AUSTRALIAN REFRIGERATION COUNCIL

Supporting the environment, society and industry

2013/14 ANNUAL REPORT

Contents

Chairperson's Report

The past twelve months have been both rewarding and enlightening. An injection of facts in the form of various economic analysis and reports on the refrigeration and air conditioning industry (RAC) has added substance to an industry traditionally based on supposition.

Government regulatory impact statements and various reports, such as the Department of the Environment-sponsored 'Cold Hard Facts II', have served to demystify the RAC industry.

There has been a paradigm shift to a more knowledgeable industry based in fact – to better support industry, and its participants, in charting the future with increased certainty.

Pleasingly, the ARCTick scheme has bode well in various economic analysis, with one State even contemplating repealing its own licence scheme in favour of the substantially more efficient and effective national ARCTick scheme. Most States currently defer to the ARCTick scheme already and of those which don't the ARCTick scheme has about twice as many licences.

The ARCTick licence is a 'by industry, for and on behalf of industry' scheme, being responsive to RAC industry challenges and opportunities of the day and into the future.

The scheme is extremely effective, in addition to over 6000 audits being undertaken by ARC Field Officers in 2013-14, 131 businesses were put out of the ozone depleting and synthetic greenhouse gas-based refrigerant business due to non-compliance.

The adoption of R32 refrigerant by industry has been one challenge this year, with the ARC assisting in the development and delivery of various forms of information and training to ensure its safe and effective use by technicians.

Industry engagement is a key to the ARC's ongoing relevancy, and it is the method in which 'value' continues to be delivered to the RAC industry, with various industry forums being hosted and attended by the ARC, as examples.

The ARC works tirelessly to make connections between consumers and ARC-licensed businesses, to help support and build their business.

As the peak industry body, the ARC is well positioned to host a scheme for licensing of all refrigerants and in doing so, provide a 'one-stop-shop' for licensing needs.

A great deal has been achieved over the past twelve months and there still remains much to accomplish in what are exciting times for the industry.

I would like to thank my fellow Directors who work tirelessly on behalf of the RAC industry.

Kevin Lee
ARC Chairperson

Board of Directors

In 2005, the Government appointed a Refrigeration & Air Conditioning (RAC) Board (the Australian Refrigeration Council – ARC) to administer the RAC licensing scheme.

The Board comes from the ARC membership and is, therefore, representative of the RAC industry. The Board consists of three directors responsible for the stationary sector and three directors responsible for the automotive sector. The ARC CEO is the executive director.

Air Conditioning and Refrigeration Equipment Manufacturers Association of Australia

Kevin Lee, Chairperson

Refrigeration & Air Conditioning Contractors Association

Kevin O'Shea

Vehicle Air Conditioning Specialists of Australia

Ian Stangroome

Institute of Automotive Mechanical Engineers

Peter Blanshard








National Electrical and Communications Association

Phil Donnelly

Victorian Automobile Chamber of Commerce

Brian Savage

Australian Refrigeration Council

Glenn Evans, CEO

Australian Refrigeration Council

Richard Livingston, Secretary

Membership of the ARC

ARC has fifteen affiliated Industry Bodies, representing the various sub-sectors of the refrigeration and air conditioning industry:

- Appliance Industry Association (AIA)
- Australian Institute of Refrigeration Air Conditioning & Heating (AIRAH)
- Air Conditioning & Mechanical Contractors Association (AMCA)
- Air Conditioning & Refrigeration Equipment Manufacturers Association of Australia (AREMA)
- Air Conditioning & Refrigeration Wholesalers Association (ARWA)
- Federation of Automotive Products Manufacturers (FAPM)
- Institute of Automotive Mechanical Engineers (IAME)
- Institute of Refrigeration & Air Conditioning Service Engineers (IRASE – RACCA QLD)
- Motor Trades Association (MTA)
- National Electrical & Communications Association (NECA)
- Refrigerants Australia (RA)
- Refrigeration & Air Conditioning Contractors Association (RACCA)
- Refrigerant Reclaim Australia (RRA)
- Victorian Automobile Chamber of Commerce (VACC)
- Vehicle Air Conditioning Specialists of Australia (VASA)

efficient
effective
engaging

ARC Objectives

- Promote best practice in the mobile and stationary refrigeration and air conditioning industries
- Promote sustainable and responsible environmental practices in the refrigeration and air conditioning industries
- Encourage best practice in the training procedures for refrigeration and air conditioning operations
- Act as a national industry body for the licensing of trades-people and the authorisation of companies in the refrigeration and air conditioning industries

The ARC licence scheme at work – environmental product stewardship in action

Australia has in place a world leading environmental protection scheme designed to shrink the hole in the ozone layer and combat global warming.

The ozone layer that shields life from cancer-causing solar rays is showing its first sign of recovery after years of dangerous depletion, according to a 2014 United Nations report.

Experts say that this improvement is directly related to international environmental initiatives such as the Montreal Protocol – which was the catalyst for the Australian Government initiating the ARC licence scheme in 2005.

Without the landmark Montreal Protocol, two million extra cases of skin cancer would have occurred each year by 2030 and levels of ozone-damaging compounds could have increased tenfold by 2050, the report said.

Australia's environmental product stewardship scheme controls the import, trade, handling and destruction of fluorocarbon refrigerant, a key cause of ozone depletion and a contributor to global warming.

And it is a world leading scheme, with Europe only relatively recently introducing similar licensing requirements.

The three key pillars of the scheme are:

1

Import, export and manufacture of ODS and SGG refrigerant (including pre-charged equipment)

- Australian Government
- 1,588 equipment and import licences (as at September 2014)

2

Refrigeration and air conditioning industry licence

- Australian Refrigeration Council (ARC)
- Refrigerant handling licences and refrigerant trading authorisations
- 75,000 Authorised businesses and licensed/ qualified technicians Australia-wide
- 131 authorisation holders 'out of business' due to non-compliance in 2013/14

3

Refrigerant recovery/destruction (Refrigerant Reclaim Australia)

- Rebate and credit scheme in place
- Prevented the emission of 5,000 tonnes of CFC, HCFC, and HFC
- Saved 10 million tonnes of stratospheric ozone from being destroyed
- Stopped 10 million tonnes of carbon dioxide equivalent (CO2) entering the atmosphere

ARC Performance – *efficient, effective, engaging*

At every opportunity the ARC looks to 'add value' to holding a licence.

As an organisation guided by industry, for, and on behalf of industry, it is in everybody's best interests to make the licence scheme work for everyone.

Licensing

Processing

A total of 75,114 Refrigerant Handling Licences (RHL) and Refrigerant Trading Authorisations (RTA) were registered on the ARC database at the end of the 2013/14 financial year, including 58,013 licences and 17,101 authorisations.

Applications/Re-applications

A total of 45,216 applications/re-applications were received and processed by ARC in 2013/14 including 35,163 RHLs and 10,053 RTAs.

Online Application Facility

A total of 40,494 online applications/re-applications were received and processed by ARC in 2013/14 including 30,957 RHLs and 9,537 RTAs.

The convenience of the online application/re-application facility has proven extremely successful since its inception in July 2009 steadily increasing from 34% (13,863) of all applications/re-applications in 2009/10 to 90% (40,494) in 2013/14. ARC understands that 'time is money' to those working in the industry and we will continue to innovate to limit the time taken with the lodgement process.

Time to process

- Licences – generally 5 business days
- Authorisations – generally 7 business days

The ARC is required to process applications within 30 days.

Application statistics

82% of Licence and Authorisation applications are received with correct information to conduct an assessment.

Main reasons Authorisation applications are assessed as incomplete:

- Incorrect details for licence holders
- Incorrect details for equipment
- Outstanding non-compliance

Main reasons new Licence applications are assessed as incomplete:

- Incorrect or incomplete qualification documents
- Supervisor declaration not supplied (Trainee RHL)
- Trainer declaration not supplied (Classroom Trainee RHL)

efficient

effective

Compliance

Audit/Monitoring

- 6,252 Audits of refrigeration and air conditioning businesses
- 4,284 were compliant
- 1,968 were non-compliant

ARC helps businesses to succeed

ARC adopts a collaborative approach to compliance in the first instance, however if a business refuses to cooperate and fails to comply, then they put their licence at risk.

Dealing with non-compliance

- 361 Refrigerant Trading Authorisations were denied due to continued non-compliance
- ARC assisted 230 of these businesses to achieve compliance
- 131 businesses did not achieve compliance

That 131 businesses who did not follow their legal obligations are now 'out of business' when it comes to purchasing and handling refrigerant gas, means the licence scheme is working.

For continued non-compliance many businesses lose their licence – and their business in the handling and trade of fluorocarbon refrigerant.

Enforcement

137 non-compliant Audits were referred to the Department of the Environment for further follow up activities including issuing of warning letters and outlining what changes are needed to become compliant. As of July 2014, the remaining non-compliant cases were being managed through the compliance requirements by the ARC.

Non-licensed activity

577 inspections of non-authorised premises were conducted. The organisations visited included refrigeration and air conditioning (RAC) service companies, as well as end-of-life RAC businesses such as metal/auto recyclers and demolition contractors.

ARC investigated 103 potential breaches of the Regulations, with 12 potential breaches referred to the DoE for further investigation.

Communications

ARC Communications are designed to support licence holders, to help them build and improve their businesses. The ARC takes a strategic approach to communications to maximise value and outcomes.

Industry Communications

- 4th Annual ARC Members' Forum held in Sydney on 17th October 2013
- Posters created for Auto and Refrigeration and Air conditioning workshops
- Educational material promoting refrigerant recovery to metal recyclers, smash repairers, auto recyclers and local council organisations
- Educational materials created for licence holders to give to customers promoting the benefits of using licensed technicians
- 9 month Advertorial run in Parts Locator magazine promoting refrigerant recovery
- Mail-out to TAFES and registered training organisations promoting compliance with trainee licences
- Mail-out to publishers emphasising legal obligation of all refrigeration and air conditioning services advertising to display RTA number

Consumer Communications

- Online communications campaign between November 2013 and March 2014
  - Over 100,000 visitors to ARC consumer website
  - Over 4,500 RTA business directory searches
  - Over 10,000 downloads of various ARC information guides
- ARC 'Air Con checklist' sent to over 1000 air conditioning and refrigerator retail outlets as display items for customers
- Advertising and editorial promoting the use of licensed technicians in community newspapers throughout VIC, NSW and SA

ARC Industry participation

- ARC participated at the Total Facilities Expo promoting to facility managers the benefits of using licensed technicians
- ARC participated at the Air Conditioning, Refrigeration and Building Services Exhibition (ARBS)
- Australian Standards Committee members
- Participating in Automotive Air Conditioning Code of Practice review
- Submission to National Occupational Licensing Authority (NOLA) review
- Submission to Ozone Protection & Synthetic Greenhouse Gas Management Act 1989 review
- Presented at AGAS symposium
- Presented at Air Conditioning and Mechanical Contractors Association (AMCA) events

Customer Service

In 2013/14 the customer service team assisted, on average, 1,240 callers per week

- 64,630 completed phone calls were taken between June 2013 and July 2014

engaging

Energy Efficiency and the ARC

Minimum Energy Performance Standards (MEPS)

ARC has a contract with the Australian Government to provide services assisting with Minimum Energy Performance Standards (MEPS) for the Government's E3 Equipment Energy Efficiency program. The E3 Equipment Energy Efficiency program is important for Australia and is expected to yield a cumulative benefit of AUD $22.4 billion (and NZD $5.11 billion) by 2024.

This relates to the energy rating labels displayed on whitegoods – the more stars, the more energy efficient.

A significant initiative during the past 2 years was the ARC's role in the development of the E3 Lighting Survey – Survey of Compliance with Registration Requirements – Lamps.

As well the ARC is involved in the purchase of specific whitegoods for testing against their MEPS rating.

There is a clear link between the energy efficiency of refrigeration and air conditioning systems and the ARC licence scheme. Qualified and licensed technicians = quality installation and servicing work = systems running effectively and efficiently.

Leading by fact

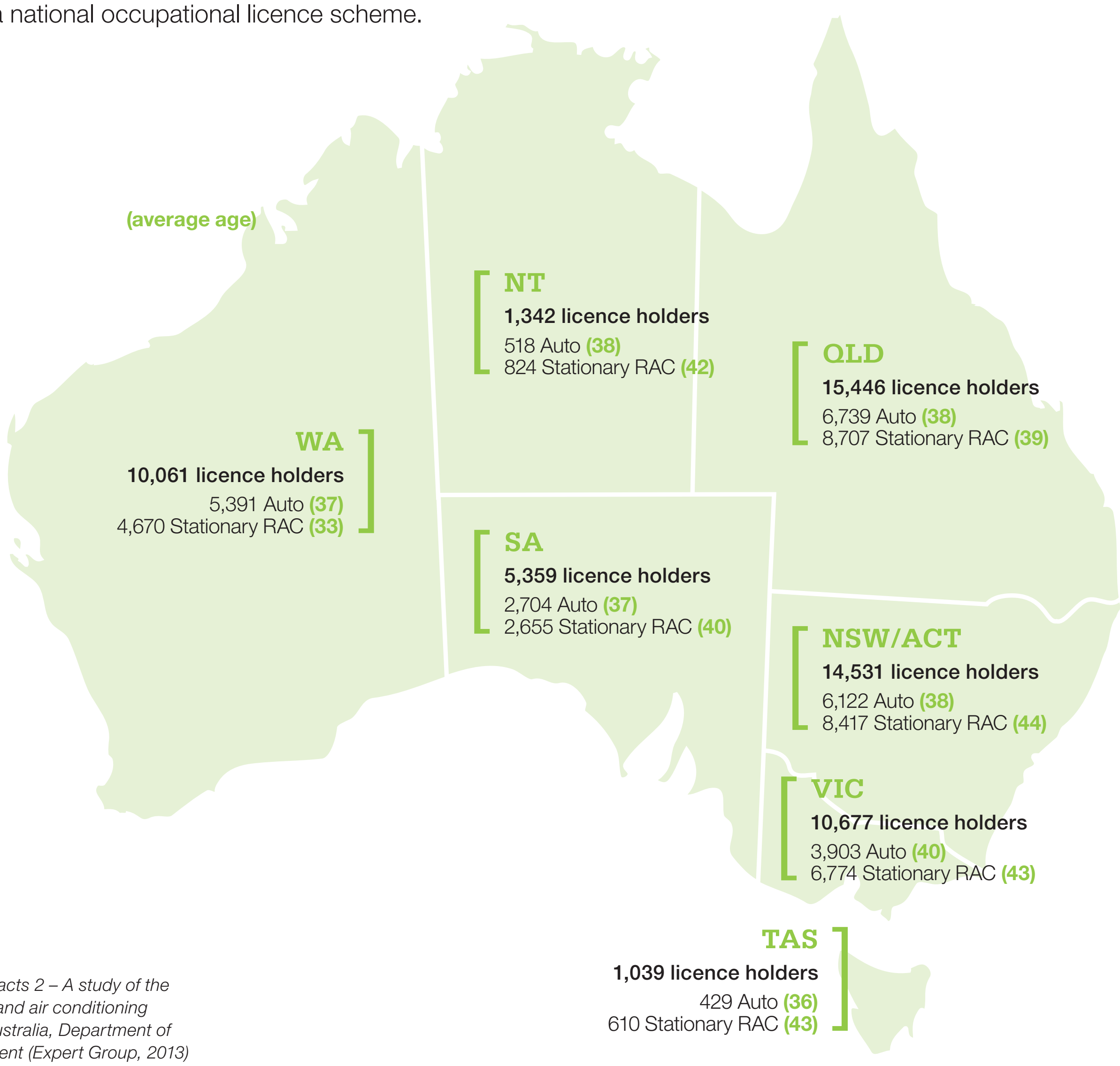
The refrigeration and air conditioning sector plays an important role in modern society. Without its services our major cities, much of our agriculture, telecommunications sector and health sectors would grind to a halt. And with 89%* of refrigerant currently being used requiring an ARC licence to handle and trade, the ARCTick licence scheme is ensuring qualified and professional technicians are servicing many of society's vital needs.

As the broader RAC industry moves to a more sophisticated knowledge and fact-based approach to understanding the numbers and key-drivers of their environment, the ARC is contributing to this wealth of knowledge.

The only truly national licence for the refrigeration and air conditioning industry, the significance of the ARCTick licence was underscored in 2013/14 by the National Occupational Licensing Authority's (NOLA) Decision Regulatory Impact Statement (RIS) for a national occupational licence scheme.

The Decision RIS considered a number of national and State-based occupational licence alternatives, including the ARCtick licence scheme, and highlighted the following significant facts:

- ARC licence scheme has the greatest net-benefit by a considerable margin over State schemes and is therefore the more cost-efficient for industry
- ARC licence scheme is the only truly national licence scheme
- For those three States which have an occupational licence, the ARC has approximately twice as many licences in similar categories and four times as many overall
- The qualifications required for the ARC licence scheme are the same as required for the occupational licence
- Most States and territories do not have their own licence – instead deferring to the ARC licence



Cold Hard Facts 2 – A study of the refrigeration and air conditioning industry in Australia, Department of the Environment (Expert Group, 2013)

ARC Financial Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 2
8 Brindabella Circuit
Brindabella Business Park ACT 2609
GPO Box 823
Canberra ACT 2601 Australia

DX 5661
Tel: +61 (0) 2 6263 7000
Fax: +61 (0) 2 6263 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Australian Refrigeration Council Ltd

We have audited the accompanying financial report of Australian Refrigeration Council Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 7 to 24.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor’s Report (continued)

Auditor’s Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Opinion

In our opinion, the financial report of Australian Refrigeration Council Ltd is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the company’s financial position as at 30 June 2014 and of its performance and cash flows for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alexandra Spark
Partner
Chartered Accountants
Canberra, 23 October 2014

Statement of Comprehensive Income

for the year ended 30 June 2014

	2014	2013
	$	$
Revenue from continuing operations	**5,346,135**	5,273,260
Administrative expenses	**(333,125)**	(301,907)
Compliance expenses	**(204,129)**	(187,425)
Depreciation expense	**(48,103)**	(69,748)
Directors' expenses	**(52,222)**	(52,038)
Employee benefits expense	**(2,971,512)**	(2,978,596)
Financial management expenses	**(177,138)**	(115,796)
IT expenses	**(277,299)**	(213,684)
Publicity expenses	**(566,330)**	(551,417)
Rent and outgoings	**(296,357)**	(263,944)
Travel expenses	**(50,331)**	(58,467)
Other expenses	**(120)**	(4,476)
Surplus for the year	**369,469**	475,762
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**369,469**	475,762

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2014

	2014	2013
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**3,228,589**	2,941,496
Trade and other receivables	**8,568**	525,257
Other current assets	**25,152**	31,465
Total current assets	**3,262,309**	3,498,218
Non-current assets		
Property, plant and equipment	**77,521**	66,748
Other financial assets	**118,000**	-
Total non-current assets	**195,521**	66,748
Total assets	**3,457,830**	3,564,966
LIABILITIES		
Current liabilities		
Trade and other payables	**218,940**	362,898
Provisions	**279,355**	247,105
Deferred income	**1,105,106**	1,502,083
Total current liabilities	**1,603,401**	2,112,086
Non-current liabilities		
Provisions	**174,189**	142,109
Total non-current liabilities	**174,189**	142,109
Total liabilities	**1,777,590**	2,254,195
Net assets	**1,680,240**	1,310,771
EQUITY		
Reserves	**1,353,073**	979,513
Retained earnings	**327,167**	331,258
Total equity	**1,680,240**	1,310,771

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

Statement of Changes in Equity

for the year ended 30 June 2014

	Reserves	Retained earnings	Total equity
	$	$	$
Balance at 1 July 2012	658,207	176,802	835,009
Total comprehensive income for the year	-	475,762	475,762
Transfer to reserves	321,306	(321,306)	-
Balance at 30 June 2013	979,513	331,258	1,310,771
Balance at 1 July 2013	979,513	331,258	1,310,771
Total comprehensive income for the year	-	369,469	369,469
Transfer to reserves	373,560	(373,560)	-
Balance at 30 June 2014	**1,353,073**	**327,167**	**1,680,240**

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

Statement of Cash Flows

for the year ended 30 June 2014

	2014	2013
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**5,909,477**	5,765,558
Payments to suppliers and employees (inclusive of goods and services tax)	**(5,402,950)**	(5,216,987)
Interest received	**47,474**	47,172
Net cash inflow from operating activities	**554,001**	595,743
Cash flows from investing activities		
Payments for other financial assets	**(118,000)**	-
Payments for property, plant and equipment	**(58,876)**	(66,828)
Net cash (outflow) from investing activities	**(176,876)**	(66,828)
Net increase in cash and cash equivalents	**377,125**	528,915
Cash and cash equivalents at the beginning of the financial year	**2,798,165**	2,269,250
Cash and cash equivalents at end of year	**3,175,290**	2,798,165

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

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Australian Charities and Not-for-profits Commission Act 2012*. The Company is a not-for-profit entity.

(i) Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The financial statements of the Australian Refrigeration Council Ltd comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iii) New and amended standards adopted by the Company

The Company will continue to apply the following standard and amendment in their annual reporting period commencing 1 July 2013, which it first adopted in their annual reporting period commencing 1 July 2012:

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

(iv) New and amended standards not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- AASB 9 Financial instruments (effective 1 January 2017)

  AASB 9 will be applicable for the financial years commencing on or after 1 January 2017. It addresses the classification, measurement and derecognition of financial assets and financial liabilities as well as new rules for hedge accounting. The company has yet to determine which, if any, of its disclosures will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on the financial statements. The company does not intend to adopt the standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2018.

(v) New and amended standards not adopted by the Company

The Company has chosen not to apply the following standard and amendment for their annual reporting period commencing 1 July 2013:

- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(vi) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(vii) Going concern basis

The financial report has been prepared on a going concern basis. The going concern basis of accounting contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(b) Income tax

Income tax is not brought to account as the Company has exempt status under Division 50 Sub-division 5 of the *Income Tax Assessment Act 1997.*

(c) 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 for the major business activities as follows:

(i) Interest Revenue

Revenue is recognised when interest is earned on cash at bank deposits.

(ii) Department of the Environment Consultancy Funding

Revenues are based on the consultancy services contract with the Department of the Environment. Revenues are recognised as earned on a monthly basis.

(iii) Rendering of Services

Revenues are recognised as earned as fee for service activities undertaken on a monthly basis.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts.

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(f) Investments and other financial assets

Classification

The Company classifies its financial assets as loans and receivables.

The classification of financial assets depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 6) in the statement of financial position.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through surplus or deficit. Financial assets carried at fair value through surplus or deficit are initially recognised at fair value and transaction costs are expensed in surplus or deficit.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to surplus or deficit during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost , net of their residual values, over their estimated useful lives as follows:

Plant and equipment	3 years
Fixtures and fittings	3 years
Victoria fit-out	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service 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 end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(j) 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 cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(k) Special Reserve

The special reserve are accumulated funds set aside for possible wind up costs which would be incurred at the end of the consultancy service contract with the Department of the Environment. The Company currently includes a monthly wind-up cost amount as part of the invoice issued to the Department and this amount is credited to the reserve.

Critical accounting estimates and judgements

(a) Critical judgements in applying the entity's accounting policies

There were no critical judgements in the process of applying the Company's accounting policies.

(b) Key sources of estimation uncertainty

There are no significant key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

P **1300 88 44 83**
Customer Service Hours
Monday – Friday 8.30am-5.30pm AEST
Locked Bag 3033 Box Hill Victoria 3128

www.arctick.org
www.lookforthetick.com.au

ARC AUSTRALIAN REFRIGERATION COUNCIL

ARC2691 Johanna Villani Design