

Appendix 3

Air Change International Limited

ABN 14 087 737 068

Half yearly report Period ended 31 December 2015

Results for announcement to the market

Corresponding period is 31 December 2014

Total revenue from ordinary activities	up/down	9.38%	to	\$A'000 8,030
Profit/ (loss) from ordinary activities after tax attributable to members	up/down	n/a	to	(717)
Net profit/ (loss) for the period attributable to members	up/down	n/a	to	(717)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	n/a	-
Interim dividend	n/a	-

Record date for determining entitlements to the interim dividend

n/a

N/A

Explanation of Revenue

Refer attached half-year report

Explanation of Profit from ordinary activities after tax

Refer attached half-year report

Explanation of Net Profit

Refer attached half-year report

NTA Backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary share	\$0.201	\$0.250

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

Air Change International Limited

ACN 087 737 068

Half-year Report

For the half-year ended 31 December 2015

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Directors:	Alan Stephen Jones (Non-Executive Chairman) John Michael Langley (Independent Non-Executive) Raymond Neil Fimeri (Executive Director)
Secretary:	Robert Lees
Principal & Registered Office:	2 Ashford Avenue Milperra NSW 2214 Tel: (02) 8774 1488 Fax: (02) 8774 1490 e-mail: invest@airchange.com.au
Share Registrar:	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 1115
Auditors:	BDO East Coast Partnership Level 11, 1 Margaret St Sydney NSW 2000
Bankers:	ANZ Level 4, 20 Smith St Parramatta NSW 2150
Solicitors:	Addison Lawyers Level 12 60 Carrington Street Sydney NSW 2000
Stock Exchange Listing:	Air Change International Limited shares are listed on the National Stock Exchange of Australia Limited (Code: ordinary shares "AC1")
Company number:	ACN 087 737 068 ABN 14 087 737 068

DIRECTORS' REPORT

Your directors present their report on the Air Change International Group, consisting of Air Change International Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors and Officers

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

Alan Stephen Jones (Chairman, Non-Executive Director)

John Michael Langley (Independent Non-Executive Director)

Raymond Neil Fimeri (Executive Director)

Principal Activities

The principal activities of the Air Change International 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

Sales for the past six months to 31 December 2015 declined 9.4% from the corresponding period of the last financial year. This was off a high sales base reflecting the large amount of work executed by the Company for mining related projects during the 2014/15 financial year.

On a positive note, sales for the period under review have increased 19% from that achieved in the second half of last financial year increasing from \$6.7 million to \$8.0 million.

After-tax profit decreased from \$49,000 in the corresponding period in 2014/15 to a loss of \$717,000 in the period July to December 2015. These results are not directly comparable because of the higher depreciation and amortisation costs which we now expense for the reasons outlined in the 2014/15 annual report.

Again, this loss is less than that incurred in the second half of the 2014/15 financial year even with the increased costs relating to setting up the Malaysian manufacturing operations.

The loss incurred in the first 3 months of this 2015/16 financial year was more than double the loss in the second 3 months reflecting a better product sales mix and the commencement of manufacturing in Malaysia.

The Company shipped the first products manufactured in the Malaysian factory to Singapore in January 2016. Further shipments are scheduled to the ASEAN region over the coming months with the first products scheduled for sale in Australia due to arrive in March this year.

Once this operation is at capacity, it is expected to increase Group gross profit margins and sales opportunities and therefore profitability.

Whilst enquiries from mining projects remain subdued, enquiries for building services equipment are very strong.

As at mid February, forward orders stood at \$9.7 million with a solid pipeline of work to quote over the coming months.

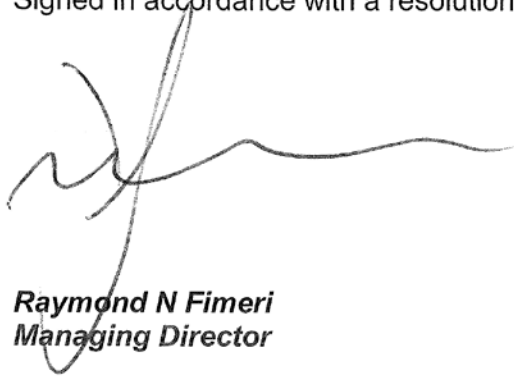
Dividends

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the Directors.

A handwritten signature in dark ink, appearing to be 'Raymond N Fimeri', written over a horizontal line.

Raymond N Fimeri
Managing Director

Sydney
25 February 2016



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Australia

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF AIR CHANGE INTERNATIONAL LIMITED

As lead auditor for the review of Air Change International Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 25 February 2016

Air Change International Limited
Consolidated statement of profit or loss and other comprehensive income
for the half year ended 31 December 2015

	Note	31 December 2015 \$'000	31 December 2014 \$'000
Revenue		7,994	8,694
Other income		36	167
Total revenue		8,030	8,861
Changes in inventories		153	191
Raw materials and consumables used		(4,214)	(3,981)
Administration costs		(474)	(665)
Occupancy costs		(446)	(361)
Employee benefits expenses		(3,346)	(3,521)
Depreciation and amortisation expenses		(306)	(269)
Finance costs		(9)	(8)
Acquisition costs		-	(18)
Other expenses		(107)	(65)
(Loss)/ profit before income tax		(719)	164
Income tax benefit/ (expense)	6	2	(115)
Net (loss)/ profit for the period		(717)	49
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/ income for the period		(717)	49
Basic earnings per share		(\$0.040)	\$0.003
Diluted earnings per share		(\$0.040)	\$0.003

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

Air Change International Limited
Consolidated statement of financial position
as at 31 December 2015

		31 December 2015	30 June 2015
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		340	942
Trade & other receivables		3,446	2,869
Inventories		1,696	1,572
Total current assets		5,482	5,383
Non-current assets			
Plant, equipment and leasehold improvement		1,083	898
Rental bonds & term deposit		59	7
Intangible assets	7	5,369	5,559
Deferred tax assets		277	276
Trade & other receivables		-	151
Total non-current assets		6,788	6,891
TOTAL ASSETS		12,270	12,274
Current liabilities			
Trade & other payables		2,607	1,933
Other liabilities		19	21
Provisions		485	462
Total current liabilities		3,111	2,416
Non-current liabilities			
Other liabilities		9	5
Provisions		220	206
Total non-current liabilities		229	211
TOTAL LIABILITIES		3,340	2,627
Net Assets		8,930	9,647
Equity			
Contributed equity	4	7,105	7,105
Reserves		90	90
Retained earnings		1,735	2,452
Total Equity		8,930	9,647

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

Air Change International Limited
Consolidated statement of changes in equity
for the half year ended 31 December 2015

31 December 2015

	Issued capital	Reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2015	7,105	90	2,452	9,647
(Loss)/ profit for the period	-	-	(717)	(717)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(717)	(717)
As at 31 December 2015	7,105	90	1,735	8,930

31 December 2014

	Issued capital	Reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2014	7,105	90	3,165	10,360
Profit for the period	-	-	49	49
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	49	49
As at 31 December 2014	7,105	90	3,214	10,409

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

Air Change International Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2015

	Note	31 December 2015 \$'000	31 December 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (Inclusive of Goods and Services Tax)		8,422	10,780
Payments to suppliers, employees and creditors (Inclusive of Goods and Services Tax)		(8,744)	(9,870)
Interest received		4	11
Interest and other costs of finance paid		(9)	(8)
Income taxes paid		(1)	(1)
Net cash (outflow)/inflow from operating activities		(328)	912
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of intellectual property	7	(4)	(1)
Purchase of plant, equipment & leasehold improvements		(288)	(37)
Proceeds from disposal of plant & equipment		18	-
Net cash (outflow) from investing activities		(274)	(38)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Repayment of hire purchase liability		-	(8)
Net cash (outflow) from financing activities		-	(8)
NET (DECREASE)/INCREASE IN CASH HELD		(602)	866
Cash at the beginning of the reporting period		941	475
Exchange differences on cash & cash equivalents		1	1
Cash at the end of the reporting period		340	1,342

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

Note 1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Air Change International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any amounts recognised in the current period or any prior period financial statements and are not likely to affect future period financial statements.

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

Air Change International Limited
Notes to and forming part of the financial statements
for the half-year ended 31 December 2015

Note 2. Operating Segments

Operating segment information

	Segment Revenues		Segment Results	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Heating, cooling & ventilation	8,030	8,861	(719)	164
Operating (loss)/ profit before income tax			(719)	164
Operating (loss)/ profit after income tax benefit			(717)	49
Net (loss)/ profit attributable to members of Air Change International Limited			(717)	49

Note 3. Dividends

There were no dividends paid during the period.

Note 4. Equity securities on issue

	December 2015 Shares	June 2015 Shares	December 2015 \$'000	June 2015 \$'000
Share Capital				
Ordinary shares, fully paid	17,714,009	17,714,009	7,105	7,105

Note 5. Contingent liabilities

2015 and 2014

(a) Bank Guarantees

2015 and 2014 - \$145,750 have been provided in relation to operating lease rental agreements entered in the normal course of business.

(b) Performance Guarantees

2015 - Nil

2014 - \$467,052 in respect of contracts for supply of goods.

Air Change International Limited
Notes to and forming part of the financial statements
for the half-year ended 31 December 2015

Note 6. Income tax expense

	2015 \$'000	2014 \$'000
(Loss)/profit from ordinary activities before income tax expense	(719)	164
Income tax calculated at 30% (2014 – 30%)	(216)	49
Tax effect of amounts not deductible / (taxable) in calculating taxable income		
Other	6	6
Prior year under provision of income tax	3	1
	(207)	56
Current year losses not recognised	211	25
Previously unrecognised tax losses now recouped	(3)	-
Adjustment to prior year timing difference and net current year timing difference not previously recognised	(3)	34
Income tax (benefit)/ expense	(2)	115

Air Change International Limited
Notes to and forming part of the financial statements
for the half-year ended 31 December 2015

Note 7. Intangible assets

Non-current asset	Agency Agreements	Design & Intellectual Property	Goodwill	Patents	Total
Year ended 30 June 2015					
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2014	20	71	3,524	2,522	6,137
Additions	-	1	-	2	3
Additions through acquisition	-	-	-	-	-
Amortisation charge	-	-	-	(581)	(581)
Carrying value at 30 June 2015	20	72	3,524	1,943	5,559
At 30 June 2015					
Cost	20	72	3,524	3,573	7,189
Accumulated amortisation	-	-	-	(1,630)	(1,630)
Net book amount	20	72	3,524	1,943	5,559
Non-current asset	Agency Agreements	Design & Intellectual Property	Goodwill	Patents	Total
Period ended 31 December 2015					
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July 2015	20	72	3,524	1,943	5,559
Additions	-	-	-	4	4
Additions through acquisition	-	-	-	-	-
Amortisation charge	-	-	-	(194)	(194)
Carrying value at 31 December 2015	20	72	3,524	1,753	5,369
At 31 December 2015					
Cost	20	72	3,524	3,578	7,194
Accumulated amortisation	-	-	-	(1,825)	(1,825)
Net book amount	20	72	3,524	1,753	5,369

Note 8. Events occurring after reporting date

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 9. Rounding of amounts to the nearest thousand dollars

The Company satisfies the requirements of Class Order 98/100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the directors' report and the financial statements in accordance with that Class Order.

Air Change International Limited
Directors' declaration
for the half-year ended 31 December 2015

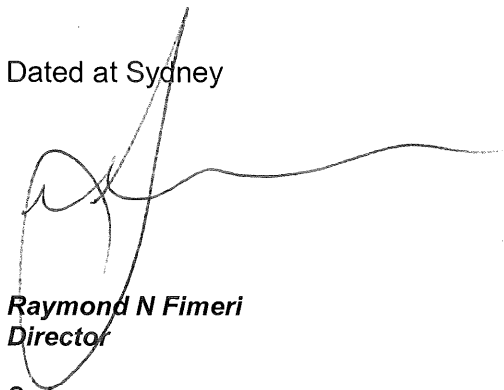
DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) The financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
- (b) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney



Raymond N Fimeri
Director

Sydney
25 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Air Change International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Air Change International Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Air Change International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

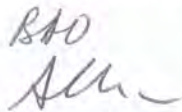
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Air Change International Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Air Change International Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', is written over the printed name of Arthur Milner.

Arthur Milner
Partner

Sydney, 25 February 2016