air Change International Ltd 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

Your directors are pleased to present the Air Change International Limited ("Group") Annual Report for the financial year ended 30 June 2024.

This past financial year has been the most successful in the Group's history with profit after tax rising 61% from $1.185 million in the year ended June 30, 2023 to $1.903 million for these past 12 months.

This 61% increase in profitability occurred despite an 6.7% decline in revenue from $21.13 million in 2023 to $19.71 million this last year.
Revenue was forecast to be similar to 2023 financial year with the decline primarily resulting from late component deliveries from an overseas supplier. These units will be delivered during July and August 2024 which suited the end client as the project has been delayed.

This new year commences with a forward order book of $12.05 million with strong enquiry and quoting levels.

As a result of this large order backlog, which is scheduled for completion before December 30 this year, the Group is again quoting delivery times exceeding 20 weeks, a situation that we are desperately trying to improve.

Highlights of this past year were:

- improved operating margins;
- selection by a national retailer to instal Air Change dehumidification systems in humid climate areas;
- relocating premises to double production capacity in Malaysia; and
- purchasing & commissioning new metal forming and panel making equipment.

Looking ahead to the next 12 months, there are a number of potential factors that may affect production volumes and profitability;

- the pricing and availability of shipping container freight from Asia;
- delivery times and availability of products and components sourced from Europe resulting from the Middle East conflict;
- exchange rate uncertainty; and
- the recent increase in the copper price.

Despite these potential obstacles, the future looks sufficiently positive to continue to expand Malaysia production.

1.0 Operational Review

(i) Australian Operations

Product design, development and testing is undertaken at the Group's Ingleburn New South Wales head office and manufacturing facility. Product detailing for manufacture is undertaken in both Ingleburn and Malaysia for products and components that are manufactured in each of those facilities.

The recruitment and retention of skilled engineers and trade personnel across the Group continues to be a problem, although less problematic than the previous year.

As we have previously reported, there is an extreme shortage of engineers who are suitably qualified and experienced to design and detail the complex HVAC products and refrigeration systems that are the Group's main revenue source.

Engineering training remains a priority. New engineering recruits are selected for their intellect, ability to be trained and most importantly their likelihood of remaining in the Group's employ for the foreseeable future.
This has resulted in the Group supporting immigration sponsorship to persons without Australian residency but who have the engineering qualifications and aptitude to undertake the work that the Group requires.

Factory staffing has remained relatively stable this past year which we believe is partly due to the move to the new factory in Ingleburn in 2022.

The need to recruit and train factory personnel in Australia has diminished with the increased production sourced from Malaysia.

Component and part supply remain at normal levels, shipping services are currently regular but container prices have now doubled over the past 6 months, albeit from a very low unsustainable level, and now exceed pre-pandemic pricing.

The move to the new factory in Ingleburn, NSW in March 2022 has been positive. As noted, staffing turnover has improved and the factory layout has enabled improved productivity.

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

(ii) South East Asian Operations

The Malaysian manufacturing operation has become an essential part of the Group's ability to manufacture the range and quantity of products it now sells in the HVAC market.

As noted last year, we were considering moving the Malaysian manufacturing operation to larger premises.
This occurred in October and November 2023 with the new premises double the previous available floor space.

New metal forming and processing equipment together with insulated panel making plant was ordered in late 2023 and installed and commissioned in the first quarter of 2024.
This has reduced the amount of work sent out to third parties for processing.

Further growth in this operation remains a priority.
To this end, we have recently added additional management capability by recruiting:

a) An experienced expatriate refrigeration technician to train and supervise local technicians in complex refrigeration systems; and
b) A production engineer with substantial experience in manufacturing operations gained at one of the world's largest HVAC manufacturers.

Additional investment in new capital equipment, a recruitment drive, increased staff incentive payments aided by increased management capacity and technical support should increase overall production capacity.

Increased production and productivity from this operation remains a management focus.

2.0 Product Demand & Sales

As reported above, the Group order book was $12 million at the start of this new financial year with enquiries in Australia still very strong.

The Group recently secured a very large contract to build 50 specialised air conditioning units for a major logistics facility in Victoria.

Victoria has traditionally been a difficult market for the Group. Heating was primarily gas sourced and Group products had no pricing or technical advantages over its competition in this energy recovery segment of the market.

The move by Government to reduce or eliminate gas heating in Victoria with the change to heat pumps has changed the future product mix.
The availability of cheaper energy recovery product manufactured in Malaysia has also changed this competitive dynamic.

New South Wales is, and remains, a major market for the Group's products. A need for dehumidification capacity is a growing requirement in NSW HVAC applications, a trend which we forecast to increase.

Queensland is a strong market for the Group's dehumidification systems.
Much of this demand is for smaller more specialised units that require significant engineering design input.

The Group now produces large dehumidification systems for a major retailer in Queensland to control store humidity and space temperature. These units are now specified for all store upgrades and renovations.

Western Australia is the other very large market for the Group's products, particularly for its dehumidification systems in the north of the state.
These specialised units, designed to operate at 50°C ambient air temperature, are sold to the mining and oil companies and Government for staff accommodation, office and institutional building applications.
Demand growth in WA remains stronger than in any other state driven by its high temperature and humidity ambient climate conditions.

As noted in previous years reports, heat and energy recovery products, which were the backbone of the Group's foundation and early operations, continue to decrease as a proportion of Group sales revenue.

Demand for specialised climate control systems that can cool and dehumidify in the hotter summer months but heat and humidify in the cooler winter season continues to grow.
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 further if design and manufacturing capacity is available.

Order intake in South East Asia has remained in line with normal levels.
The Group delivered its first ever units to Vietnam for a major international manufacturing facility.
Expansion of South East Asian sales has not been a priority as the Group has struggled to manufacture and deliver its current sales volumes to the Australasian market.
As production capacity grows in Malaysia, there will be increased effort to expand this market.

The Group fulfilled several large HVAC orders in the Pacific region this past year.
Hopefully this trend will continue.

Engineering and production capacity remain the biggest obstacle to further growth in Group HVAC and dehumidification sales.

Chiller sales have been negligible this past year as our production was at capacity meeting HVAC demand.
We have historically sourced chillers from a third party supplier and finished them in our factory but quality issues have forced the Group to re-think this approach.

New chiller sales may become a greater priority if the Malaysian operation has spare capacity and adds chiller manufacturing capability.

Management is currently considering dropping the Dunnair and Fancoil brands to reflect the reality that these products are now wholly designed, and increasingly manufactured, by Air Change.
A number of Dunnair and Fancoil products have been sold with the Air Change brand.

3.0 Group Operational Review

Air Change International Limited, through its various subsidiary companies, is principally involved in the design and manufacture of products to provide:

- temperature and humidity control in commercial, institutional, accommodation and industrial buildings; and
- industrial process cooling.

In addition to its standard range of heat and energy recovery products, the Group designs and develops individual bespoke heating, cooling and dehumidification solutions to suit specific customer applications and spatial constraints.

At present, all product development, design, engineering and administration is undertaken at the Group's head office and factory facility in Ingleburn, NSW, with most manufacturing of Air Change and Fancoil products carried out at either the Group's Ingleburn or Malaysian manufacturing facilities.

Dunnair and Summit product types are designed, partially assembled, programmed, tested and completed in Ingleburn with major component assemblies sourced from overseas third-party OEM's.

The Air Change Group has its own sales and engineering support staff in New South Wales, Victoria and Queensland with distributors in all other Australian states.
NSW head office provides technical support to the other state offices as well as the distributor network.

The Group has overseas distribution representatives in New Zealand, Singapore, Malaysia, Vietnam and Indonesia.

In this past year, Air Change Group products have been sold in Australia, New Zealand, American Samoa, Tonga, Paua New Guinea, Singapore and Vietnam.

(i) Air Change Division

Air Change pioneered the development and sale of Dedicated Outdoor Air Ventilation Systems (DOAS) in Australia and remains a major player in this segment of the HVAC market.
DOAS systems are designed to deal with outside air conditions for ventilation rather than conditioning recirculated air from the building space to maintain temperature control.
The majority of Air Change revenue is now sourced from the sale of dehumidification solutions for commercial, industrial and institutional applications. These units are produced to use DX refrigeration cooling, chiller water cooling or a mixed source of cooling to act as a hybrid cooling system.

These dehumidification product sales continue to grow in the Australian market because of changing ambient air conditions and the changed air conditioning requirements of modern buildings.

Competition in the traditional heat and energy recovery ventilator market continues to increase which depresses margins in this market segment. Our Malaysian manufacturing capacity has helped to make the Group more competitive in the supply of these ventilator units.

Sales of the Group's small split make up air unit designed to control humidity and temperature in smaller non critical applications continues to grow.

(ii) Fan Coil Industries

The Group's Fan Coil Industries (FCI) division designs, manufactures and sells fan coil and air handling units in Australia.
Large bespoke AHUs are produced in Australia with smaller FCUs sourced from overseas.

Competition in this market segment is very strong with most competing product being imported.
Given the present Australian labour shortages, FCI only quote complex units that are difficult to manufacture and costly to import, if such bespoke units are available.
This division continues to make a small but positive contribution to the Group result.

(iii) Summit Industrial Chillers

Process and industrial cooling sales were negligible this last financial year.

Sales revenue varies significantly year on year because of fluctuating demand in the mining and process industries.
As a result it is difficult to find and retain qualified professional engineering and trades staff to support this operation, particularly with such large variations in demand.

To be cost competitive, Summit has sourced major chiller system components from third party OEMs and completed the chiller manufacture in Sydney. This has become problematic with the quality of overseas source components suffering increased failure rates.

Spare part sales remain a consistent source of income and earnings for this division.

(iv) Dunnair Division

Dunnair manufacture and sell air and water cooled packaged air conditioning products which are designed in Australia but either partially or totally manufactured overseas.

All Dunnair units are programmed and tested upon receipt in Australia.

Sales of this product type continue to fall as variable refrigerant volume (VRV) systems make inroads into this market.

Dunnair operations continue to make a positive contribution to Group earnings and help in sourcing components and parts from China.

(v) South East Asia

The Singapore distributor continues to source opportunities that were unavailable to the Group before its appointment.

Sales in Singapore this last financial year were similar to the 2022/23 financial year.

The Singapore distributor targets limited but winnable opportunities where the product capability and their own personal relationships impact the purchase decision.

A new Vietnam distributor was appointed last year. This resulted in the Groups first Vietnam sale. The equipment is now installed but not yet commissioned.

The Vietnam distributor has sent numerous new enquiries for assessment and pricing but is waiting to see the first units operational to show potential customers.

Present enquiry levels in the region remains reasonable given these sales have not been a priority.

4.0 Future Strategy & Outlook

(i) Sales

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.
Project consulting engineers rely on this knowledge when specifying these complex HVAC systems.

The Group has become the preferred supplier of some specialised HVAC systems by a number of major Australian companies which need tight heat and humidity control in their building or process.

Future growth, is and will be, constrained by a shortage of specialist engineers and manufacturing staff but this is being addressed as discussed above.

(ii) Employment Costs

Staff retention is increasingly difficult.
Employment costs have risen significantly again 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.

(iii) Liquidity and Cashflow

Cashflow this past year has been positively impacted due to improved profitability.

The Group actively manages its credit exposure by only providing credit to Companies whose debts it can insure and monitoring client credit history.

Project delays caused by industry labour shortages and poor weather continue to impact product deliveries and therefore cashflow.
Increased manufacturing capacity has increased the need for additional raw material stock holding. Importing steel, fans, compressors and other components directly from overseas manufacturers has increased stock level and the time between payment for parts and product delivery which has impacted negatively cashflow but reduced overall cost.

Cashflow this next year will again be impacted by capital equipment purchase costs.

The Group has not breached any debt funding or other financial covenant or legal obligation and has had no change to its Supplier terms of trade.

(iv) A$ Value Impact

The Australian dollar has traded in the range of US0.62 to US$ 0.67 during this past financial year which was just within our expected trading range. Although transacting significant foreign currency amounts, the Group does not hedge this exposure as transaction timing is random and settlement times unknown.

This poses a currency risk as assumptions on the future value of the A$ are made when quoting product which is months before the foreign currency purchase is settled.

(v) Research & Development

Research and new product development ("R&D") has almost ceased. Detailed engineering and product improvement of DOAS and dehumidification solutions continue but there was no new major R&D projects undertaken during this past financial year.

These product improvements focused on energy efficiency, close space temperature and humidity control and intelligent control systems and programming.

Neil Fimeri
Managing Director

Your directors present their report on the Air Change International Limited ("ACI" or "the Group"), consisting of Air Change International Limited ("the Company" or "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors and officers

The following persons were directors of the Company during the financial year and up to the date of this report:

Alan Stephen Jones (Non-Executive Non- Independent Chairman)
Peter Anthony Curry (Non-Executive Independent Director)
Raymond Neil Fimeri (Managing Director)

Principal activities

During the year, the principal activity of the Group consisted of the design, manufacture and sales of heating, cooling and ventilation equipment for industrial, commercial and institutional buildings and processes.

Review of operations

Refer to the Managing Director's Report on pages 2 – 6 herein. A summary of consolidated revenues and results by significant business segments is set out below:

	2024	2023
	$	$
Revenue – heating, cooling, & ventilation equipment	19,709,624	21,129,930
Profit before income tax	1,833,316	1,131,002
Profit after income tax	1,903,485	1,185,422
Net profit attributable to members of ACI Limited	**1,903,485**	**1,185,422**

Dividends

The directors do not recommend the payment of a dividend at this time and no dividend has been paid or declared during the financial year.

Significant Changes in the State of Affairs

During the year there were no significant changes in the Group's state of affairs.

Likely developments and expected results of operations

Likely developments or matters that may affect the Group or its operations are included in the Managing Director's report.

Disclosure of matters that are commercial in confidence or may prejudice the Group are not included.

Significant events after the reporting period

No matter or circumstance than otherwise disclosed in this report has arisen since 30 June 2024 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years
(b) the results of those operations in future financial years
(c) the Group's state of affairs in future financial years.

DIRECTORS' INTERESTS

INFORMATION ON DIRECTORS

			Particulars of directors' interests at date of this report
Director	**Experience**	**Special responsibilities**	**Securities held**
Alan S Jones	Mr Jones was appointed as a Non-Executive Director and Chairman of Air Change International Limited on 23 July 2007. Mr Jones is a Chartered Accountant with extensive senior management and board experience in listed and unlisted Australian public companies, particularly in the construction, engineering, finance and investment industries. Mr Jones has been involved in the successful merger and acquisition of a number of public companies in Australia and internationally. He is a Non-Executive Director of Mulpha Australia Limited, Sun Hung Kai & Co. Limited (Hong Kong), Allied Group Limited (Hong Kong) and Mount Gibson Iron Limited.	Non-executive non-independent Chairman	938,000 ordinary shares
Peter A Curry – B Com LLB	Mr Curry was appointed as a Non-Executive Director of Air Change International Limited on 3 October 2019. Mr. Curry has extensive of professional and business experience in a range of industries including natural resources, property and financial services. He has acted as a director of a number of private and public companies and has been involved in a range of public and private capital raisings, mergers and acquisitions as well as providing corporate and financial advisory services in relation to a variety of business transactions. Mr Curry (B Com LLB) holds Bachelor of Commerce and Bachelor of Laws degrees from the University of NSW. He is a Chartered Accountant and was admitted as a non-practising barrister to the Supreme Court of NSW. Mr Curry is a Non-Executive Director of Sun Hung Kai & Co. Limited (Hong Kong) and Tian An Australia Limited.	Non-executive independent Director	Nil
Neil Fimeri	Mr Fimeri has a degree in civil engineering. From 1985 to 2007, Mr Fimeri held a senior management position at Mulpha Australia Limited, a property investment and development company, leading the acquisition and development of over one billion dollars of real estate projects. Mr Fimeri's expertise lies in the identification and acquisition of strategic investment opportunities with an engineering bias.	Managing Director	4,800,000 ordinary shares

DIRECTORS' INTERESTS

INFORMATION ON DIRECTORS (continued)

Company secretary	**Experience**	**Special responsibilities**	**Securities held**
Robert Lees	Robert Lees is the Company secretary for a number of ASX listed entities and public companies. He has also served as Chief Financial Officer ("CFO") and as a public company director. He is a Chartered Accountant and a Fellow of the Governance Institute of Australia. He holds a Bachelor of Business (Accounting) and a Graduate Diploma in Data Processing from UTS as well as a Graduate Diploma in Applied Corporate Governance from GIA. He provides Company Secretarial and CFO services to small listed public companies and has done so since 2000.	Company Secretary	Nil

Directors' Benefits

With the exception of the matters referred to below, no director in the Group has, since the end of the financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors as shown in the financial statements) by reason of a contract made by the Company or related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

Meetings of Directors

There were four directors' meetings (2023: four) and two Audit, Finance, Risk and Compliance Committee meetings (2023: two) and one Remuneration Committee meeting (2023: nil) held during the year ended 30 June 2024.

The number of directors' meetings and audit committee meetings held in the period each director held office during the year and the numbers of meetings attended by each director were:

	Meetings					
	Directors		Audit, Finance, Risk and Compliance Committee		Remuneration Committee	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
Alan S Jones	4	4	2	2	1	1
Peter A Curry	4	4	2	2	1	1
Neil Fimeri	4	4	*	*	*	*

* Not a member of the relevant committee

Indemnification and Insurance of Officers and Auditors

During the financial year Air Change International Limited paid a premium to insure the Directors, Secretary and senior managers of the Company. Directors' and Officers' Liability Insurance cover has been placed from 6 April 2005. The Directors' and Officers' Insurance expires on 30 November 2024.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave to the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ BDO ("the auditor") on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Note 20 to the accounts. During the year, no amount was paid for the non-audit services.

Shares under option

There were no options issued during the year ended 30 June 2024 (2023: Nil).

Shares Issued on the Exercise of Options

No options or shares were issued to key management personnel for whole or part of the financial year ended 30 June 2024 (2023: Nil).

Remuneration report - Audited

The Remuneration Committee comprising members of the Board makes recommendations and approves:

- Non-executive director fees
- Remuneration of executive directors and other executives

Members of the Remuneration Committee at 30 June 2024 are Alan Jones (Non-executive chairman) and Peter A Curry (Independent director).

The objective is to ensure the remuneration and reward practices are fair and competitive.

Non-executive remuneration

Fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. The current base fee of $30,000 per annum, payable quarterly, for each non-executive director remained the same as the prior year. The base fee is fixed and exclusive of superannuation. The Remuneration Committee determines remuneration of non-executive directors from time to time.

Executive and senior management remuneration

All Executives and Senior Management have rolling contracts. The Group may terminate the employment agreement by providing one month's written notice or providing payment in lieu of the notice period with the exception of the Executive Director who has a twelve month notice period and the Group General Manager who has a three month written notice period. The Group may terminate these contracts at any time without notice if serious misconduct has occurred. Similar notice periods are required from the Employees. Where termination with cause occurs, the Employee is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

Details of remuneration

The key management personnel ("KMP") of ACI are the directors of the Group and Company. Details of the remuneration of each director of the Company and the consolidated entities are set out in the following tables:

Key management personnel of Air Change International Limited

2024	**Short term employee benefits**		**Post-employment**	**Long-term benefits**		
Name	**Salary and fees $**	**Cash bonus $**	**Superannuation $**	**Long service leave $**	**Termination benefits $**	**Total $**
Non-executive directors						
Alan S Jones – Chairman	30,000	-	3,338	-	-	33,338
Peter A Curry	30,000	-	3,338	-	-	33,338
Executive director						
Neil R Fimeri Managing Director	^396,147	-	27,500	6,211	-	429,858
Total KMP remuneration	**456,147**	**-**	**34,176**	**6,211**	**-**	**496,534**

^ Includes annual leave accrued of $28,664

2023	Short term employee benefits		Post-employment	Long-term benefits		
Name	**Salary and fees $**	**Cash bonus $**	**Superannuation $**	**Long service leave $**	**Termination benefits $**	**Total $**
Non-executive directors						
Alan S Jones – Chairman	30,000	-	3,188	-	-	33,188
Peter A Curry	30,000		3,188	-	-	33,188
Executive director						
Neil R Fimeri Managing Director	^388,354	-	27,500	6,247	-	422,101
Total KMP remuneration	**448,354**	**-**	**33,876**	**6,247**	**-**	**488,477**

^Includes annual leave accrued of $28,826

Equity instrument disclosures relating to key management personnel

(i) Option holdings

There were no options over ordinary shares in the Company held during the financial year by any director of Air Change International Limited and other key management personnel of the Group, including their personally related parties.

The numbers of unlisted options in the Company held at balance date by each director and executives of Air Change International Limited, including their personally-related entities, are nil.

(ii) Share holdings

The numbers of shares in the Company held at balance date by each director and executive of Air Change International Limited, including their personally-related entities, are set out below:

2024 Name of Directors of Air Change International Limited	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Alan S Jones	938,000	-	-	938,000
Neil Fimeri	4,800,000	-	-	4,800,000

Loans to directors/ key management personnel

No loans to directors have been made during the year ended 30 June 2024 (2023: Nil).

Material contracts with directors

The Company has not entered into any material contracts with Directors.

End of audited remuneration report

Corporate governance

Refer to pages 15 to 19 of this report for the Corporate Governance Statement.

Shares under option

At the date of this report, the unissued ordinary shares of Air Change International Limited under option are nil (2023: Nil).

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Environmental regulation

The Company has reviewed all the significant environmental regulations which apply to it and has determined that it complies with the relevant codes and practices.

This report is made in accordance with a resolution of the directors.

Neil Fimeri
Managing Director

Sydney
11 September 2024

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Australia

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

As lead auditor of Air Change International Limited for the year ended 30 June 2024, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 11 September 2024

Corporate governance statement

The Board is committed to maintaining and achieving the highest standards of accountability and transparency and see the continued maintenance of a cohesive set of corporate governance policies as fundamental to the successful growth of the Group. As its base, the Board believes that corporate governance is about having a set of values and behaviours that underpin the group's everyday activities and protect the interests of stakeholders. The directors are responsible to the shareholders for the performance of the Company. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company and its controlled entities are properly managed.

In developing Air Change International Limited's corporate governance practices, the Board has been guided by Annexure 1 of Practice Note 14 promoted by the National Stock Exchange of Australia (NSX) and 'Corporate Governance Principles and Recommendations' published by the ASX Corporate Governance Council. This statement outlines the main corporate governance practices in place throughout the financial year.

A description of the Company's main corporate governance practices is set out below.

THE BOARD OF DIRECTORS

BOARD ROLE AND RESPONSIBILITY

The Board's primary role is the protection and enhancement of long-term shareholder value. It is also required to:

- review and approve corporate strategies and financial plans
- oversee and monitor organisational performance and the achievement of the Company's strategic goals and objectives
- monitor financial performance including approval of the annual and half-year financial reports and liaise with the Company's auditors
- appoint and assess the performance of the Managing Director and the members of the senior management team
- ensure there are effective management processes in place and approving major corporate initiatives
- enhance and protect the reputation of the organisation
- ensure significant risks facing the Company and its controlled entities have been identified, and appropriate adequate control monitoring and reporting mechanisms are in place
- report to shareholders

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and senior management. Responsibilities are delineated by formal authority delegations. The performance of senior executives is reviewed annually by the Managing Director. The performance of the Managing Director is reviewed annually by the Chairman.

Board committees

To assist in the execution of its responsibilities, the Board has established an Audit, Finance, Risk and Compliance Committee (AFRCC) and a Remuneration Committee. The committees have a written mandate and operating procedures, which are reviewed on a regular basis. The Board does not have a Nominations Committee as this function is undertaken by the Board. The structure and membership of each committee is reviewed from time to time.

The Board has elected not to establish a Nominations Committee on the basis that it is only a relatively small board and is able to efficiently carry out the functions that would otherwise be delegated to the Nominations Committee.

Board Composition

The Board believes that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the Board collectively to:

- discharge their duties and responsibilities under the law efficiently and effectively
- understand the business of the Group and the environment within which the Group operates so as to be able to agree with management, the objectives, goals and strategic direction to maximize shareholder value
- assess the performance of management in meeting those objectives.

The current membership of the Board and each individual voting director's background are set out in the Directors' Report.

Directors' independence

The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are not a member of management and if they meet the following criteria:

- not a substantial shareholder of ACI or of a company holding more than 5% of ACI voting stock or an officer of or otherwise associated directly with a shareholder holding more than 5% of the ACI voting stock
- have not within the last 3 years been employed in an executive capacity by the Group or a controlled entity, or been a director after ceasing to hold any such employment
- have not within the last 3 years been a principal of a material professional adviser or a material consultant to the Group or a controlled entity or an employee materially associated with the service provided
- not a material supplier or customer of the Group or a controlled entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must not have contractual relationship with the Group or a controlled entity other than as a director of the Group
- not been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring that Board activities are organized and efficiently conducted and for ensuring directors are properly briefed for meetings. The Managing Director is responsible for implementing the Group's strategies and policies. The Board Charter specifies that these are separate roles are not to be undertaken by the same individual. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman and other non-executive directors meet regularly with the Executive Director to discuss strategic issues and to review the performance of senior management. Due to the size of the Company and the fact that there are only two non-executive directors it is not practical or cost effective to employ the services of an external party to review their performance. In addition, one of the non-executive directors comes up for re-election at the Annual General Meeting ("AGM") every two years.

Avoidance of conflicts of interest by a director

In accordance with the *Corporations Act 2001*, any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

Independent professional advice

Directors and the Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this is not unreasonably withheld.

Meetings of the board and their conduct

The Board meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. The Chairman and the Managing Director establish meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year. In addition to its formal meetings, the Board is encouraged to undertake regular and relevant workshops.

Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgements to bear on the issues and decisions at hand. Executive management regularly attend Board meetings and are also available to be contacted by directors between meetings.

Board access to information and advice

All directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. The Group's Company Secretary provides directors with ongoing guidance on issues such as corporate governance, ACI Group's Constitution and the law. The Chairman and other non-executive directors also regularly consult with the Executive Director and other senior management may consult with, and request additional information from, any ACI Group employee. The Board collectively, and each Director individually, has the right to seek independent professional advice at ACI's expense to help them carry out their responsibilities. While the Chairman's prior approval is needed, it may not be unreasonably withheld and, in its absence, Board approval may be sought.

Term of office

The Company's Constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third AGM following their last election. Where eligible, a director may stand for re-election.

In addition, the Board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective.

Audit, Finance, Risk and Compliance Committee (AFRCC or the Committee)

The AFRCC has a documented charter, approved by the Board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The AFRCC consists of the following directors:

- Alan Jones (Non-executive Chairman)
- Peter Curry (Independent Director).

The AFRCC comprises two members, all of whom are non-executive directors.

The external auditors and the Managing Director are invited to AFRCC meetings at the discretion of the Committee. The Committee meets a minimum of two times during the year. The Managing Director declared in writing to the Board that the Company's financial reports for the year ended 30 June 2024 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually and is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The AFRCC members have appropriate financial expertise and all members have a working knowledge of the financial services industry in which the Group operates.

The AFRCC operates in accordance with a separate charter. The main responsibilities of the Committee are to:

- review, assess and approve the annual report and the half-year financial report
- assist the Board in reviewing the effectiveness of the organisation's internal control
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditors on an ongoing basis
- review and monitor related party transactions and assess their propriety
- monitor the current and forecast liquidity and cash flow of the Group
- report to the Board on matters relevant to the roles and responsibilities of the AFRCC

In fulfilling its responsibilities, the AFRCC:

- receives regular reports from management and external auditors
- meets with the external auditors at least twice a year or more frequently if necessary

The AFRCC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party. The Committee's charter is reviewed annually and updated as necessary. The charter is available to shareholders on request.

Remuneration committee

The role of the Remuneration Committee is to ensure that the remuneration policies and outcomes are an appropriate balance between the ACI shareholders and rewarding and motivating executives and employees in order to achieve their long term commitment to the Company. The remuneration of senior management consists of base remuneration, allowances and superannuation.

The Remuneration Committee consists of the following directors:

- Alan Jones (Non-executive Chairman)
- Peter Curry (Independent Director)

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, Senior Executives and Non-executive Directors.

Each member of the Senior Management team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities.

Senior management remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages may include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors.

Non-executive directors are paid an annual fee for their service on the Board and committees which is determined by the Remuneration Committee. Total remuneration for all non-executive directors is not to exceed $400,000 per annum. The non-executive directors' total fees for the year were $66,376; these fees include statutory superannuation. Non-executive directors do not receive bonuses.

Risk management

Oversight of the risk management system

Management has established and implemented a fully comprehensive formal Risk Management System for assessing, monitoring and managing operational, financial reporting and compliance risks for the Group.

External auditors

The Group's policy is to appoint external auditors who demonstrate quality and independence. The performance of the external auditors is reviewed annually. BDO was appointed as the external auditor in 23 November 2012 in response to an expression of interest. It is BDO's policy to rotate engagement partners on listed company audits in accordance with the requirements of the Corporations Act. The previous engagement partner has been the engagement partner since December 2017 and therefore rotation of the engagement partner took place for the year ended 30 June 2023.

It is the policy of the external auditors to provide an annual declaration of their independence to the AFRCC. For more information please review the Group's Audit Independence Policy.

Code of conduct

The Group has developed a Code of Conduct (Code) which has been endorsed by the Board and applies to all directors and employees of the Group. The Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of both the law and Group policies.

A director or employee of the Company may only deal in the Company's securities if that director or employee is not in possession of information that he or she knows or ought reasonably to know is unpublished price sensitive information in relation to the Company's securities and the prior clearance of the Board has been provided.

In addition to obtaining prior clearance of the Board, a director or employee who deals in the Company's securities must immediately notify the Board of the details of the dealing.

The Company must keep a register of all dealings in its securities by directors or employees that are notified to it.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Diversity Statement

The Company welcomes gender diversity and is committed to equality at all levels of the organisation but the Company does not have a formal policy in relation to gender diversity.

The Company's policy is to hire and promote staff on the basis of finding the person best qualified to fill the available position. The technical skill requirements of the Company's engineering and manufacturing operations results in an employee gender mix with a male bias even though women occupy senior roles in the support operations of finance, accounting, engineering and marketing. As the Group operations continue to expand, there will be greater opportunities available for the appointment and advancement of women within the organisation.

There are presently no female directors on the Board of three members.

Continuous disclosure and shareholder communication

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters on a timely basis that may have a material effect on the price of the Company's securities, ensuring the matters are factual and expressed in a clear and factual way, notifying the NSX, posting them on the Company's website, and issuing media releases. The Company Secretary is accountable for ensuring adherence to the Continuous Disclosure Policy. Details of the policy are available on the Company's website www.airchange.com.au.

Consistent with the Continuous Disclosure Policy, ACI is committed to communicating with shareholders in an effective and timely manner, so as to provide them with ready access to information relating to the Company.

Shareholders are encouraged to attend and participate in general meetings of the Company. Shareholders are provided with details of any proposed meetings well in advance of the relevant dates. The external auditor will attend any Annual General Meeting and be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2024

	Note	2024 $	2023 $
Revenue	4	**19,709,624**	21,129,930
Other income	5	**37,305**	62,657
Changes in inventories		**991,174**	(519,131)
Raw materials and consumables used		**(10,330,447)**	(11,306,492)
Occupancy costs		**(202,828)**	(207,786)
Employee benefits expenses		**(5,982,680)**	(5,712,083)
Depreciation of plant and equipment		**(140,218)**	(133,992)
Depreciation of right-of-use assets		**(681,990)**	(621,192)
Amortisation of patents		**(215)**	(83)
Other expenses		**(1,110,735)**	(1,063,995)
Finance costs		**(455,674)**	(496,831)
Profit before income tax	6	**1,833,316**	**1,131,002**
Income tax benefit	7	**70,169**	54,420
Profit after tax for the year		**1,903,485**	**1,185,422**
Net profit for the year		**1,903,485**	**1,185,422**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	19	**(3,353)**	19,882
Other comprehensive (loss)/ income for the year, net of tax		**(3,353)**	**19,882**
Total comprehensive income for the year attributable to members of Air Change International Limited		**1,900,132**	**1,205,304**
Earnings per share attributable to members of Air Change International Limited			
Basic earnings per share	24	**0.107**	0.067
Diluted earnings per share	24	**0.107**	0.067

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

Consolidated statement of financial position
as at 30 June 2024

	Note	2024 $	2023 $
Current assets			
Cash & cash equivalents	8	**117,711**	219,342
Trade & other receivables	9(a)	**3,421,187**	3,855,807
Inventories	10	**4,638,829**	3,669,468
Total current assets		**8,177,727**	**7,744,617**
Non-current assets			
Plant, equipment, fixtures and fittings	11	**678,744**	478,163
Right-of-use assets	12	**5,533,829**	3,911,337
Rental bonds & term deposit		**339,421**	308,853
Intangible assets	14	**2,912,084**	2,912,299
Deferred tax assets	15	**501,780**	431,291
Total non-current assets		**9,965,858**	**8,041,943**
TOTAL ASSETS		**18,143,585**	**15,786,560**
Current liabilities			
Trade & other payables	16	**2,244,796**	2,394,336
Borrowings	26	**-**	1,252,760
Lease liabilities	13	**549,344**	372,904
Employee entitlements	17	**1,242,993**	1,209,618
Total current liabilities		**4,037,133**	**5,229,618**
Non-current liabilities			
Other payables	16	**-**	8,223
Lease liabilities	13	**5,429,520**	3,762,101
Employee entitlements	17	**25,367**	35,185
Make good provision for right-of-use assets		**12,500**	12,500
Total non-current liabilities		**5,467,387**	**3,818,009**
TOTAL LIABILITIES		**9,504,520**	**9,047,627**
Net Assets		**8,639,065**	**6,738,933**
Equity			
Contributed equity	18	**7,104,700**	7,104,700
Reserves	19	**115,375**	118,728
Retained earnings/ accumulated (losses)		**1,418,990**	(484,495)
TOTAL EQUITY		**8,639,065**	**6,738,933**

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

Consolidated statement of changes in equity
for the year ended 30 June 2024

	Notes	Contributed equity	Reserves	Retained earnings/ accumulated (losses)	Total
		$	$	$	$
Balance at 1 July 2022		7,104,700	98,846	(1,669,917)	5,533,629
Profit for the year		-		1,185,422	1,185,422
Other comprehensive income	19	-	19,882	-	19,882
Total comprehensive income for the year		**-**	19,882	1,185,422	1,205,304
Balance at 30 June 2023		7,104,700	118,728	(484,495)	6,738,933
Balance at 1 July 2023		**7,104,700**	**118,728**	**(484,495)**	**6,738,933**
Profit for the year		-	-	1,903,485	1,903,485
Other comprehensive (loss)	19	-	(3,353)	-	(3,353)
Total comprehensive income/ (loss) for the year		**-**	**(3,353)**	**1,903,485**	**1,900,132**
Balance at 30 June 2024		**7,104,700**	**115,375**	**1,418,990**	**8,639,065**

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

Consolidated statement of cash flows
for the year ended 30 June 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Receipts from customers		**22,077,029**	20,735,265
Payments to suppliers, employees and creditors		**(19,514,314)**	(19,944,115)
Interest received		**1,812**	218
Finance costs		**(455,674)**	(496,831)
Income tax paid		**(240)**	(982)
Net cash inflow from operating activities	23	**2,108,613**	**293,555**
Cash flows from investing activities			
Purchase of plant, equipment, fixtures & fittings		**(370,036)**	(130,451)
Payment for patents & intellectual property		**-**	(4,310)
Proceeds on disposal of plant & equipment		**-**	2,000
Net cash (outflow) from investing activities		**(370,036)**	**(132,761)**
Cash flows from financing activities			
Proceeds from borrowings		**17,478,768**	18,976,647
Repayment of borrowings		**(18,858,685)**	(18,544,485)
Payment of lease liabilities		**(460,277)**	(459,126)
Net cash (outflow) from financing activities		**(1,840,194)**	**(26,964)**
Net (decrease)/ increase in cash held		**(101,617)**	**133,830**
Cash & cash equivalents at the beginning of the financial year		**219,342**	**85,596**
Exchange differences on cash & cash equivalents		**(14)**	**(84)**
Cash & cash equivalents at the end of the financial year	8	**117,711**	**219,342**

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

These financial statements are the consolidated financial statements for the Group consisting of Air Change International Limited and its subsidiaries. The financial statements are presented in Australian dollars.

Air Change International Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

11 Broadhurst Road
Ingleburn NSW 2565

The financial statements were authorised for issue by the directors on 11 September 2024. The directors have the power to amend and reissue the financial statements.

1. Summary of material accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Air Change International Limited and its subsidiaries.

Air Change International Limited is a for profit entity for the purposes of preparing the financial statements.

(a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board.

Historical cost convention

These financial statements have been prepared on an accrual basis and are based on the historical cost convention.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Air Change International Limited as at 30 June 2024 and the results of all subsidiaries for the year then ended. Air Change International Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated.

(c) Segment reporting

The Group is reported as one operating segment comprising heating, ventilation & air conditioning to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars ("AUD"), which is the functional and presentation currency of Air Change International Limited.

(d) Foreign currency translation (continued)

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(iii) Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the rate applicable at the transaction date. Exchange differences are charged/ credited to other comprehensive income and recognised in the currency translation reserve in equity.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

(a) Bespoke goods made to order

The Group manufactures and sells bespoke heating, cooling and ventilation products. Revenue from the sales of bespoke goods are recognised at the point in time when the manufacturing of the goods is completed, tested and ready for delivery.

(b) Goods stocked for sale

The Group designs, sources and sells generic heating, cooling and ventilation products that it carries as stock for immediate sale. Revenue from the sales of these goods is recognised at the point in time when the customer accepts delivery of the goods and may include bill and hold arrangements.

(ii) Rendering of services

The Group derives revenues from the delivery, commissioning and after-sales service of heating, cooling and ventilation products. Receipts for those services are initially deferred, included in other liabilities and are recognised as revenue over time as the service is performed.

(f) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income or loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined by using tax rates (and laws) that have been enacted at the reporting date.

Current and deferred tax is recognised in profit or loss.

(f) Income tax (continued)

Tax consolidation legislation

Air Change International Limited ("the Head Entity") and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Borrowings are shown within borrowings in current liabilities on the statement of financial position.

(h) Trade receivables

Trade receivables are recognised initially at invoiced value less allowance for expected credit losses. Trade receivables are generally due for settlement within 60 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the expected credit loss is recognised in the profit or loss within impairment of assets.

(i) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Plant and equipment

Plant, equipment, fixtures and fittings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. All repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Plant, equipment, fixtures and fittings are depreciated over a 2 to 15 year period depending on their estimated life using straight line method as appropriate. The assets' residual values and useful lives are reviewed and if appropriate adjusted at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(k) 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. Right of use assets are depreciated on a straight-line basis over the period of the lease. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group 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.

(l) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment at least annually and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Patents

Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

(iii) Agency Agreements and Design & Intellectual Property

These items have an indefinite useful life and are carried at cost less any impairment loss.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(n) Borrowings

Borrowings in relation to the revolving credit facility are recognised at fair value. Borrowings in respect of asset acquisitions are initially recognised at fair value and are subsequently measured at amortised cost.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

(o) Finance costs

Finance costs in relation to borrowings are expensed.

(p) Employee entitlements

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit cost method. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefits obligations

Contributions to a defined contribution fund are recognised as an expense as they become payable.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of the new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(r) Earnings per share

(i) Basic earnings per share

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

(ii) 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.

(s) Goods and Services Tax (GST)

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 with other receivables or payables in the statement of financial position.

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

(t) Impairment of other assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(u) Parent entity financial information

The financial information for the parent entity, Air Change International Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries are accounted for at cost in the financial statements of Air Change International Limited.

(v) New, revised or amended Accounting Standards or Interpretation adopted

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

(w) New accounting standards issued but not yet effective and not been adopted early by the Group

The AASB has issued a number of new and amended Accounting Standards and Interpretations but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Executive Team.

The Group and the parent entity hold the following financial instruments:

	2024 $	2023 $
Financial assets		
Cash and cash equivalents	**117,711**	219,342
Trade and other receivables	**3,283,527**	3,724,552
	3,401,238	3,943,894
Financial liabilities		
Current		
Trade & other payables	**2,244,796**	2,394,336
Borrowings	**-**	1,252,760
Lease liabilities	**549,344**	372,904
	2,794,140	4,020,000
Non-current		
Other payables	**-**	8,223
Lease liabilities	**5,429,520**	3,762,101
	5,429,520	3,770,324

(a) Market risk

(i) Foreign currency risk

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Air Change International Limited. At the date of this report, the Group has exposure to Singapore dollars, US dollars and Malaysian Ringgit in respect of financial assets. Based on the financial instruments held at 30 June 2024, had the Australian dollar weakened/ strengthened by 10% (2023: 10%) against these currencies with all other variables held constant, the impact on the profit would have been $3,387 higher/ $3,014 lower (2023: $2,907 higher/ $2,639 lower), mainly as a result of foreign exchange gains/ losses on translation of these foreign currencies denominated financial instruments. The percentage of 10% has been determined based on the market rate movements in exchange rates in the previous 12 months.

(ii) Price risk

The Group is not exposed to equity securities price risk or to commodity price risk.

(iii) Interest rate risk

The Group has a Debtors Finance Facility which has an interest rate that is the 30 day BBSY rate plus a fixed margin. The interest rate risk of this facility is shown in the sensitivity analysis below.

Group sensitivity

During the year ended 30 June 2024, if the average 30 day BBSY interest rate had changed by -/+ 50 basis points from the actual interest rates incurred within the year, with all other variables held constant, the impact on the profit/loss would have been $2,571 higher/lower (2023: $6,019). In respect of the trade receivables and trade payables there would be no impact on the net profit/loss of a +/- 50 basis points change in interest rates (2023: nil). In respect of cash on deposit, the impact on the profit/loss of a +/- 50 basis points change in interest rates would have been immaterial as the average cash balance on deposit is immaterial (2023: nil).

2. Financial risk management (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and outstanding receivables. Cash is held with reputable financial institutions with high quality external credit ratings. Senior management managed the risk of impairment of receivables by reviewing credit limits, undertaking external credit checks and use of credit insurance.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group had access to a debtor financing facility of $3,000,000 (2023: $2,500,000). This facility may be drawn at any time and maybe terminated by either party with 90 days notice (note 26).

Maturities of financial liabilities

The tables below analyze the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Interest payable on the loan has been disclosed in the table below.

Group – at 30 June 2024	Less than 4 months	4-6 months	6-12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows
Non derivatives						
Trade & other payables	1,673,721	555,737	15,338	-	-	2,244,796
Borrowings	-	-	-	-	-	-
Lease liabilities	140,085	130,649	278,610	3,742,681	1,686,839	5,978,864
Total non-derivative	**1,813,806**	**686,386**	**293,948**	**3,742,681**	**1,686,839**	**8,223,660**

Group – at 30 June 2023	Less than 4 months	4-6 months	6-12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows
Non derivatives						
Trade & other payables	1,788,327	578,699	27,310	8,223	-	2,402,559
Borrowings	1,252,760	-	-	-	-	1,252,760
Lease liabilities	132,280	55,751	184,873	2,099,123	1,662,978	4,135,005
Total non-derivative	**3,173,367**	**634,450**	**212,183**	**2,107,346**	**1,662,978**	**7,790,324**

Fair value
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value of trade receivables and trade payables is assumed to approximate their fair values due to their short term nature.

3. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.
The following are significant management judgements in applying the accounting policies of the Group that may have a significant effect of the financial statements.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its 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.

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(l)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group 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.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4. Revenue

	2024 $	2023 $
Sales revenue		
Sale of goods	19,652,572	20,986,788
Services	57,052	143,142
Total revenue	**19,709,624**	21,129,930

5. Other income

	2024 $	2023 $
Interest	1,812	218
Government (note (a))	2,859	16,576
Other	32,634	43,863
Net gain on disposal of plant and equipment	-	2,000
Total other income	**37,305**	62,657

(a) Government

In 2024 and 2023, there were no major payments from the government.

6. Expenses

	2024 $	2023 $
Profit before income tax includes the following specific expenses:		
Lease rental payments	29,491	29,176
Defined contribution superannuation payments	496,006	445,457
Net foreign exchange loss	96,829	86,175
Doubtful debt expense	60,000	866
Net loss on disposal of plant & equipment	6,933	-

7. Income tax expense

(a) Income tax expense

	2024 $	2023 $
Current tax expense	390,672	290,268
Deferred tax – origination and reversal of temporary differences	(70,489)	(54,420)
Current year income tax – overseas entity	320	-
Benefit of tax losses previously not recognised	(497,380)	(345,270)
Current year tax losses not recognised	106,708	55,002
Aggregate current income tax (benefit)	(70,169)	(54,420)
Deferred tax included in income tax expense comprises:		
(Increase) in deferred tax assets	(70,489)	(54,420)
Deferred tax – origination and reversal of temporary differences	(70,489)	(54,420)

(b) Reconciliation of effective tax rate

	2024 $	2023 $
Profit before income tax	1,833,316	1,131,002
Income tax calculated at 25% (2023 – 25%)	458,329	282,750
Tax effect of amounts which are not (taxable) in calculating taxable income:		
Other	(147,275)	(50,966)
Subtotal	**311,054**	231,784
Previously unrecognised tax losses now utilised to reduce current tax expense	(497,380)	(345,270)
Net taxable losses not recognised	106,708	55,002
Current year income tax – overseas entity	320	-
Temporary differences not recognised	9,129	939
Previously unrecognised temporary difference now recognised	-	3,125
Income tax (benefit)	**(70,169)**	(54,420)

8. Cash and cash equivalents

	2024 $	2023 $
Cash at bank and on hand	117,711	219,342
	117,711	219,342

The Group's exposure to interest rate risk is discussed in note 2.

9. Trade and other receivables

(a) Current assets

	2024 $	2023 $
Trade receivables	3,052,743	3,510,716
Less: Allowance for expected credit losses	(145,000)	(85,000)
Net trade receivables	2,907,743	3,425,716
Rental bonds	5,954	-
Term deposits in respect of guarantees	61,926	54,654
Other debtors	307,904	244,182
Prepayments	137,660	131,255
	3,421,187	3,855,807

Allowance for expected credit losses

The Group retains an allowance of $145,000 (2023: $85,000) in respect of future expected credit losses.

(b) Past due not impaired trade receivables

As at 30 June 2024 there were current trade receivables of the Group with a nominal value of $625,369 that were past due (2023: $144,475) but not impaired. The amount of the allowance was $145,000 (2023: $85,000).

The Group does not hold any collateral in relation to these receivables but insures these receivables against insolvency of the debtor.

The ageing of these receivables is as follows*:*

	2024 $	2023 $
Not past due	2,282,374	3,281,241
Past due 2-3 months	537,169	143,660
Past due over 3 months	88,200	815
Total	**2,907,743**	3,425,716

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

	2024 $	2023 $
At 1 July	85,000	130,000
Provision recognised during the year	60,000	866
Receivables written off during the year	-	(45,866)
Balance at 30 June	**145,000**	85,000

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amounts approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

The creation and release of the allowance for impaired receivables has been included in 'other expenses' in the profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

10. Inventories

	2024 $	2023 $
Current Assets		
Raw materials	1,924,174	1,633,465
Work in progress	1,147,820	1,216,538
Finished goods	791,830	659,251
Stock in transit	775,005	160,214
	4,638,829	3,669,468

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2024 amounted to $39,007 (30 June 2023: $46,874).

11. Plant, equipment, fixtures and fittings

	Plant & Equipment	Fixtures & Fittings	Leasehold Improvements	Total
At 1 July 2022	**$**	**$**	**$**	**$**
Cost	1,198,006	160,512	10,267	1,368,785
Accumulated depreciation	(809,105)	(28,115)	(1,685)	(838,905)
Net book amount	**388,901**	**132,397**	**8,582**	**529,880**
Year ended 30 June 2023				
Opening net book amount	388,901	132,397	8,582	529,880
Additions	81,971	2,388	-	84,359
Depreciation charge	(116,127)	(16,835)	(1,030)	(133,992)
Net exchange difference	(1,872)	(72)	(140)	(2,084)
Closing net book amount	352,873	117,878	7,412	478,163
At 30 June 2023				
Cost	1,263,882	162,675	10,072	1,436,629
Accumulated depreciation	(911,009)	(44,797)	(2,660)	(958,466)
Net book amount	**352,873**	**117,878**	**7,412**	**478,163**
Year ended 30 June 2024				
Opening net book amount	352,873	117,878	7,412	478,163
Additions	284,656	67,152	-	351,808
Disposals	-	-	(6,933)	(6,933)
Depreciation charge	(120,525)	(19,266)	(427)	(140,218)
Net exchange difference	(3,953)	(71)	(52)	(4,076)
Closing net book amount	513,051	165,693	-	678,744
At 30 June 2024				
Cost	1,540,526	229,596	-	1,770,122
Accumulated depreciation	(1,027,475)	(63,903)	-	(1,091,378)
Net book amount	**513,051**	**165,693**	**-**	**678,744**

12. Right-of-use assets

	2024	2023
	$	$
Properties – right-of-use	6,685,199	4,906,356
Accumulated depreciation	(1,151,370)	(995,019)
Net book amount	**5,533,829**	3,911,337

Additions to the right-of-use assets during the year were $1,988,842 (2023 - $41,887).

The Group leases various properties and the rental contracts are typically made for fixed periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease payments are discounted using the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

13. Lease liabilities

	2024	2023
	$	$
Current		
Lease liabilities	549,344	372,904
	549,344	372,904
Non-current		
Lease liabilities	5,429,520	3,762,101
	5,429,520	3,762,101

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 Group's incremental borrowing rate. Lease payments comprise of fixed payments and variable lease payments that depend on an index or a rate.

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 the index or a rate use and lease term. 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.

14. Intangible assets

Year ended 30 June 2023	Agency Agreements $	Design & Intellectual Property $	Goodwill $	Patents $	Total $
Carrying value at 1 July 2022	20,000	70,850	2,817,222	-	2,908,072
Addition	-	-	-	4,310	4,310
Amortisation charge	-	-	-	(83)	(83)
Carrying value at 30 June 2023	20,000	70,850	2,817,222	4,227	2,912,299
At 30 June 2023					
Cost	20,000	70,850	2,817,222	3,620,774	6,528,846
Accumulated amortisation	-	-	-	(3,616,547)	(3,616,547)
Net book amount	**20,000**	**70,850**	**2,817,222**	**4,227**	**2,912,299**

Year ended 30 June 2024	Agency Agreements $	Design & Intellectual Property $	Goodwill $	Patents $	Total $
Carrying value at 1 July 2023	20,000	70,850	2,817,222	4,227	2,912,299
Amortisation charge	-	-	-	(215)	(215)
Carrying value at 30 June 2024	20,000	70,850	2,817,222	4,012	2,912,084
At 30 June 2024					
Cost	20,000	70,850	2,817,222	3,620,774	6,528,846
Accumulated amortisation	-	-	-	(3,616,762)	(3,616,762)
Net book amount	**20,000**	**70,850**	**2,817,222**	**4,012**	**2,912,084**

Impairment tests for intangible assets

Intangibles are allocated to the Group's cash generating unit (CGU) identified according to operating segment.

A segment level summary of the intangible assets allocation is presented below for the year ended 30 June 2024.

	Heating Cooling & Ventilation $
Year ended 30 June 2024	
Goodwill and intangibles	**2,912,084**

The recoverable amount of a CGU is determined based on value in use calculations. These calculations are a discount of future projected operational cash flows using a pre-tax discount rate of 12.7% (2023– 12.6%), a 3% per annum projected revenue growth rate based on revenue of $20m starting from 2025 and 3% per annum rate increase in overhead costs.

Goodwill, intangibles and patent carrying values are tested using a net present value calculation using the above assumptions and an enterprise value method calculation. The net present value model uses a 1 year budget and a 4 year forecast with a terminal value based on past experience of three and half times estimated EBITDA at year five. The enterprise value model assumes a four and a half times estimated EBITDA for the next year.

The growth rate is based on best estimates of revenue in preparing the 1 year budget and the discount rate reflects the market and interest rate risks.

The pre-tax discount rate value would need to increase by 83.9 percent or the gross margin decrease by 9.1 percent or the revenue to decrease by 9.4 percent before the estimated recoverable amount approximates the carrying amount.

15. Deferred tax assets

	2024 $	2023 $
The balance comprises temporary differences attributable to:		
Deferred tax assets / (liabilities)		
Employee benefits	312,203	305,539
Tax losses	58,249	58,249
Other	168,365	118,065
Depreciation and amortisation	(14,537)	(28,062)
Intangibles	(22,500)	(22,500)
Total deferred tax assets at 25% (2023 - 25%)	**501,780**	431,291
Deferred tax assets expected to be recovered within 12 months at 25% (2023 - 25%)	**423,439**	365,496
Deferred tax assets expected to be recovered after more than 12 months at 25% (2023 - 25%)	**78,341**	65,795

15. Deferred tax assets (continued)

Movements	Employee Benefits	Tax Losses	Other	Depreciation amortisation	Intangibles	Total
	$	$	$	$	$	$
At 1 July 2022	**293,401**	**58,249**	**82,456**	**(34,735)**	**(22,500)**	**376,871**
(Charged)/credited						
- to profit or loss	12,138	-	35,609	6,673	-	54,420
- to other comprehensive income	-	-	-	-	-	-
At 30 June 2023 at 25%	**305,539**	**58,249**	**118,065**	**(28,062)**	**(22,500)**	**431,291**
(Charged)/credited						
- to profit or loss	6,664	-	50,300	13,525	-	70,489
- to other comprehensive income	-	-	-	-	-	-
At 30 June 2024 at 25%	**312,203**	**58,249**	**168,365**	**(14,537)**	**(22,500)**	**501,780**

Tax Losses Not Recognised	**2024**		**2023**
Unused tax losses for which no deferred tax asset has been recognised	**$**		**$**
Opening balance	**5,276,030**		6,657,112
Current recoupment of tax losses not previously recognised	**(1,989,520)**		(1,381,082)
Subtotal	**3,286,510**	^	5,276,030
Closing balance	**3,286,510**	^^	5,276,030
Potential tax benefit at 25% (2023 - 25%)	**821,628**		1,319,008

Controlled Foreign Companies (CFC) losses Not Recognised	**2024**		**2023**
Unused CFC losses for which no deferred tax asset has been recognised	**$**		**$**
Opening balance	**1,428,119**		1,208,355
Current CFC losses not recognised	**426,834**		220,006
Subtotal	**1,854,953**	^	1,428,361
Other adjustments per income tax return	**-**		(242)
Closing balance	**1,854,953**	^^	1,428,119
Potential tax benefit at 25% (2023 - 25%)	**463,738**		357,030

^ Balance per 2023 financial statements
^^ Adjusted closing balance based on lodged 2023 income tax return

16. Trade & other payables

	2024 $	2023 $
Current		
Trade payables	964,381	1,023,164
Other payables	763,075	832,046
Customer deposits	517,340	539,126
	2,244,796	2,394,336
Non-current		
Other payables	-	8,223
	-	8,223

17. Employee entitlements

	2024 $	2023 $
Current		
Employee entitlements (note (a))	1,242,993	1,209,618
	1,242,993	1,209,618
Non-current		
Employee entitlements – long service leave	**25,367**	35,185

(a) Amounts not expected to be settled within the next 12 months

The entire amount of the annual leave provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations and it is expected to be paid within the next 12 months.

18. Contributed equity

	2024 Number	2023 Number	2024 $	2023 $
Share Capital				
Ordinary shares, fully paid	**17,714,009**	17,714,009	**7,104,700**	7,104,700

Movements in ordinary share capital

Date	Details	Number of shares	$
01 July 2022	Opening balance	17,714,009	7,104,700
30 June 2023	Movement during year	-	-
30 June 2023	Balance	17,714,009	7,104,700
30 June 2024	Movement during year	-	-
30 June 2024	Balance	**17,714,009**	**7,104,700**

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid up on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Options

At reporting date, there were no listed and unlisted options (2023: Nil) on issue.

(c) Capital risk management

The Group manages capital to safeguard its ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders. It aims to maintain an optimal capital structure to reduce the overall cost of capital having regard to the operational and market risks.

The Group's debt and capital include ordinary shares.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, increase borrowings or sell assets.

There are no externally imposed capital requirements on the Group.

19. Reserves

	Share Option $	Foreign Currency Translation $	Total Reserves $
At 1 July 2022	89,960	8,886	98,846
Exchange differences on translating foreign operations	-	19,882	19,882
At 30 June 2023	**89,960**	**28,768**	**118,728**
At 1 July 2023	89,960	28,768	118,728
Exchange differences on translating foreign operations	-	(3,353)	(3,353)
At 30 June 2024	**89,960**	**25,415**	**115,375**

20. Remuneration of auditors

	2024 $	2023 $
During the year the following fees were paid or payable for services provided by the auditor of the parent entity:		
BDO Audit Pty Ltd		
Audit and other assurance services		
Audit and review of financial statements	96,021	93,389
	96,021	93,389

21. Performance Guarantees

Performance guarantees supported by term deposits at balance date were:

(a) property rental agreements $246,356 (2023: $246,356)

(b) commercial credit card facility $30,000 (2023: $30,000)

(c) operating licences $31,926 (2023: $24,654)

22. Related party information

(a) Details of directors related party information is as follows:

During the year 2024, there was no transaction between any directors and members of the Group (2023: $nil).

(b) Key management personnel disclosure

Aggregate compensation	2024 $	2023 $
Short term employee benefits	456,147	448,354
Post employment benefits	34,176	33,876
Long term benefits	6,211	6,247
	496,534	488,477

Details of directors' remuneration are set out in the Directors' Report. The Company does not pay directors' retirement benefits other than the Company's superannuation contribution for the superannuation guarantee.

23. Reconciliation of cash flows from operating activities

	2024 $	2023 $
Profit after income tax	1,903,485	1,185,422
Depreciation and amortisation	822,423	755,267
Doubtful debts & bad debts	69,358	866
Net exchange differences	4,001	23,454
Net loss/ (gain) on disposal of non-current assets	6,933	(2,000)
Changes in assets and liabilities		
Decrease/ (increase) in trade receivables	448,616	(1,434,927)
Decrease/ (increase) in other receivables & prepayments	14,747	(78,444)
(Increase)/ decrease in guarantee deposits	(7,939)	186,862
(Increase)/ decrease in inventories	(969,361)	529,261
(Increase) in deferred tax assets	(70,489)	(54,420)
(Decrease) in trade payables	(58,783)	(218,289)
(Decrease) in other payables	(78,015)	(646,923)
Increase in provisions	23,557	48,408
Increase/ (decrease) in income tax provision	80	(982)
Net cash inflow from operating activities	**2,108,613**	293,555

24. Earnings per share

	2024 $	2023 $
Basic earnings per share from continuing operations	**0.107**	0.067
Diluted earnings per share from continuing operations	**0.107**	0.067

Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	**17,714,009**	17,714,009
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	**17,714,009**	17,714,009

Reconciliations of earnings used in calculating earnings per share	**$**	**$**
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company:		
from continuing operations	**1,903,485**	1,185,422
Earnings used in calculating basic and diluted earnings per share	**1,903,485**	1,185,422

25. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2024 $	2023 $
Statement of financial position		
Current assets	**1,100,930**	725,736
Total assets	**8,987,587**	8,603,620
Current liabilities	**567,444**	520,365
Total liabilities	**567,444**	520,365
Shareholders' equity		
Issued capital	**7,104,700**	7,104,700
Reserves	**89,960**	89,960
Retained earnings	**1,225,483**	888,595
Total shareholders' equity	**8,420,143**	8,083,255
Profit for the year	**336,888**	1,083,887
Total comprehensive income for the year	**336,888**	1,083,887

25. Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

	2024	2024
	$	$
Carrying amount included in current liabilities	-	-

(c) Contingent liabilities of the parent entity

The parent entity has provided corporate guarantee and indemnity in respect of bank guarantees provided to subsidiary companies.

26. Financing Arrangements

At reporting date, the Group had the following financing facilities:

	2024	2023
Total facilities available	**$**	**$**
Debtor financing liability*	3,000,000	2,500,000
Asset finance facility	200,000	200,000
Indemnity/guarantee facilities	278,926	271,654
Commercial credit card facilities	30,000	30,000
	3,508,926	3,001,654
Used at the reporting date		
Debtor financing liability	-	1,249,609
Asset finance facility	-	33,000
Indemnity/guarantee facilities	278,282	271,010
Commercial credit card facilities	26,000	21,000
	304,282	1,574,619

*The business has a revolving facility secured against approved trade Debtors less than 90 days past due. This facility has a present limit of $3,000,000 (2023: $2,500,000) and was drawn down as required during the year ended 30th June 2024. Not all Group Debtors are covered by this facility. The interest applicable is based on the floating 30 day Bank Bill Swap rate plus a fixed margin. The facility incurred a service fee of $48,000 for the financial year (2023: $48,006). Interest paid in the financial year on the facility was $57,061 (2023: $132,474).

Security

The financing facility is secured by general security deed over the Australian Group entities assets.

Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity type	Place formed/ Country of incorporation	Ownership interest %	Tax residency
Air Change Pty Limited	Body corporate	Australia	100%	Australia*
Air Change Australia Pty Limited	Body corporate	Australia	100%	Australia*
Summit Industrial Chillers Pty Limited	Body corporate	Australia	100%	Australia*
Air Change (SEA) Pte Limited	Body corporate	Singapore	100%	Singapore
Fan Coil Sales Pty Limited	Body corporate	Australia	100%	Australia*
AFS Manufacturing Sdn Bhd	Body corporate	Malaysia	100%	Malaysia
Dunnac Pty Limited	Body corporate	Australia	100%	Australia*

* Air Change International Limited (the ‘head entity’) and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

Directors' declaration
for the financial year ended 30 June 2024

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes, are in accordance with the Corporations Act 2001 and:
   (a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and with International Financial Reporting Standards issued by the International Accounting Standards Board and
   (b) give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date.
2. 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.
3. The directors have been given the declarations by the chief executive officer as required by section 295A of the Corporations Act 2001.
4. The information disclosed in the attached consolidated entity disclosure statement is true and correct.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Alan Jones

Alan Jones
Chairman

Sydney
11 September 2024

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Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Air Change International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Air Change International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of intangible assets

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 14, the Group held intangible assets of $2,912,084 as at 30 June 2024 (2023: $2,912,299). The recoverability of intangible assets was identified as a key audit matter because of the extent of judgement involved by management in considering the recoverability of the assets as at the reporting date. This included estimates surrounding future growth rates of the business, discount rates applied to future cash flow forecasts and sensitivities of inputs and assumptions used in the discounted cashflow model and enterprise value model prepared by management.	Our audit procedures to address the key audit matter included the following: • Obtaining the Group's discount cashflow model and analysing cash flows against historical trends and future expectations. • Corroborating the assumptions for the key inputs in the discounted cashflow model such as forecast revenue, costs, discount rates and terminal growth rates. • Performing tests over the mathematical accuracy of the model and the underlying calculations. • Assessing the appropriateness of the EBITDA multiple used in managements' enterprise value model calculation. • Performing sensitivity analysis to identify the model's robustness to changes in key underlying assumptions. • Discussing and analysing management's assessment of the recoverability of the intangibles, with specific reference to recent trading performance.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in page 11 and 12 of the Annual Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Air Change International Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Ian Hooper
Director

Sydney 11 September 2024

Additional information required by the NSX Listing Rules clause 6.9 and not disclosed elsewhere in this report is set out below.

1. COMPOSITION OF THE GROUP

Subsidiaries	Principal place of business/ Country of Incorporation	Main Business	Percentage Owned (%) 2024	Percentage Owned (%) 2023
Air Change Pty Limited	Australia	Intermediate holding company & patent holder	100	100
Air Change Australia Pty Limited	Australia	Design, manufacture and sales of HVAC equipment	100	100
Summit Industrial Chillers Pty Limited	Australia	Sale of process cooling equipment	100	100
Air Change (SEA) Pte Limited	Singapore	Represent Air Change Group in South East Asia	100	100
Fan Coil Sales Pty Limited	Australia	Sale of air handler and fan coil	100	100
AFS Manufacturing Sdn Bhd	Malaysia	HVAC manufacturer	100	100
Dunnac Pty Limited	Australia	Sale of air & water cooler packaged air conditioning systems & parts	100	100

2. HISTORICAL SUMMARY TABLE

Item	2024 $	2023 $	2022 $	2021 $	2020 $
Profit/ (loss)	1,903,485	1,185,422	(1,521,965)	68,259	797,546
Assets	18,143,585	15,786,560	15,506,283	11,896,209	12,008,793
Liabilities	9,504,520	9,047,627	9,972,654	4,835,192	5,105,428

3. TEN LARGEST SHAREHOLDERS

Name	No. of Ordinary Shares Held	Percentage of Issued Shares
Everbright Securities Investment Services (HK) Ltd – Client a/c	4,904,277	27.69%
Mr Raymond Neil Fimeri	2,566,500	14.49%
Neilor Nominees Pty Ltd	2,233,500	12.61%
Sebsax Pty Ltd	1,625,143	9.17%
Mr Alan Jones	938,000	5.30%
DMM Investments (NSW) Pty Ltd	913,537	5.16%
HSBC Custody Nominees (Australia) Limited	762,360	4.30%
Phoenix Properties International Pty Ltd	261,087	1.47%
Estate Late Christopher Lindsay Biggins	215,530	1.22%
Mr Gregory Creighton Sproule	178,207	1.01%

4. SHAREHOLDER DISTRIBUTION TABLE

Fully paid ordinary shares

Range	Total holders	Units	% Units
1 – 1,000	438	224,398	1.27
1,001 – 5,000	184	390,235	2.20
5,001 – 10,000	29	212,948	1.20
10,001 – 100,000	44	1,374,798	7.76
100,001 – 9,999,999,999	17	15,511,630	87.57
	712	**17,714,009**	**100**