



2025

Annual Report

Air Change International Limited

ACN: 087 737 068

Content

Corporate directory	1
Managing Director's report	2-6
Directors' report	7-13
Auditors' independence declaration	14
Corporate governance statement	15-19
Consolidated financial statements	20-23
Notes to the financial statements	24-46
Consolidated entity disclosure statement	47
Directors' declaration	48
Independent auditors' report to the members	49-51
Information for the National Stock Exchange of Australia	52-53

Corporate Directory

Directors:	Alan S Jones (Non-executive Chairman) Peter A Curry (Non-executive Director) Neil R Fimeri (Managing Director)
Secretary:	Robert Lees
Principal & Registered Office:	11 Broadhurst Road Ingleburn NSW 2565 Tel: (02) 8774 1400 e-mail: invest@airchange.com.au Web site: www.airchange.com.au
Share Registrar:	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford Victoria 3067
Auditors:	BDO Audit Pty Ltd ("BDO") Level 25, 252 Pitt 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

Air Change International Limited

Managing Director's report

Your directors present the Air Change International Limited ("Group or Company") Annual Report for the financial year ended 30 June 2025.

1.0 The Year in Review

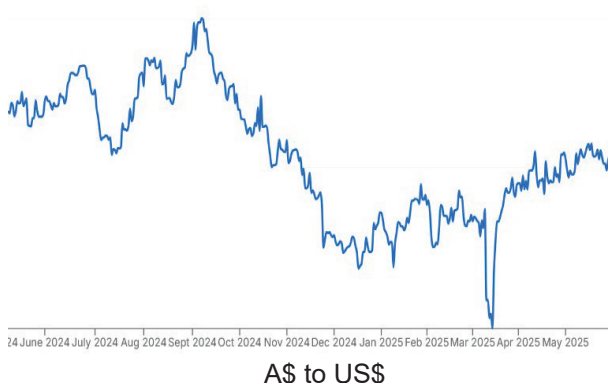
We are pleased to report an increase in pre-tax earnings for the past year up from \$1.83 million in 2024 to \$2.36 million in 2025, an increase of 29%. This increase in earnings was achieved on a sales revenue increase of 23% up from \$19.71 million in 2024 to \$24.27 million in 2025.

The after tax profit for 2025 of \$2.24 million is after an income tax expense of \$124k, primarily resulting from tax in Malaysia.

Earnings in Malaysia over the past 3 years have exhausted the tax losses incurred during the startup and consolidation period and the investment tax incentives received on past capital expenditure.

On present indications, the Group is expected to have recouped all past Australian income tax losses in FY 2026 and thus will be liable for Australian company tax in this new financial year.

The increase in profitability has occurred despite currency movements that have negatively affected the Group operating costs.



The A\$ fell from 66.7 cents in early July 2024 to finish the year at 65.7 cents but with a significant part of the year buying around 62 to 63 cents.

This fall in the A\$ impacts component and material costs as a substantial portion of these inputs are purchased in, or subject to, pricing in US\$.

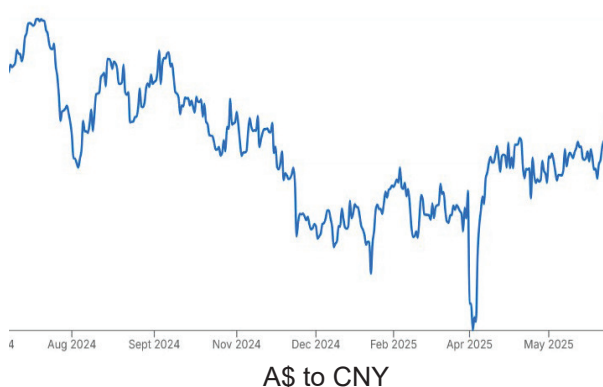
In addition to these costs, the Group incurs significant container freight costs which are also settled in US\$. The value of the Malaysian Ringgit (MYR) has also had a significant impact on operating costs this past year.

The MYR has appreciated significantly against the Australian dollar commencing the year at 3.15 to 1 and finishing the year at 2.77, a fall of thirteen percent (13%).



As a substantial proportion of production is now manufactured in Malaysia, this movement has increased manufacturing costs.

The Group now settles some purchases in Chinese Yuan (CNY) which has also appreciated against the A\$ over the past 12 months.



As the Group has less exposure to the CNY than other the other currencies, this appreciation has had less impact on operating costs than the rise in both the US\$ and the MYR.

Currency movements make it difficult to price equipment with long lead times where we regularly experience delays around five to six months between

quotation and delivery which can result in margin swings on individual project orders.

This new year has commenced with a substantial order book which approached \$15 million at year end with enquiries for quotation still very strong.

Despite moving Malaysian manufacturing operations to a larger factory in 2023 and installing new production capacity with an expanded labour force, delivery times around 20 weeks are still the norm due to increased order volumes.

FY2025 was a year of consolidation with no new major production equipment ordered during the year.

Production and engineering labour resources remain a constraint on increasing product output and thus increasing sales. The Group recruits when suitably qualified personnel are identified.

2.0 Group Operations

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.

These bespoke units continue to represent an increasing proportion of total Group sales but require more engineering and specialised production capacity.

Specialised chilled water systems are designed, partially assembled, programmed, and tested in Australia with major component assemblies sourced from overseas.

Production and engineering capacity constraints have seen a sales decline in this market segment. Resource priority is directed to Group HVAC and dehumidification assemblies.

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 and territories.

NSW head office provides technical and sales 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.

(i) Dedicated Outdoor Air Systems (DOAS)

Air Change pioneered the development and sale of DOAS in Australia using its patented heat and enthalpy exchangers to reduce the energy consumption needed to heat and cool outside air.

Outside air requires more conditioning capacity than re-circulated cooling systems because of the very high and low ambient air temperatures and the high air humidity found in many locations.

The use of heat and enthalpy exchangers to pre-condition the outside air using ventilation exhaust air lowers the energy needed to condition this outside air for delivery to the space.

Air Change still generates a significant proportion of its sales revenue from units incorporating heat and energy exchangers but this has become a smaller proportion of Group sales revenue with the growth in specialised humidity control and pressurisation units.

The Group designs and manufactures other DOAS systems for 100% outside air where there is no exhaust air available to effect pre-treatment. These units do not incorporate a heat or energy exchanger using only refrigeration capacity to heat, cool and dehumidify the air.

The need for dehumidification units continue to grow in the Australian market because of changing ambient air conditions and requirements of modern buildings.

Conditioning air to control humidity and temperature in indoor pools remains a significant income source. These are specialised units that use heat exchangers, air management and refrigeration

systems to take heat from pool exhaust air and thus reduce operating costs.

(ii) Specialised air conditioning units

There is an increasing demand for specialised air conditioning units that operate in extreme temperature and humidity conditions and/or are required to cool the air to very low supply air temperatures and reheat the air in some applications.

Air Change design and manufacture bespoke air conditioning units that match the required airflow with the cooling and heating capacity required at any specified ambient condition.

(iii) Standard Air & water cooled units

The Group designs and manufactures air and water-cooled packaged air conditioning products.

Sales of this product type continue to fall as multi-head variable refrigerant volume (VRV) systems increase.

(iv) Air Handling & Fan Coil Units

The Group's Fan Coil Industries (FCI) division designs, manufactures and sells fan coil and air handling units in Australia.

It concentrates sales efforts on bespoke AHUs. Whilst sales revenue is inconsistent, this division continues to make a positive contribution to the Group result.

(v) Industrial Cooling Systems

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

This results from the difficulty to find and retain qualified professional engineering and trades staff to support this operation, particularly with such large variations in demand.

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

3.0 Manufacturing Operations

Product design, development and testing is undertaken at the Group's head office and manufacturing facility which is located in Ingleburn, New South Wales.

Product detailing for manufacture is either completed in Ingleburn when the equipment is to be manufactured in Australia or in Malaysia if the product or components are to be manufactured there. As already noted, recruitment and retention of skilled engineers, trade and production personnel in both Australia and Malaysia is a continuing problem.

As previously reported, there is a shortage of engineers who are suitably qualified and experienced to design and detail the complex HVAC products and refrigeration systems that are critical to the Group's primary revenue source.

Technical recruitment and training remains a priority. New engineering recruits are selected for their engineering knowledge, their ability to be trained and very importantly, their likelihood of remaining in the Group's employ for the foreseeable future.

The Company continues to support immigration sponsorship for persons without Australian residency who have the engineering qualifications and aptitude to undertake the work that the Group undertakes.

Australian factory staffing has remained relatively stable this past year which we believe is partly due to the move to the factory in Ingleburn in 2022 and the introduction of a four-day working week for most factory personnel that commenced at that time.

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

There is a continual movement of some factory and office personnel in Malaysia, which seems to be normal in that area.

However, we are fortunate to retain a strong core of long term experienced staff that can support and train new employees to maintain and grow this operation.

As noted last year, we added additional technical and management capability in Malaysia in 2024 FY 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.

We are currently looking to add to Malaysian engineering capacity by employing an experienced design engineer sourced from Europe.

Further growth in both engineering and production capability in the Malaysia remains a priority.

With the growth in manufacturing operations, the Group has increased its direct access to component part manufacturers which affords it better pricing. The cost benefit that this direct access offers is partially negated by the addition working capital required to purchase the large minimum order quantities demanded, make deposit payments with order and full payment before shipment. Container freight is now a significant operating cost with deliveries of parts, components and completed air conditioning units. Container pricing in US\$ has remained relatively stable this past year but fluctuated more when settled in Australian dollars.

The Ingleburn factory remains sufficient for present and planned Australian manufacturing, logistics and testing operations. However, the office space is small and therefore challenging to accommodate the technical and administration staff numbers located here.

The Australian accommodation expense has grown significantly over the past 3 years primarily as a result of large increases in NSW land tax, council rates and building insurance costs.

The Malaysian manufacturing operation is an essential part of the Group's ability to manufacture the range and quantity of products it now sells in the HVAC market at a competitive price. It therefore remains a management focus with any expansion in operation likely to be located there.

4.0 Product Demand & Sales

As reported above, the Group order book was approaching \$15 million at the start of this new

financial year with enquiries from the Australian and overseas markets still very strong.

The Group's ability to sell still exceeds its ability to engineer and produce even with expansion of operations in Malaysia.

Enquiries and orders over the past year have come from all Australian states, New Zealand, Singapore, Malaysia, Vietnam, Indonesia, Papua New Guinea, the Solomon Islands, Fiji, Tonga and American Samoa.

Australia remains the dominant market for Group products but there has been a significant rise in quotations and orders from both the Southeast Asian and Pacific Island regions.

Asian sales this year exceeded \$2 million with the bulk of these sales in Singapore and Malaysia.

The Group supplied thirty-five air pressurization units to a large data centre in Malaysia and is currently tendering for the next project stage expansion. Data centre enquiries throughout the Southeast Asian region are very strong with projects planned for Malaysia, Vietnam and Indonesia. Singapore data centre facility expansion are limited due to limited land supply. With the growth in our Malaysian manufacturing capacity, the Group is now better placed to meet this local demand.

Enquiries and sales in all Australian states remain strong driven by the higher temperature and humidity climate conditions now being experienced and therefore designed for.

This has led to an increase in demand for specialised cooling and dehumidification systems designed to operate in high ambient temperature conditions (up to 50°C) which are used to maintain indoor conditions for specialised manufacturing operations, data centres, laboratories, military and climate-controlled storage facilities.

Chiller sales have remained negligible this past year as Group production was at capacity meeting HVAC and dehumidification demand.

This situation is unlikely to change in the near term.

The Group manufactures specialised air handling units (AHUs) when they require specialised engineering design and/or manufacture. A significant order was completed this past year for units designed in weight restricted modules for a helicopter lift installation.

5.0 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.

As a result, the Group is a preferred supplier of specialised HVAC systems for a number of major Australian companies where heat and humidity control is critical in their building or manufacturing processes.

The Company has not employed external sales staff for the past 4 years with all enquiries coming directly to the Company by email or telephone. This has been acceptable as Group sales have exceeded manufacturing capacity. The re-deployment of external sales representation is now under review but dependent on continued growth in production capacity.

(ii) Staffing & Employment

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

Staff retention is increasingly difficult. Employment costs continue to rise as engineering and trade staff become increasingly difficult to source in a very competitive employment environment.

(iii) Capital Expenditure

Whilst new capital expenditure is continually assessed, there is presently a review of the available automated engineering and drafting software to increase engineering output and productivity from the current engineering team.

The initial cost of this software is significant, but minor in comparison to the implementation cost.

A cost benefit analysis of introducing this software will be completed by December 2025. We are also assessing further manufacturing machinery to add capacity with the object of bringing more manufacturing processes currently outsourced in house.

(iv) Liquidity and Cashflow

Since the Group does not hold any real property that can be securitized, bank funding is difficult to source.

As noted earlier, cashflow is negatively impacted by purchasing in bulk directly from international component manufacturers.

Similarly, the increase in manufacturing operations requires the Group to hold a significant inventory of component parts and work in progress that cannot be securitized.

Project delays caused by industry labour shortages and poor weather inevitably impact product delivery dates and therefore cashflow.

Therefore, the Company actively manages its cash payments and credit exposure by only providing credit to Companies with a good credit history and whose debts it can insure.

The Group has never breached any debt funding or other financial covenant or legal obligation and has had no change to its Supplier terms of trade.

(v) Research & Development

Research and new product development ("R&D") has been dormant for some years.

We are now starting a limited R&D program into the design and manufacture of hot water heat pumps. The market for these units is growing with downturn in gas usage, its availability and price.

Detailed engineering and product improvement of DOAS and dehumidification solutions continues but this is product improvement rather than fundamental R&D.



Neil Fimeri
Managing Director

Air Change International Limited

Directors' report for year ended 30 June 2025

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 2025.

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:

	2025	2024
	\$	\$
Revenue – heating, cooling, & ventilation equipment	24,265,532	19,709,624
Profit before income tax	2,362,045	1,833,316
Profit after income tax	2,237,514	1,903,485
Net profit attributable to members of ACI Limited	2,237,514	1,903,485

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 2025 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.

Air Change International Limited
Directors' report for year ended 30 June 2025

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

Air Change International Limited
Directors' report for year ended 30 June 2025

DIRECTORS' INTERESTS

INFORMATION ON DIRECTORS (continued)

Company secretary	Experience	Special responsibilities	Securities held
Robert Lees	<p>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.</p> <p>He provides Company Secretarial and CFO services to small listed public companies and has done so since 2000.</p>	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 (2024: four) and two Audit, Finance, Risk and Compliance Committee meetings (2024: two) and one Remuneration Committee meeting (2024: one) held during the year ended 30 June 2025.

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:

	Directors		Meetings Audit, Finance, Risk and Compliance Committee		Remuneration Committee	
	<u>Number held</u>	<u>Number attended</u>	<u>Number held</u>	<u>Number attended</u>	<u>Number held</u>	<u>Number attended</u>
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

Air Change International Limited

Directors' report for year ended 30 June 2025

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 2025.

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 2025 (2024: 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 2025 (2024: Nil).

Air Change International Limited

Directors' report for year ended 30 June 2025

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 2025 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

2025	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	-	3,450	-	-	33,450
Peter A Curry	30,000	-	3,450	-	-	33,450
Executive director						
Neil R Fimeri Managing Director	^398,469	-	30,000	6,170	-	434,639
Total KMP remuneration	458,469	-	36,900	6,170	-	501,539

^ Includes annual leave accrued of \$28,469

Air Change International Limited

Directors' report for year ended 30 June 2025

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

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:

2025	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
Name of Directors of Air Change International Limited				
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 2025 (2024: Nil).

Material contracts with directors

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

End of audited remuneration report

Air Change International Limited

Directors' report for year ended 30 June 2025

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 (2024: 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 Firmeri
Managing Director

Sydney
2 September 2025

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 2025, 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, 2 September 2025

Corporate governance statement

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 2025 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.

Corporate governance statement

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.

Corporate governance statement

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 2025

	Note	2025 \$	2024 \$
Revenue	4	24,265,532	19,709,624
Other income	5	302,872	37,305
Changes in inventories		431,236	991,174
Raw materials and consumables used		(13,206,702)	(10,330,447)
Occupancy costs		(258,810)	(202,828)
Employee benefits expenses		(6,923,224)	(5,982,680)
Depreciation of plant and equipment		(176,833)	(140,218)
Depreciation of right-of-use assets		(750,059)	(681,990)
Amortisation of patents		(216)	(215)
Other expenses		(859,578)	(1,110,735)
Finance costs		(462,173)	(455,674)
Profit before income tax	6	2,362,045	1,833,316
Income tax (expense)/ benefit	7	(124,531)	70,169
Profit after tax for the year		2,237,514	1,903,485
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations	19	19,623	(3,353)
Other comprehensive income/ (loss) for the year, net of tax		19,623	(3,353)
Total comprehensive income for the year attributable to members of Air Change International Limited		2,257,137	1,900,132
Earnings per share attributable to members of Air Change International Limited			
Basic earnings per share	24	0.126	0.107
Diluted earnings per share	24	0.126	0.107

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 2025

	Note	2025 \$	2024 \$
Current assets			
Cash & cash equivalents	8	731,044	117,711
Trade & other receivables	9(a)	5,358,193	3,421,187
Inventories	10	5,385,698	4,638,829
Total current assets		11,474,935	8,177,727
Non-current assets			
Plant, equipment, fixtures and fittings	11	836,853	678,744
Right-of-use assets	12	5,293,725	5,533,829
Rental bonds & term deposit		354,687	339,421
Intangible assets	14	2,911,868	2,912,084
Deferred tax assets	15	478,225	501,780
Total non-current assets		9,875,358	9,965,858
TOTAL ASSETS		21,350,293	18,143,585
Current liabilities			
Trade & other payables	16	3,250,848	2,244,796
Lease liabilities	13	638,746	549,344
Employee entitlements	17	1,259,977	1,242,993
Total current liabilities		5,149,571	4,037,133
Non-current liabilities			
Lease liabilities	13	5,277,450	5,429,520
Employee entitlements	17	14,570	25,367
Make good provision for right-of-use assets		12,500	12,500
Total non-current liabilities		5,304,520	5,467,387
TOTAL LIABILITIES		10,454,091	9,504,520
Net Assets		10,896,202	8,639,065
Equity			
Contributed equity	18	7,104,700	7,104,700
Reserves	19	45,038	115,375
Retained earnings		3,746,464	1,418,990
TOTAL EQUITY		10,896,202	8,639,065

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 2025**

		Contributed equity	Reserves	Retained earnings/ accumulated (losses)	Total
	Notes	\$	\$	\$	\$
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
Balance at 1 July 2024		7,104,700	115,375	1,418,990	8,639,065
Profit for the year		-	-	2,237,514	2,237,514
Other comprehensive income	19	-	19,623	-	19,623
Total comprehensive income for the year		-	19,623	2,237,514	2,257,137
Transactions with owners in their capacity as owners:					
Cancelled share options not exercised - transferred to retained earnings	19	-	(89,960)	89,960	-
Balance at 30 June 2025		7,104,700	45,038	3,746,464	10,896,202

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 2025

	Note	2025 \$	2024 \$
Cash flows from operating activities			
Receipts from customers		25,955,271	22,077,029
Payments to suppliers, employees and creditors		(23,638,217)	(19,514,314)
Interest received		41,332	1,812
Finance costs paid		(462,173)	(455,674)
Income tax paid		(68,257)	(240)
Net cash inflow from operating activities	23	1,827,956	2,108,613
Cash flows from investing activities			
Purchase of plant, equipment, fixtures & fittings		(288,707)	(370,036)
Proceeds on disposal of plant & equipment		182	-
Net cash (outflow) from investing activities		(288,525)	(370,036)
Cash flows from financing activities			
Proceeds from borrowings		22,614,303	17,478,768
Repayment of borrowings		(22,959,431)	(18,858,685)
Payment of lease liabilities		(580,921)	(460,277)
Net cash (outflow) from financing activities		(926,049)	(1,840,194)
Net increase/ (decrease) in cash held		613,382	(101,617)
Cash & cash equivalents at the beginning of the financial year		117,711	219,342
Exchange differences on cash & cash equivalents		(49)	(14)
Cash & cash equivalents at the end of the financial year	8	731,044	117,711

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

Notes to the financial statements for the year ended 30 June 2025

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 2 September 2025. 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 2025 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.

Notes to the financial statements for the year ended 30 June 2025

(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.

Notes to the financial statements for the year ended 30 June 2025

(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.

Notes to the financial statements for the year ended 30 June 2025

(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

Notes to the financial statements for the year ended 30 June 2025

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 2025. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Notes to the financial statements for the year ended 30 June 2025

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:

	2025 \$	2024 \$
Financial assets		
Cash and cash equivalents	731,044	117,711
Trade and other receivables	5,215,245	3,283,527
	5,946,289	3,401,238
Financial liabilities		
Current		
Trade & other payables	3,250,848	2,244,796
Lease liabilities	638,746	549,344
	3,889,594	2,794,140
Non-current		
Lease liabilities	5,277,450	5,429,520
	5,277,450	5,429,520

(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 2025, had the Australian dollar weakened/ strengthened by 10% (2024: 10%) against these currencies with all other variables held constant, the impact on the profit would have been \$42,934 higher/ \$39,702 lower (2024: \$3,387 higher/ \$3,014 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 2025, 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 \$1,975 higher/ lower (2024: \$2,571). 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 (2024: 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 \$2,380 higher/ lower (2024: nil).

Notes to the financial statements for the year ended 30 June 2025

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 \$2,500,000 (2024: \$3,000,000). 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 2025	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	1,924,141	1,278,835	47,872	-	-	3,250,848
Borrowings	-	-	-	-	-	-
Lease liabilities	246,638	246,638	493,274	5,511,980	779,329	7,277,859
Total non-derivative	2,170,779	1,525,473	541,146	5,511,980	779,329	10,528,707

Group – at 30 June 2024

Non derivatives

Trade & other payables	1,673,721	555,737	15,338	-	-	2,244,796
Borrowings	-	-	-	-	-	-
Lease liabilities	232,137	220,572	452,280	4,903,521	1,775,047	7,583,557
Total non-derivative	1,905,858	776,309	467,618	4,903,521	1,775,047	9,828,353

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.

Notes to the financial statements for the year ended 30 June 2025

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.

Notes to the financial statements for the year ended 30 June 2025

4. Revenue

	2025 \$	2024 \$
Sales revenue		
Sale of goods	24,202,037	19,652,572
Services	63,495	57,052
Total revenue	24,265,532	19,709,624

5. Other income

	2025 \$	2024 \$
Interest	41,332	1,812
Government (note (a))	2,068	2,859
Other	10,375	32,634
Net gain on disposal of plant and equipment	182	-
Net foreign exchange gain	248,915	-
Total other income	302,872	37,305

(a) Government

In 2025 and 2024, there were no major payments from the government.

6. Expenses

	2025 \$	2024 \$
Profit before income tax includes the following specific expenses:		
Lease rental payments	59,634	29,491
Defined contribution superannuation payments	579,269	496,006
Net foreign exchange loss	-	96,829
Doubtful debt expense	(60,000)	60,000
Net loss on disposal of plant & equipment	-	6,933

Notes to the financial statements for the year ended 30 June 2025

7. Income tax expense

(a) Income tax expense

	2025 \$	2024 \$
Current tax	32,568	390,672
Deferred tax – origination and reversal of temporary differences	24,510	(70,489)
Adjustment for previous year	(955)	-
Current year income tax – overseas entity	100,976	320
Benefit of tax losses previously not recognised	(479,520)	(497,380)
Current year tax losses not recognised	446,952	106,708
Aggregate current income tax expense/ (benefit)	124,531	(70,169)
Deferred tax		
Decrease/ (increase) in deferred tax assets	23,555	(70,489)
Deferred tax – origination and reversal of temporary differences	23,555	(70,489)

(b) Reconciliation of effective tax rate

	2025 \$	2024 \$
Profit before income tax	2,362,045	1,833,316
Income tax calculated at 25% (2024 – 25%)	590,511	458,329
Tax effect of amounts which are not (taxable) in calculating taxable income:		
Other	(635,713)	(147,275)
Subtotal	(45,202)	311,054
Previously unrecognised tax losses now utilised to reduce current tax expense	(479,520)	(497,380)
Net taxable losses not recognised	446,952	106,708
Current year income tax – overseas entity	100,976	320
Temporary differences not recognised	24,187	9,129
Previously unrecognised temporary difference now recognised	77,138	-
Income tax expense/ (benefit)	124,531	(70,169)

Notes to the financial statements for the year ended 30 June 2025

8. Cash and cash equivalents

	2025 \$	2024 \$
Cash at bank and on hand	731,044	117,711
	731,044	117,711

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

9. Trade and other receivables

(a) Current assets

	2025 \$	2024 \$
Trade receivables	4,642,233	3,052,743
Less: Allowance for expected credit losses	(85,000)	(145,000)
Net trade receivables	4,557,233	2,907,743
Rental bonds	7,939	5,954
Term deposits in respect of guarantees	73,396	61,926
Other debtors	576,677	307,904
Prepayments	142,948	137,660
	5,358,193	3,421,187

Allowance for expected credit losses

The Group retains an allowance of \$85,000 (2024: \$145,000) in respect of future expected credit losses.

(b) Past due not impaired trade receivables

As at 30 June 2025 there were current trade receivables of the Group with a nominal value of \$935,198 that were past due (2024: \$625,369) but not impaired. The amount of the allowance was \$85,000 (2024: \$145,000).

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:

	2025 \$	2024 \$
Not past due	3,622,035	2,282,374
Past due 2-3 months	397,910	537,169
Past due over 3 months	537,288	88,200
Total	935,198	2,907,743

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

	2025 \$	2024 \$
At 1 July	145,000	85,000
Provision recognised during the year	-	60,000
Provision reversed during the year	(60,000)	-
Balance at 30 June	85,000	145,000

Notes to the financial statements for the year ended 30 June 2025

(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

	2025	2024
	\$	\$
Current Assets		
Raw materials	2,563,214	1,924,174
Work in progress	1,457,509	1,147,820
Finished goods	1,137,565	791,830
Stock in transit	227,410	775,005
	<u>5,385,698</u>	<u>4,638,829</u>

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2025 amounted to \$74,616 (30 June 2024: \$39,007).

**Notes to the financial statements
for the year ended 30 June 2025**

11. Plant, equipment, fixtures and fittings

	Plant & Equipment	Fixtures & Fittings	Leasehold Improvements	Total
At 1 July 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	<u>352,873</u>	<u>117,878</u>	<u>7,412</u>	<u>478,163</u>
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	<u>513,051</u>	<u>165,693</u>	<u>-</u>	<u>678,744</u>
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	<u>513,051</u>	<u>165,693</u>	<u>-</u>	<u>678,744</u>
Year ended 30 June 2025				
Opening net book amount	513,051	165,693	-	678,744
Additions	249,440	31,044	-	280,484
Depreciation charge	(152,398)	(24,435)	-	(176,833)
Net exchange difference	46,298	8,160	-	54,458
Closing net book amount	<u>656,391</u>	<u>180,462</u>	<u>-</u>	<u>836,853</u>
At 30 June 2025				
Cost	1,861,350	270,622	-	2,131,972
Accumulated depreciation	(1,204,959)	(90,160)	-	(1,295,119)
Net book amount	<u>656,391</u>	<u>180,462</u>	<u>-</u>	<u>836,853</u>

Notes to the financial statements for the year ended 30 June 2025

12. Right-of-use assets

	2025 \$	2024 \$
Properties – right-of-use	7,222,072	6,685,199
Accumulated depreciation	(1,928,347)	(1,151,370)
Net book amount	5,293,725	5,533,829

Additions to the right-of-use assets during the year were \$nil (2024 - \$1,988,842).

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

	2025 \$	2024 \$
Current		
Lease liabilities	638,746	549,344
	638,746	549,344
Non-current		
Lease liabilities	5,277,450	5,429,520
	5,277,450	5,429,520

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.

**Notes to the financial statements
for the year ended 30 June 2025**

14. Intangible assets

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
Year ended 30 June 2025	Agency Agreements \$	Design & Intellectual Property \$	Goodwill \$	Patents \$	Total \$
Carrying value at 1 July 2024	20,000	70,850	2,817,222	4,012	2,912,084
Amortisation charge	-	-	-	(216)	(216)
Carrying value at 30 June 2025	20,000	70,850	2,817,222	3,796	2,911,868
At 30 June 2025					
Cost	20,000	70,850	2,817,222	3,620,774	6,528,846
Accumulated amortisation	-	-	-	(3,616,978)	(3,616,978)
Net book amount	20,000	70,850	2,817,222	3,796	2,911,868

Notes to the financial statements for the year ended 30 June 2025

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 2025.

	Heating Cooling & Ventilation \$
Year ended 30 June 2025	
Goodwill and intangibles	2,911,868

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 12.65% (2024– 12.7%), a 3% per annum projected revenue growth rate based on revenue of \$23m starting from 2026 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 four times estimated EBITDA at year five. The enterprise value model assumes a five 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 47.43 percent or the gross margin decrease by 5.61 percent or the revenue to decrease by 5.77 percent before the estimated recoverable amount approximates the carrying amount.

15. Deferred tax assets

	2025 \$	2024 \$
The balance comprises temporary differences attributable to:		
Deferred tax assets / (liabilities)		
Employee benefits	317,324	312,203
Tax losses	58,249	58,249
Other	185,734	168,365
Depreciation and amortisation	(60,582)	(14,537)
Intangibles	(22,500)	(22,500)
Total deferred tax assets	478,225	501,780
Deferred tax assets expected to be recovered within 12 months	417,583	423,439
Deferred tax assets expected to be recovered after more than 12 months	60,642	78,341

Notes to the financial statements for the year ended 30 June 2025

15. Deferred tax assets (continued)

Movements	Employee Benefits	Tax Losses	Other	Depreciation amortisation	Intangibles	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2023	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	312,203	58,249	168,365	(14,537)	(22,500)	501,780
(Charged)/credited						
- to profit or loss	5,121	-	17,369	(46,045)	-	23,555
- to other comprehensive income	-	-	-	-	-	-
At 30 June 2025	317,324	58,249	185,734	(60,582)	(22,500)	478,225

Tax Losses Not Recognised	2025	2024
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised		
Opening balance	3,286,510	5,276,030
Current recoupment of tax losses not previously recognised	(1,918,079)	(1,989,520)
Subtotal	1,368,431	3,286,510
Closing balance	1,368,431	3,286,510
Potential tax benefit at 25% (2024 - 25%)	342,108	821,628

Controlled Foreign Companies (CFC) losses Not Recognised	2025	2024
	\$	\$
Unused CFC losses for which no deferred tax asset has been recognised		
Opening balance	2,780,813	1,428,119
Current CFC losses not recognised	1,787,808	426,834
Subtotal	4,568,621	1,854,953
Other adjustments per income tax return	-	925,860
Closing balance	4,568,621	2,780,813
Potential tax benefit at 25% (2024 - 25%)	1,142,155	695,203

^ Balance per 2024 financial statements

^^ Adjusted closing balance based on lodged 2024 income tax return

**Notes to the financial statements
for the year ended 30 June 2025**

16. Trade & other payables

	2025	2024
	\$	\$
Current		
Trade payables	1,308,363	964,381
Other payables	667,150	763,075
Customer deposits	1,275,335	517,340
	3,250,848	2,244,796

17. Employee entitlements

	2025	2024
	\$	\$
Current		
Employee entitlements (note (a))	1,259,977	1,242,993
	1,259,977	1,242,993
Non-current		
Employee entitlements – long service leave	14,570	25,367
	14,570	25,367

(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.

Notes to the financial statements for the year ended 30 June 2025

18. Contributed equity

	2025 Number	2024 Number	2025 \$	2024 \$
Share Capital				
Ordinary shares, fully paid	<u>17,714,009</u>	<u>17,714,009</u>	<u>7,104,700</u>	<u>7,104,700</u>

Movements in ordinary share capital

Date	Details	Number of shares	\$
01 July 2023	Opening balance	17,714,009	7,104,700
30 June 2024	Movement during year	-	-
30 June 2024	Balance	<u>17,714,009</u>	<u>7,104,700</u>
30 June 2025	Movement during year	-	-
30 June 2025	Balance	<u>17,714,009</u>	<u>7,104,700</u>

(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 (2024: 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 2023	89,960	28,768	118,728
Exchange differences on translating foreign operations	-	(3,353)	(3,353)
At 30 June 2024	<u>89,960</u>	<u>25,415</u>	<u>115,375</u>
At 1 July 2024	89,960	25,415	115,375
Exchange differences on translating foreign operations	-	19,623	19,623
Cancelled share options not exercised	(89,960)	-	(89,960)
At 30 June 2025	<u>-</u>	<u>45,038</u>	<u>45,038</u>

Notes to the financial statements for the year ended 30 June 2025

20. Remuneration of auditors

	2025 \$	2024 \$
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	102,169	96,021
	102,169	96,021

21. Performance Guarantees

Performance guarantees supported by term deposits at balance date were:

- (a) property rental agreements \$246,356 (2024: \$246,356)
- (b) commercial credit card facility \$30,000 (2024: \$30,000)
- (c) operating licences \$43,396 (2024: \$31,926)

22. Related party information

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

During the year 2025, there was no transaction between any directors and members of the Group (2024: \$nil).

- (b) Key management personnel disclosure

	2025 \$	2024 \$
Aggregate compensation		
Short term employee benefits	458,469	456,147
Post employment benefits	36,900	34,176
Long term benefits	6,170	6,211
	501,539	496,534

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.

- (c) As of 30 June 2025, the list of subsidiaries is set out on page 52, under item 1, "Composition of the Group".

**Notes to the financial statements
for the year ended 30 June 2025**

23. Reconciliation of cash flows from operating activities

	2025	2024
	\$	\$
Profit after income tax	2,237,514	1,903,485
Depreciation and amortisation	927,108	822,423
Doubtful debts & bad debts	(49,440)	69,358
Net exchange differences	(43,056)	4,001
Net (gain)/ loss on disposal of non-current assets	(182)	6,933
Changes in assets and liabilities		
(Increase)/ decrease in trade receivables	(1,600,050)	448,616
(Increase)/ decrease in other receivables & prepayments	(1,599)	14,747
(Increase) in guarantee deposits	(9,622)	(7,939)
(Increase) in inventories	(746,869)	(969,361)
Decrease/ (increase) in deferred tax assets	23,555	(70,489)
Increase/ (decrease) in trade payables	343,982	(58,783)
Increase/ (decrease) in other payables	707,708	(78,015)
Increase in provisions	6,188	23,557
Increase in income tax provision	32,719	80
Net cash inflow from operating activities	1,827,956	2,108,613

Notes to the financial statements for the year ended 30 June 2025

24. Earnings per share

	2025 \$	2024 \$
Basic earnings per share from continuing operations	0.126	0.107
Diluted earnings per share from continuing operations	0.126	0.107

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	2,237,514	1,903,485
Earnings used in calculating basic and diluted earnings per share	2,237,514	1,903,485

25. Parent entity financial information

(a) Summary financial information

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

	2025 \$	2024 \$
Statement of financial position		
Current assets	1,400,497	1,100,930
Total assets	9,299,288	8,987,587
Current liabilities	587,507	567,444
Total liabilities	587,507	567,444
<i>Shareholders' equity</i>		
Issued capital	7,104,700	7,104,700
Reserves	-	89,960
Retained earnings	1,607,081	1,225,483
Total shareholders' equity	8,711,781	8,420,143
Profit for the year	291,637	336,888
Total comprehensive income for the year	291,637	336,888

Notes to the financial statements for the year ended 30 June 2025

25. Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

	2025	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:

	2025	2024
	\$	\$
Total facilities available		
Debtor financing liability*	2,500,000	3,000,000
Asset finance facility	200,000	200,000
Indemnity/guarantee facilities	290,396	278,926
Commercial credit card facilities	30,000	30,000
	3,020,396	3,508,926
Used at the reporting date		
Debtor financing liability	-	-
Asset finance facility	-	-
Indemnity/guarantee facilities	289,752	278,282
Commercial credit card facilities	21,000	26,000
	310,752	304,282

*The business has a revolving facility secured against approved trade Debtors less than 90 days past due. This facility has a present limit of \$2,500,000 (2024: \$3,000,000) and was drawn down as required during the year ended 30th June 2025. 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 \$43,511 for the financial year (2024: \$48,000). Interest paid in the financial year on the facility was \$41,523 (2024: \$57,061).

Security

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

Consolidated entity disclosure statement

As at 30 June 2025

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 2025

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 2025 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
Chairman

Sydney
2 September 2025

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 2025, 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 2025 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.

Key audit matter	How the matter was addressed in our audit
<p>Existence of revenue</p> <p>As disclosed in Note 4, the Group recognised revenue of \$24,265,532 during the year ended 30 June 2025 (2024: \$19,709,624).</p> <p>The existence of revenue was identified as a key audit matter due to the significant number of contracts the Group has with its customers and the varying revenue streams resulting from these contracts. Revenue arises mainly from the sale of bespoke and generic heating, cooling and ventilation products.</p>	<p>Our audit procedures to address this key audit matter included the following:</p> <ul style="list-style-type: none"> • Gaining an understanding of the Group's systems and processes, including internal controls, relevant to the initiation, authorisation, recognition and disclosure of contracts with customers. • Testing, on a sample basis, controls the Group has in place to ensure that delivery confirmations are signed by customers upon taking control of the products supplied. • Testing, on a sample basis, revenue for the year by corroborating the transactions to the underlying invoices and delivery confirmations signed by customers. • Testing, on a sample basis, that revenue transactions around reporting period end has been recognised in the correct financial period with reference to the delivery confirmations.

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 2025, 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/media/bwvjcgre/ar1_2024.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 the directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Air Change International Limited, for the year ended 30 June 2025, 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



Ian Hooper
Director

Sydney 2 September 2025

Air Change International Limited
Additional Information for National Stock Exchange of Australia
as at 19 August 2025

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 (%) 2025	Percentage Owned (%) 2024
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	2025	2024	2023	2022	2021
	\$	\$	\$	\$	\$
Profit/ (loss)	2,237,514	1,903,485	1,185,422	(1,521,965)	68,259
Assets	21,350,293	18,143,585	15,786,560	15,506,283	11,896,209
Liabilities	10,454,091	9,504,520	9,047,627	9,972,654	4,835,192

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%

Air Change International Limited
Additional Information for National Stock Exchange of Australia
as at 19 August 2025

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	27	192,948	1.09
10,001 – 100,000	45	1,394,798	7.87
100,001 – 9,999,999,999	17	15,511,630	87.57
	711	17,714,009	100.00



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