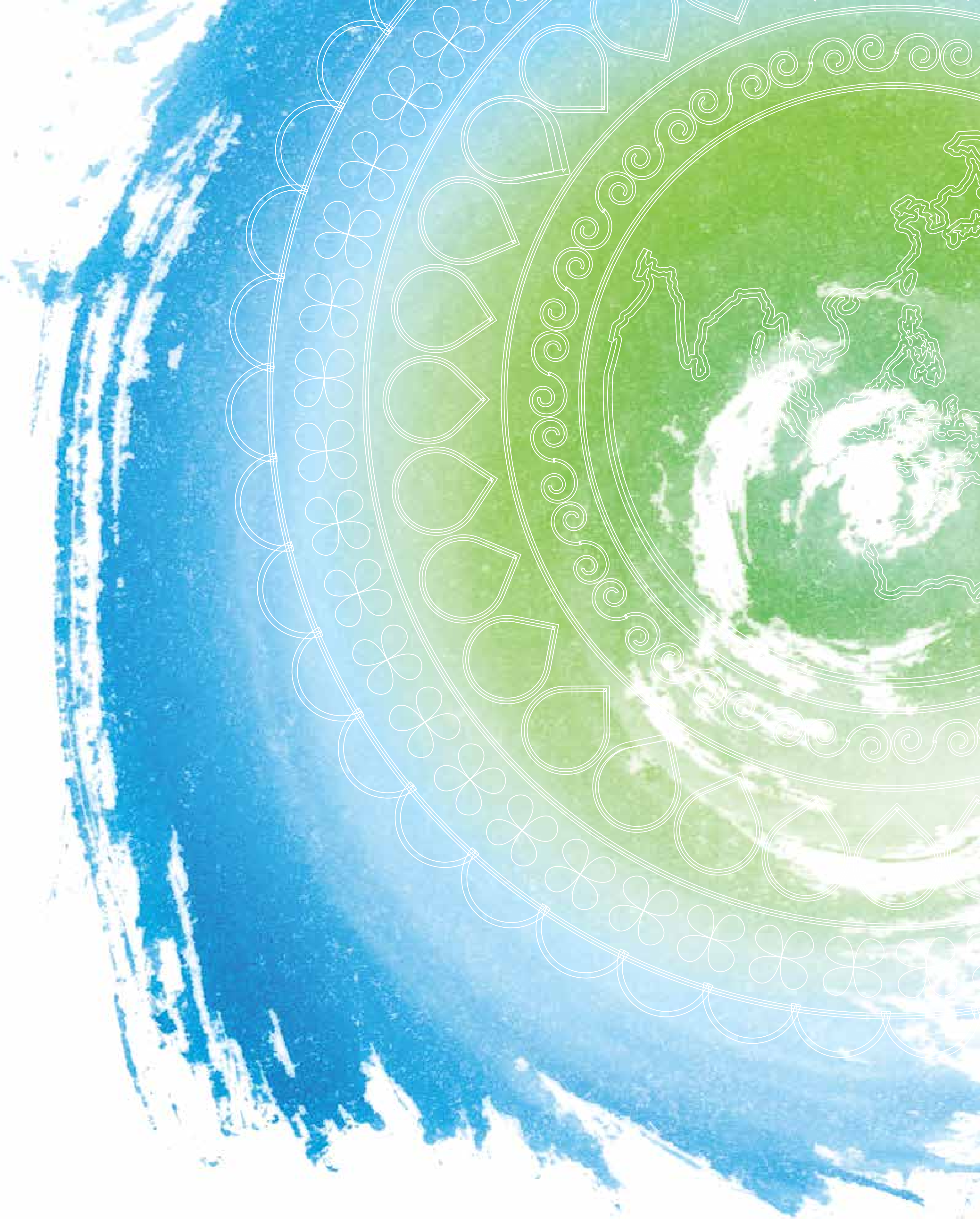
ARC AUSTRALIAN REFRIGERATION COUNCIL

2015/16 ANNUAL REPORT

SETTING NEW STANDARDS FOR THE CLIMATE CONTROL INDUSTRY



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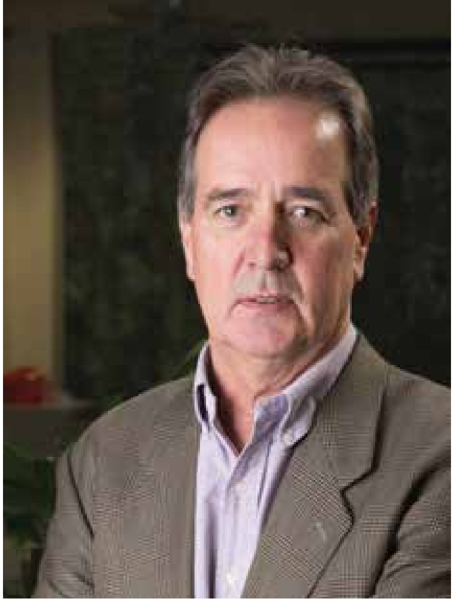


CHAIRPERSON'S Report

The past year is best characterised as a year of action. Training, which underpins the licence scheme, has taken centre stage with ARC targeting 'short' courses which flaunt the application of recognition of prior learning (RPL) at the expense of quality learning outcomes.

Quality training outcomes are essential to the up-skilling of the industry and ARC is actively partnering with the Australian Skills Quality Authority to ensure training delivers the quality necessary for licencing and a highly skilled workforce.

Improving ARC-licensed businesses' bottom line has been a focus through various initiatives to encourage consumers of refrigeration and air conditioning (RAC) services both in the stationary and automotive sectors.

And licence numbers have never been higher – climbing to a record at the 30th June 2016, highlighting the success of Australia's national RAC licence scheme.

Epitomising industry engagement in February, the Board and Members developed a roadmap for the future highlighting the way forward and how the ARC could continue to contribute and be of value to the RAC Industry.

As the peak RAC industry body ARC is well positioned to make the most of future opportunities for, and on behalf of, industry.

Audits continue to exceed 6,000 per year however, disturbingly, for the first time non-compliance rates are climbing slightly. This is something which will be a focus in the next 12 months, as we aim to assist licence holders to comply with the law.

With in-excess of 1,420 phone calls received per week, the ARC continues to be a valuable resource for the RAC Industry.

Quality service is critical with over 70% of licence applications being assessed the day after lodgement and, if all the information is provided, are issued the following day.

Emphasising the success of both the scheme and the manner in which ARC administers it has been the resounding support from industry as part of the Ozone Protection and Synthetic Greenhouse Gas Management Act review process and the independent recognition provided through the globally recognised Air Conditioning Heating and Refrigeration Institute report which identified the ARC scheme as a 'world leader'.

While a great deal has been accomplished in the past 12 months our greatest challenges await. We look forward to facing those challenges in partnership with the RAC Industry.

I would like to thank my fellow Directors who continue to work tirelessly on behalf of the RAC Industry, and the ARC member associations for their continued support and involvement.

KEVIN O'SHEA
ARC CHAIRPERSON

ARC Vision

A SAFE, ENVIRONMENTALLY FRIENDLY AND DYNAMIC CLIMATE CONTROL INDUSTRY.

ARC Mission

SETTING NEW STANDARDS.

ARC provides leadership, value and knowledge to the climate control industry through:

- Issues leadership
- Innovation
- Licensing and regulatory services and assistance
- Technical advice
- Preparing technicians for future technologies
- Actively promoting training quality
- Connecting customers to ARC-licensed businesses

REFRIGERATION AND AIR CONDITIONING

Industry Board & Members

The ARC's Board of Directors come from the refrigeration and air conditioning sector – they are your industry representative board. 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.

1 Kevin O'Shea, (Chairperson)
Refrigeration & Air Conditioning Contractors Association

2 Ian Stangroome
Vehicle Air Conditioning Specialists of Australia

3 Peter Blanshard
Institute of Automotive Mechanical Engineers

4 Brenton Kaitler
Automotive Sector Representative

5 Mark Padwick
Air Conditioning & Refrigeration Equipment Manufacturers Association of Australia

6 Phil Donnelly
National Electrical and Communications Association

7 Glenn Evans
CEO, Australian Refrigeration Council

ARC Members

- 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)
- 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)

ENVIRONMENTAL AND Industry Leadership

Industry

The Australian Refrigeration Council (ARC) is the 'peak industry body' for the sector, with key representation throughout the refrigeration and air conditioning (RAC) industry.

Importance of the RAC industry

The refrigeration and air conditioning industry is highly specialised and vital to the modern world, supporting society and living standards.

Underlying the importance of RAC services is the number of other sectors which rely heavily on the RAC industry including:

- Food industries
- Health care
- Retail
- Aviation
- Marine
- Transportation
- Automotive
- Buildings

The RAC industry is pervasive, critically interwoven through, and supporting, modern life.

By industry, for industry

ARC members are the leaders of the RAC industry. Collectively through the ARC, they contribute to facilitating the future of the RAC industry.

ARC Licence

The ARC licence is the 'gold star standard' in the RAC industry. Collectively, the scheme has driven higher standards in the industry, through a higher skilled workforce.

Not only does the ARC licence ensure that technicians are knowledgeable and skilled in environmental standards, but also provides a level of consumer protection and knowledge of occupational health and safety requirements.

The scheme also ensures that technicians are 'fit and proper' for the scope of works for which they are licensed.

The qualifications which underpin the ARC licence ensure that technicians are highly regarded.

Environment

Controlling ODS and SGG refrigerants

If released into the atmosphere, fluorocarbon refrigerant gases which are ozone depleting substances (ODS) and synthetic greenhouse gases (SGG) can damage the ozone layer and contribute to global warming. The ozone layer protects life on earth by absorbing ultra-violet (UV) radiation from the sun. UV radiation is linked to skin cancer, genetic damage and immune suppression in humans and other living organisms. Controlling ODS and SGG refrigerants minimises Australia's ecological footprint.

Improved energy efficiency = lower energy consumption

Sustainability is about responsibility. Having taken responsibility to better manage emissions of refrigerant, the domestic ARC licence scheme – a qualifications-based scheme – can also lay claim to directly, and positively, impacting energy use in households and buildings.

Energy is an important component of mankind's habitation on the planet, but used in excess, can contribute to climate change. By only allowing skilled and qualified people to work with RAC systems, the licence scheme is ensuring systems are installed correctly, running efficiently and their working lives are prolonged.

ARC – TOP OF THE WORLD IN *Refrigerant Management*

It's official – ARC are 'world leaders' – or so says a recent US report into regulations and licensing of environmentally damaging refrigerants.

Released in 2016, the report by US Air Conditioning, Heating and Refrigeration Institute (AHRI)[1] has Australia as a global leader in areas such as effectiveness, cost/burden on industry, stakeholder engagement and level of success. This was in comparison to Canada, California, Japan, the UK and the United States, as well as China, Brazil and the European Union.

And in terms of results, the numbers speak for themselves:

Controls around handling and trade of refrigerants has resulted in **24.37 megatonnes of CO_2-e direct emissions savings**

Domestic licensing (ARCTick) has the support of **80,000 licensed individuals and businesses** Australia-wide

Recovery and destruction has prevented the emission of **5,000 tonnes of ozone depleting refrigerants** and stopped 10 million tonnes of carbon dioxide (CO_2) equivalent from entering the atmosphere

According to a 2016 report[2], the Antarctic ozone hole is finally **showing signs of disappearing.** Regulations on refrigerant gases in Australia are one part of the reason for this recovery.

Mission accomplished? Far from it. According to a 2015 report by Expert Group[3], the ARC licence scheme will continue to provide significant direct and indirect emissions savings over the next two decades, with further direct emissions reductions estimated at 58.02 megatonnes CO2 projected to 2030.

The scheme also takes the pressure off the global move to reduce HFCs, which have been effectively regulated in Australia – in terms of preventing emissions – for over 10 years. Viability and sustainability are two things that need to go hand in hand. With the ARC licence scheme recently hitting 80,000 licensed individuals and businesses Australia-wide – the highest number ever – this is proof that the scheme is a viable one for industry and is supported by the very people who can and do make a difference.

[1] Research Project 8018, Review of Refrigerant Management Programs.

[2] Emergence of healing in the Antarctic ozone layer; Science 15 July 2016, Vol 353, Issue 6296

[3] Expert Group, Assessment of environmental impacts from the Ozone Protection and Synthetic Greenhouse Gas Management Act 1989, April 2015. To read the report visit www.environment.gov.au and type 'attachment b impact analysis' into the search bar.

SETTING THE DIRECTION, *delivering value*

Setting the direction – managing the change

During the year the Board and members set the direction for the refrigeration and air conditioning (RAC) industry and the ARC through strategic planning. The key is to now manage the change, in what is a dynamic and evolving environment.

The member organisations of the ARC play a critical role in setting the direction and standards which underpin the Australian RAC sector.

Reaffirming their commitment that the ARC does and will continue to add value to the RAC industry, the Board, together with members, highlighted the following key deliverables:

- Maintain relevancy and value
- Drive world-class standards
- Support quality training, while putting sub-standard training under the microscope
- Operate the national RAC licence scheme

The ARC scheme is the only truly national RAC licence scheme, and it is the 'gold star standard' for techncians with most states defaulting the ARC scheme. There is also universal industry association support that the ARC continues to host the national licence scheme.

ARC's leadership role within the Australian RAC industry is via a 'by industry, for industry' approach. ARC recognises the need for the RAC industry to be a collective in delivering quality and valuable outcomes.

Delivering value

Building licensed businesses

ARC conducts many value-added services to promote the RAC sector and licensed businesses. Services such as a nationwide marketing campaign targeted at consumers, and working with up-stream stakeholders such as facility managers, drives them to use licensed businesses. These campaigns have a direct and positive impact on the bottom line of businesses licensed through the ARC.

Future-proofing technicians for new technologies and ensuring new entrants to the RAC industry are appropriately skilled are also ARC objectives. Both issues are vitally important for the sector.

ASQA partnership

ARC has entered into a partnership with the training industry regulator Australian Skills Quality Authority (ASQA) to assist them with investigations into registered training organisations and courses in the RAC sector. This relationship has already yielded great results for the industry with three high profile course closures due to breaches of the Ozone regulations, as well as training quality issues.

Appropriate qualifications are the cornerstone of the ARCTick licence scheme and, on behalf of the 80,000 licensed technicians and businesses, it is essential that training bodies help ensure quality courses are delivered for our quality industry.

Working groups

Two key areas of importance for the RAC industry are training quality and refrigerant evolution. It is important the ARC is kept up-to-date with, and can meet, the numerous challenges resulting from changes in technology and refrigerants and issues related to raining. As a result, in early 2016, the ARC Board agreed to plans for the creation of two industry working groups to look at these issues.

These industry-led ARC working groups will be active in the second half of 2016 and the outcomes of the working groups will be reported to the Board and the Department of the Environment and Energy.

ARC Performance

Licensing

Processing

A total of 81,673 Refrigerant Handling Licences (RHL) and Refrigerant Trading Authorisations (RTA) were registered on the ARC database at the end of the 2015/16 financial year, including 64,023 licences and 17,650 authorisations.

Applications/Re-applications

A total of 48,844 applications/re-applications were received and processed by ARC in 2015/16 including 38,568 RHLs and 10,276 RTAs.

Online Application Facility

A total of 46,348 online applications/re-applications were received and processed by ARC in 2015/16 including 36,425 RHLs and 9,923 RTAs. This represents 95% of all applications received.

Time to process

- Licences – generally within 5 business days
- Authorisations – generally within 7 business days
- Over 70% issued next day

The ARC is required to process applications within 30 days.

Application statistics

It pays to submit a complete application. 76% of complete applications are issued the next day.

Main reasons Authorisation applications are assessed as incomplete:

- Incorrect details for licence holders
- Incorrect details for equipment
- Incorrect details for branch offices
- Failure to supply an appropriate Risk Management Plan
- Outstanding non-compliance issues

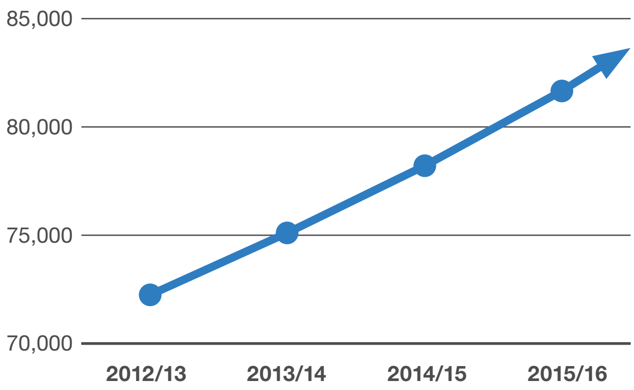
Main reasons new Licence applications are assessed as incomplete:

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

Licence numbers hit record high

Licence numbers continue to climb to unprecedented heights, recently exceeding 80,000 individuals and businesses. This continued success is reflective of the industry's commitment to delivering real environmental outcomes, and ARC's successful administration of the licence scheme.

Total licence numbers



Compliance

Audit/Monitoring

- Over 6,000 Audits and inspections of businesses
- 3,183 compliant audits
- 2,175 non-compliant audits
- 74 refrigerant trading authorisations were cancelled due to on-going lack of compliance

ARC helps businesses to succeed

Over one third of Audits are non-compliant in the first instance. ARC Field Officers work collaboratively with the licence holder to ensure they are compliant and that compliance becomes a normal part of their business practice.

Dealing with non-compliance

- 74 re-applications were refused due to on-going compliance issues

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

Enforcement

274 non-compliant Audits were referred to the Department of the Environment and Energy (DEE) for further follow up activities including issuing of warning letters and outlining what changes are needed to become compliant. As of July 2016, the remaining non-compliant cases were being managed through the compliance requirements by the ARC.

Non-licensed activity

437 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 45 potential breaches of the Regulations, with 13 potential breaches referred to the DEE for further investigation.

Communications

ARC communications are designed to improve licensed/authorised businesses and promote the industry. Consumers and other end-users are also targeted to maximise effectiveness. A strategic communications and compliance plan is developed on an annual basis.

Industry Communications

- Produced numerous free promotional materials for licensed businesses. A marketing hand out encouraging Regular Maintenance was the most popular promotional tool ever produced by the ARC
- Coordinated media campaign targeting regional areas resulted in radio and paper coverage for ARC and licensed businesses
- Quarterly newsletter sent to over 80,000 people per edition
- Various Fact Sheets created to educate permit and non-permit holders about the licence scheme

Industry Engagement

- ARC formed a Training Quality working group with industry representatives
- ARC formed a Refrigerant Evolution working group with industry representatives
- All ARC Board meetings in 2015/16 were open to ARC members to attend
- 10% of all RTAs audited by ARC were surveyed to ensure ARC audit practices are effective and efficient
- Online feedback facility on website is used to create new education and awareness services
- Actively promote ARC member organisations for industry benefit

Consumer Communications

- New consumer website launched
- Online summer campaign ran from November 2015 to March 2016 attracting thousands of visitors to www.lookforthetick.com.au and increasing awareness of licensed businesses
- Editorials promoting the use of licensed businesses sent to mainstream, local and industry media
- Regional paper advertising conducted throughout the year targeting regional areas Australia-wide

ARC Industry Participation

- ARC CEO Glenn Evans addressed a low global warming potential (GWP) refrigerant technology summit in Fiji, organised by the United Nations
- ARC representatives attended Montreal Protocol working group meeting in Paris
- ARC exhibited at the 2016 Air Conditioning, Refrigeration and Building Services exhibition (ARBS) in VIC
- Various ARC representatives were invited to speak at ARBS 2016
- ARC exhibited at the Total Facilities Expo in VIC
- ARC spoke at numerous automotive, recycling and demolition industry group meetings and events to encourage refrigerant recovery in these sectors
- ARC supported and promoted the Future Gas automotive educational seminars Australia-wide

ARC sits on various committees and stakeholder groups including:

- Refrigeration and Air Conditioning Training Alliance
- Standards Australia's EE-001 Residential Air-conditioning Committee
- Government Air Conditioning and Commercial Refrigerants Advisory Committee
- Box Hill TAFE Refrigeration and Air Conditioning Course Accreditation Committee

Customer Service

In 2015/16 the customer service team assisted, on average, 1,420 callers per week.

- 73,500 completed phone calls were taken between June 2015 and July 2016

These numbers demonstrate that ARC remains a central hub for information and guidance for industry.

ARC

Financial Report

Deloitte.

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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 2016, 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.

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 2016 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, 17 November 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	2016	2015
	$	$
Revenue from continuing operations	5,715,612	5,492,390
Administrative expenses	(403,299)	(333,135)
Compliance expenses	(194,474)	(190,958)
Depreciation expense	(86,054)	(95,188)
Directors' expenses	(45,776)	(56,989)
Employee benefits expense	(2,870,355)	(3,055,548)
Financial management expenses	(170,880)	(161,806)
IT expenses	(299,499)	(308,094)
Publicity expenses	(589,162)	(538,753)
Rent and outgoings	(359,714)	(360,503)
Travel expenses	(105,444)	(58,727)
Other expenses	(3,387)	(3,540)
Surplus for the year	587,568	329,149
Other comprehensive income for the year	-	-
Total comprehensive income for the year	587,568	329,149

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	2016	2015
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**1,830,541**	1,691,649
Trade and other receivables	**74,815**	60,199
Other current assets	**31,688**	32,481
Total current assets	**1,937,044**	1,784,329
Non-current assets		
Property, plant and equipment	**161,598**	143,748
Other financial assets	**2,488,826**	2,052,826
Total non-current assets	**2,650,424**	2,196,574
Total assets	**4,587,468**	3,980,903
LIABILITIES		
Current liabilities		
Trade and other payables	**380,252**	260,645
Provisions	**308,146**	413,633
Deferred income	**1,125,511**	1,138,259
Total current liabilities	**1,813,909**	1,812,537
Non-current liabilities		
Provisions	**176,602**	158,977
Total non-current liabilities	**176,602**	158,977
Total liabilities	**1,990,511**	1,971,514
Net assets	**2,596,957**	2,009,389
EQUITY		
Reserves	**2,201,113**	1,777,093
Retained earnings	**395,844**	232,296
Total equity	**2,596,957**	2,009,389

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Reserves	Retained earnings	Total equity
	$	$	$
Balance at 1 July 2014	1,353,073	327,167	1,680,240
Total comprehensive income for the year	-	329,149	329,149
Transfer to reserves	424,020	(424,020)	-
Balance at 30 June 2015	1,777,093	232,296	2,009,389
Balance at 1 July 2015	1,777,093	232,296	2,009,389
Total comprehensive income for the year	-	587,568	587,568
Transfer to reserves	424,020	(424,020)	-
Balance at 30 June 2016	**2,201,113**	**395,844**	**2,596,957**

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	2016	2015
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**6,176,393**	6,010,366
Payments to suppliers and employees (inclusive of goods and services tax)	**(5,640,584)**	(5,494,348)
Interest received	**73,737**	18,449
Net cash inflow from operating activities	**609,546**	534,467
Cash flows from investing activities		
Payments for other financial assets	**(436,000)**	(1,934,826)
Payments for property, plant and equipment	**(34,654)**	(161,415)
Net cash (outflow) from investing activities	**(470,654)**	(2,096,241)
Net increase (decrease) in cash and cash equivalents	**138,892**	(1,561,774)
Cash and cash equivalents at the beginning of the financial year	**1,691,649**	3,175,290
Cash and cash equivalents at end of year	**1,830,541**	1,613,516

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 had a material impact on any of the amounts recognised in the current period or any prior period and are not likely to have a material impact in future periods.

(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 2015 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 2018)
  AASB 9 will be applicable for the financial years commencing on or after 1 January 2018 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.
- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)
  The Company is expected to adopt AASB 15 for the annual reporting period ending 30 June 2018. The Company has not yet assessed the impact of AASB 15 and therefore it is impracticable at this stage to provide a reasonable estimation of the impact.

(v) 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.

(vi) 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.

At 30 June 2016 the Company's current assets exceeded the current liabilities causing a $212,275 (2015: $28,208 deficiency) net current surplus. The Company maintains a net asset position overall and generated a profit for the 2016 financial year. The director's are comfortable that the Company is solvent and represents a going concern.

(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.*

ARC has met the requirements for payroll and company tax exemption for the financial year ending 30 June 2016.

(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.

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