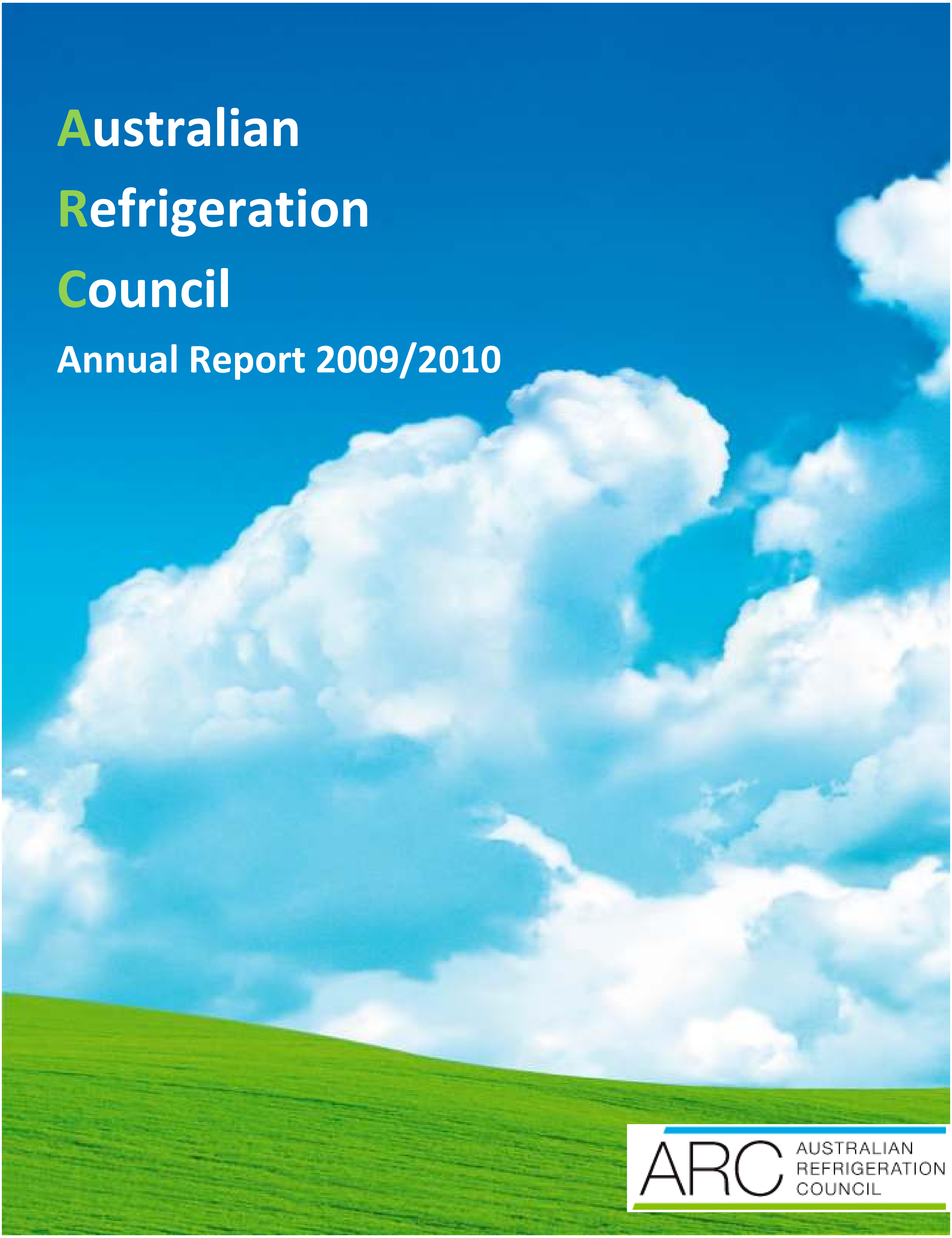
Australian Refrigeration Council

Annual Report 2009/2010



ARC AUSTRALIAN REFRIGERATION COUNCIL

Foreword

On the back of the global financial crisis the Refrigeration and Air Conditioning (RAC) Industry is emerging even better than after previous downturns.

For the Australian Refrigeration Council (ARC), 2009/10 has been about evolving from a focus on efficiency to one of being more effective.

Recently an Industry Forum was held which identified a number of key areas for the ARC to consider. Some of which fit within the ARC mandate and others which do not. The outcomes of that forum will be reported in more detail in the Dec/Jan 2010-11 CoolChange newsletter and on the ARC website.

Earlier in the year the Board reviewed and refined the ARC's Strategic Plan 2009-2014 – providing a vision for the ARC and a roadmap for the future.

Keys to the Strategic Plan include strengthening our relationship with Industry, DSEWPaC licensed individuals and business; and being a more transparent and accountable organisation. I am pleased to report that we are succeeding. Everything from audit procedures and licence application reviews, to the budget and board reporting is far clearer and professional.

The underlying theme of the ARC is about delivering value and our success is determined by our ability to deliver outstanding value and service.

We are improving relationships with key Industry Stakeholders and cultivating new strategic relationships for the benefit of licence holders. ARC attendance at key industry events has also improved visibility and accessibility.

ARC is prevalent in various key industry forums such as COAG and Standards Australia – to ensure reforms are practical and workable for RAC technicians, businesses and the industry.

As is outlined in the CEO Report, the ARC has achieved a great deal in 2009/10 including: improved ARC Licence awareness through the introduction of the consumer Air Conditioning Guide, increases in individual and business licences as well as the number of Audits conducted, and the amazing up-take of our new on-line lodgement facility.

My thanks to the Board – who during the year invested their time and effort into the development of the ARC Strategic Plan – the roadmap for the ARC's future. It is pleasing to report that we are well on our way and the commitment of each Board Member to guide the ARC's efforts into the future is greatly appreciated.

Chairman
Mark Padwick

Table of Contents

Board of Directors

Vehicle Air Conditioning Specialists of Australia

ARC Chair - Mark Padwick

Victorian Automobile Chamber of Commerce

Gunther Jurkschat

Air Conditioning & Refrigeration Wholesalers Association

Gary Kenworthy

National Electrical Contractors Association

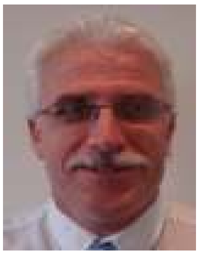
Larry Moore

Motor Trades Association of Australia

Peter Taylor

Refrigeration & Air Conditioning Contractors Association

Robert Taylor



Australian Refrigeration Council

ARC CEO - Glenn Evans

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 (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)
- Motor Trades Association of Australia (MTAA)
- National Electrical & Communication 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 Association (VASA)

Principal registered office in Australia

818 Whitehorse Road
Box Hill VIC 3128
(03) 9843 1600

Auditor

Deloitte Touche Tohmatsu
8 Brindabella Circuit
Brindabella Business Park
Canberra ACT 2609

Solicitors

Logie Smith Lanyon
Level 13, 575 Bourke Street
Melbourne VIC 3000

Bankers

National Australia Bank
39 London Circuit
Hobart Place
Canberra ACT 2600

Stock exchange listings

The Australian Refrigeration Council Limited is a private company limited by guarantee and therefore is not listed on any Stock Exchange.

The Australian Refrigeration Council – About the ARC

The Australian Refrigeration Council (ARC) is at the forefront of environmental best practice – in partnership with Industry and Government the ARC is having a very real impact on minimising avoidable ozone depleting substances (ODS) and synthetic greenhouse gas (SGG) emissions into the atmosphere and increasing product energy efficiency.

Mission

To reduce greenhouse gas and ozone depleting substance emissions

Vision

A better quality environment for Australia and Australians

Values

Our organisational values reflect our attitude to the community, our services, our business and each other

Leadership and vision - We strive for excellence

Integrity - We are principled in our relationships

Teamwork - We achieve common goals by working together

Making a positive difference - We achieve enduring benefits for our customers

Strategy

ARC's five-year Strategic Plan (2009-2014) reflects the overarching goals the ARC aims to achieve:

Quality outcomes - Delivering quality outcomes through improved industry standards and quality systems

Value knowledge and communication - Delivering outstanding value and working with Government, clients and key stakeholders for win-win outcomes

Sustainable organisation - An enduring organisation with a significant environmental mandate and profile

Quality people - Our people are highly skilled and deliver outstanding value and service

Stakeholders

In achieving its objectives the ARC works in partnership with the Australian Government and various stakeholders including, key industry bodies and associated industry groups, licensees and authorised businesses who are committed to improving energy efficiency and preventing emissions of synthetic greenhouse gases (SGG) and ozone depleting substances (ODS).

Our people

The success of the ARC is primarily due to the efforts of its employees and the high quality relationships existing with its stakeholders. The ARC employs 51 people, with its head office (and VIC regional office) situated in Box Hill, Victoria. Regional offices are located in Carlton, NSW; Birkdale, QLD; Mawson Lakes, SA; and Malaga, WA.

CEO Report

The Board's Strategic Plan, originally developed early 2009 and revisited in early 2010, remains the principle agenda for the ARC to deliver.

Much work has been undertaken to ensure the long-term capability and financial viability of the ARC into the future.

Revamping the budget to improve clarity and accountability and developing a complimentary business plan ensures that the ARC deploys resources in the most effective and efficient manner.

The six months from October 2009 was an extremely busy period for the ARC, with weekly phone calls regularly topping 2000 and the number of licence applications lodged increasing by 7% over the previous cycle.

ARC instigated several initiatives to cater for the increased activity and limit any negative impact on industry, this included:

- On-line lodgement process
- Early information about renewals timelines
- Wholesaler web check facility

On-line Lodgement facilities

The on-line lodgement of applications has been very successful. Within 12 months, the on-line facility has grown to cater for approximately 34.7% of New Licences, 74% of Licence Renewals, 58.8% of New Authorisations and 92.9% of Authorisation Renewals. The real value of the on-line facility is its convenience for industry.

Phone call activity

The increased licensing activity has a knock-on effect on phone call activity, which has increased from approximately 600-700 calls per week to an average of, most recently, 1300 (peaking at over 2000 earlier in the year).

Application numbers and processing - RHL & RTA

Communications and compliance activities continue to drive application numbers, which now total over 60,000 individual licences (RHLs) and 20,000 business licences (RTAs). Our expectation is that licence growth into the future will not be linear, but begin to level out as we reach market saturation.

Total time for processing and assessment of Refrigerant Handling Licences (RHLs) and Refrigerant Trading Authorisations (RTAs) that meet all requirements peaked at 21 days – but is usually completed within 10 days. New licences are tracking at approximately 7% above the same time 2 years ago.

Improved awareness of ARC Licences

The development of a consumer air conditioning guide was a key element of the consumer awareness strategy and proved a valuable tool for improving awareness of ARC licences. For the period 18th November – 28th February, 4956 Guides were downloaded (41 per day). Some key indices for the same period also included:

- 11,805 Licence checks – 98 per day
- 20,167 RTA searches – 68 per day
- 163% Peak period-on-period growth in website traffic (spring - summer)
- 150% Non-peak period-on-period growth in website traffic (autumn-winter)

The regulated requirement to advertise the ARC licence number for businesses promoting refrigeration and air conditioning work has dramatically increased the value for licence holders. Interestingly the uptake has been less than spectacular and work to improve this will continue.

Audits

ARC conducted over 7200 audits in the past 12 months, compared to 6000 for the previous period.

2009/10 has been about improving processes, transparency and accountabilities. All key audit types (drive-bys, general, incident and remote audits) have been 'process mapped' (standardised) to increase clarity and consistency in expected audit outcomes.

Effective as of 1 July 2010, drive-bys (audit of persons or businesses not licenced but suspected of handling fluorocarbon based refrigerants) will now be handled in a manner which delivers a measurable outcome – i.e. conversion to a licence or AU.

Audits of regional areas have been a priority (both phone and face-to-face), resulting in reasonable compliance levels. Areas covered included: Mt. Gambier, Loxton, Berri & Renmark (SA); Casterton, Coleraine, Hamilton, Portland, Port Fairy, Ballarat, Warrnambool (VIC); Geraldton, Carnarvon, Exmouth & Karratha (WA).

Montreal Protocol Open Ended Working Group

A global view of the international management of fluorocarbon based refrigerant is critical for the ARC in being an effective and efficient industry organisation.

The ARC attended the thirteenth meeting of the Montreal Protocol Open Ended Working Group (MPWG) held 15-18 June in Geneva as part of the United Nations Environment Programme.

The MPWG meeting included:

- Proposed amendments to the Montreal Protocol
- Issues related to hydrochlorofluorocarbons
- Alternatives to hydrochlorofluorocarbons in the refrigeration and air-conditioning sectors in high ambient temperature conditions

- Environmentally sound management of banks of ozone-depleting substances
- Identifying and mobilising funds for the destruction of ozone-depleting substances
- Review of technologies for the destruction of ozone-depleting substances

Comparisons of ARC and international best practice

In strengthening our international relationships, a visit to the Netherlands to meet HBB who administer the STEK scheme provided valuable feedback that demonstrated that the STEK and ARC schemes share many similarities including:

- The same objective of minimising avoidable emissions of ODS and SGGs
- Licensing both individuals and businesses
- Competency based licence assessments
- Hosting of audits to ensure compliance
- Regulated schemes that are supported by industry

I am very pleased with the outcomes the ARC has achieved this year and look forward to continuing our support of the RAC sector into 2011 and beyond.

CEO
Glenn Evans

Services

The ARC works in partnership with the Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC) in administering the RAC Licensing Scheme (ODS & SGGs) and the Minimum Energy Performance Standards (MEPS) Compliance Program.

The ARC has been appointed as the Industry Board to administer the ARC licencing scheme under the Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995, ensuring that the handling and purchase of fluorocarbon refrigerant is limited to those who have proven themselves competent and qualified. The ARC is responsible for administering Refrigerant Handling Licences (RHLs) and Refrigerant Trading Authorisations (RTAs) to individuals and businesses that acquire, possess, handle or dispose of ozone depleting substances (ODS) or synthetic greenhouse gases (SGG) as they apply to refrigeration and air conditioning. In conjunction to this, the ARC conducts compliance activities including proactive audits and investigation into potential breaches of the regulations.

The Minimum Energy Performance Standards (MEPS) Compliance Program has become a powerful tool in reducing energy usage in Australia by ensuring that all appliances manufactured in or imported into Australia meet the MEPS levels specified in the relevant Australian Standards. While the label is a comparison tool used by the consumer, it also provides an incentive and value proposition for manufacturers to improve the energy efficiency performance of appliances.

Energy efficient ratings have become an increasingly important factor in consumer purchase decisions and as a result, compliance with the scheme is paramount to its integrity.

The addition of the MEPS contract has assisted the ARC in strengthening its position as a sustainable and enduring organisation through its extended involvement and association with wholesalers and manufacturers alike.

For the MEPS Compliance Program the contract involves three main elements:

- determining the registration status of products that are subject to MEPS and/or energy labelling against the online registration database
- determining whether the energy label displayed on products offered for sales matches the registration description available on the online registration database
- purchase of products for testing

In addition, the ARC assists Australian Customs and Border Protection Service in identification of refrigerant in materials and products at point of import.

The combination of these services provides a robust mandate in environmental protection.

Performance

Processing

Applications/Re-applications

A total of 41,304 applications & re-applications were received and processed in 2009/2010 - of which 10,367 were new applications.

Online Application Facility

In July 2009, ARC launched the online application/re-application facility. A total of 13,863 online applications were received for 2009/2010. The take-up of online applications commenced slowly, with 7% of all applications received in July 2009 being generated online. However, by June 2010 this figure had increased to 70%, demonstrating its relevance as a service to our RHL and RTA holders.

Online Change of Details Facility

In July 2009, ARC also launched the online change of details facility which allowed RHL & RTA holders to update their details at any time online. The take-up for 2009/2010 has been very successful.

Infosec - Registered Assessor Program (I-RAP) Assessment

In 2009 ARC underwent an external risk assessment of it's IT facilities in preparation for an I-RAP assessment to 'In Confidence' level – as required by the Australian Government. An I-RAP assessment is an external audit of IT facilities against the Commonwealth Government's Security Services manual and has a number of security levels. ARC will undergo further I-RAP compliance monitoring to ensure a high level of data security is being maintained.

Communications

Industry Assistance

As with previous years, a high level of interaction with the industry has been a focus. While many industry enquiries do not relate specifically to the ARC's licensing scheme, the ARC seeks to add value to holding an ARC approved licence or authorisation through the provision of timely advice and services.

With ongoing changes to regulations, online consumer communication initiatives and the introduction of the ARC online application and change of details facilities, the customer service team continued to accommodate high volumes of calls throughout the year. The ARC customer service team assisted 62,586 callers on ARC's 1300 phone number in the 2009/10 period with a focus on licensing, online licence applications and related enquiries. During the same period the customer service team affected 4,382 outgoing calls following up returned calls, authorisation and licence enquiries and cause of returned mail.

Improving Value

Improving the value of the licensing scheme to licensees and trading authorisation holders has underpinned the ARC's activities during 2009/10. Communications continues to be a critical focus for the Australian Refrigeration Council.

The ongoing success of the "Look for the Tick" consumer website, which promotes the work of licensees and authorised businesses, continued to attract large audience numbers through the online banner display and search advertising directing consumers to the website. Activity during the online search placement period registered 1.7 million banner impressions, which generated 17,000 visits to the www.lookforthetick.com.au website.

Development and placement of a consumer Air Conditioning Guide on the website recorded more than 4,956 downloads over a four month period (41 per day). During that same period the website logged 11,805 Licence checks (98 per day) and 20,167 RTA searches (68 per day). Levels of traffic to the website over the past twelve months has more than doubled the previous year's total recording 72,507 visits compared last year's 31,326 visits.

Similarly the ARC website, www.arctick.org experienced a dramatic increase in the number of visitors to the site. The introduction of the electronic lodgement facility for new and existing RTA and RHL applications and change of detail advice, combined with the continuous upgrading of downloads and information for the industry has seen activity on the site climb from 69,551 in 2008/09 to an impressive 122,785 visits for 2009/10. This is testament to the ARC's work at providing more convenient processes for those who are time-poor, looking for faster turnaround of licensing applications and ease of access to industry information.

The ARC has continued to look at ways to increase its value to the industry. In 2009/10, the ARC mailed letters outlining regulatory obligations to: automotive recyclers/dismantlers, demolishers, automotive smash repairers, national and local newspapers, local Governments and appliance retailers. A full page advertisement directed towards facility and building services managers - and complimented by a letter with an ARC information booklet insert - was placed in the following magazines; The Hotel Engineer, The Australian Building Services Journal, Ecolibrium and FM Magazine.

The ARC maintained production and distribution of its quarterly newsletter, CoolChange to all licence holders and authorised businesses and continued the preparation and disbursement of a quarterly electronic e-News bulletin to ARC's fifteen key industry members. These mediums are vital to ARC's communications strategies in building and maintaining relationships and ensuring constant interaction with the industry.

Compliance

Licensing

During 2009/10 the total number of individual licences (RHLs) increased by 7,014 to 60,760 (13%) and licenced businesses (RTAs) increased 1,196 to 18,678 (7%) over the previous year. This is in addition to increases of 6% and 8% in the previous year.

Audits

All key audit types (drive-bys, general, incident and remote audits) have been 'process mapped' (standardised) to increase clarity and consistency in expected audit outcomes.

ARC conducted over 7200 audits in the past 12 months, well in-excess of the 6000 audits conducted in the previous 12 months.

Effective as of 1 July 2010, drive-bys (audit of persons or businesses not licenced but suspected of handling fluorocarbon based refrigerants) are now handled in a manner which delivers an actual, measurable outcome – i.e. conversion to a licence or authorisation. The conversion rates will be monitored.

Minimum Energy Performance Standards (MEPS)

The Minimum Energy Performance Standards (MEPS) business has been successfully augmented into the core business operations of the ARC. Initial product survey groups have included:

- White goods
- Split system air conditioners
- Commercial air conditioners and refrigeration cabinets
- TVs and set top boxes

The ARC's competency profile lends itself well to product surveys.

ARC Financial Statement

Directors' Report

The directors of the Australian Refrigeration Council Ltd (the company) present their report on the company for the year ended 30 June 2010.

Directors

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

Glenn Evans
Gunther Jurkschat
Gary Kenworthy
Larry Moore
Mark Padwick
Robert Taylor
Peter Taylor

Mark Padwick and Robert Taylor were re-nominated during the year and continue in office at the date of this report.

Principal activities

During the year the principal continuing activities of the company included the administration of a program of certification of contractors and their service technicians in the refrigeration and air conditioning industry, under a contract with the DSEWPaC. The objective of the program was to reduce greenhouse gas emissions through improved work practices.

During the year the company continued the conduct of appliance energy rating audits under contract with the Department of Sustainability, Environment, Water, Population and Communities.

Operating results

The operating surplus of the company amounted to $98 (2009: surplus $245,364). No income tax is payable by the company.

Dividends

The company is a not-for-profit entity and limited by guarantee. No dividend has been paid or declared.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2010 that has significantly affected or may significantly affect:

(a) the company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the company's state of affairs in future financial years

Environmental regulation

The company is not subject to any significant environmental regulation.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs that occurred during the financial year under review.

Information on Directors

Glenn Evans - *Executive*
Chief Executive Officer - Australian Refrigeration Council Ltd

Gunther Jurkschat - *Non-executive*
General Manager of Operations - Victorian Automobile Chamber of Commerce

Gary Kenworthy - *Non-executive*
National Operations Manager - Actrol Parts

Larry Moore - *Non-executive*
Chief Executive Officer South Australian Branch - National Electrical and Communications Association

Mark Padwick – *Chairman*
General Manager - Sanden International

Peter Taylor - *Non-executive*
Proprietor - Caltex Canberra Airport, MTAA Representative

Robert Taylor - *Non-executive*
General Manager - AirFour Air Conditioning & Mechanical Services

Company secretary
The company secretary is Mr Richard Livingston, who was appointed to this position in September 2003.

Meetings of Directors

The numbers of meetings of the company's board of directors held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	Full meetings of Directors	
	A	**B**
Glenn Evans	3	3
Gary Kenworthy	2	3
Gunther Jurkschat	2	3
Larry Moore	3	3
Mark Padwick	3	3
Peter Taylor	3	3
Robert Taylor	3	3

A = Number of meetings attended
B = Number of board meetings during the time the director held office, throughout the 2009/10 financial year

Insurance of officers

During the financial year, Australian Refrigeration Council Ltd paid a premium of $12,413 (2009: $9,416) to insure the director and secretaries of the company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on pages 34-35 of this report.

Auditor

Deloitte Touche Tomatsu continues in office in accordance with section 327 of the *Corporations Act 2001*. This report is made in accordance with a resolution of directors.

Statement of comprehensive income for the year ended 30 June 2010

	Notes	2010 $	2009 $
Revenue from continuing operations			
Fee for services	3	**4,791,705**	6,023,572
Other revenue from ordinary activities	3	**172,093**	149,105
		4,963,798	6,172,677
Expenses			
Administrative expenses		**(407,151)**	(277,127)
Compliance expenses		**(72,059)**	(69,570)
Depreciation expense		**(46,291)**	(59,374)
Directors' expenses		**(9,328)**	(15,947)
Employee benefits expense		**(3,038,681**	(2,890,645)
Financial management expenses		**(71,815)**	(75,105)
IT expenses		**(316,025)**	(269,938)
Other expenses		**(19,595)**	(289,491)
Publicity expenses		**(657,165)**	(1,465,298)
Rent and outgoings		**(236,940)**	(222,383)
Training expenses		**(12,847)**	(140,434)
Travel expenses		**(75,803)**	(152,001)
Surplus from continuing operations		**98**	245,364
Surplus for the year		**98**	245,364
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**98**	245,364

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

Statement of financial position for the year ended 30 June 2010

	Notes	2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,737,159**	1,526,336
Trade and other receivables	6	**44,872**	640,796
Other current assets	7	**204,839**	178,067
Total current assets		**1,986,870**	2,345,199
Non-current assets			
Property, plant and equipment	8	**46,178**	73,467
Total non-current assets		**46,178**	73,467
Total assets		**2,033,048**	2,418,666
LIABILITIES			
Current liabilities			
Trade and other payables	9	**203,285**	243,618
Provisions	11	**252,859**	130,559
Deferred income	10	**869,135**	1,326,180
Total current liabilities		**1,325,279**	1,700,357
Non-current liabilities			
Provisions	12	**30,933**	41,571
Total non-current liabilities		**30,933**	41,571
Total liabilities		**1,356,212**	1,741,928
Net assets		**676,836**	676,738
EQUITY			
Reserves	13(a)	**329,119**	164,575
Retained earnings	13(b)	**347,717**	512,163
Total equity		**676,836**	676,738

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 2010

	Notes	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2008			**431,374**	**431,374**
Total comprehensive income for the year as reported in the 2009 financial statements		-	245,364	245,364
Transfer to reserves	13	164,575	(164,575)	-
Balance at 30 June 2009		**164,575**	**512,163**	**676,738**
Balance at 1 July 2009		**164,575**	**512,163**	**676,738**
Total comprehensive income for the year		-	98	98
Transfer to reserves	13	164,544	(164,544)	-
Balance at 30 June 2010		**329,119**	**347,717**	**676,836**

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 2010

	Notes	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**5,505,853**	6,461,999
Payments to suppliers and employees (inclusive of GST)		**(5,334,269)**	(6,492,626)
Interest received		**37,349**	51,368
Net cash inflow from operating activities		**208,933**	20,741
Cash flows from investing activities			
Payments for property, plant and equipment	8	**(19,002)**	(40,873)
Net cash (outflow) from investing activities		**(19,002)**	(40,873)
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		**-**	-
Net increase (decrease) in cash and cash equivalents		**189,931**	(20,132)
Cash and cash equivalents at the beginning of the financial year		**1,484,466**	1,504,598
Cash and cash equivalents at end of year	5	**1,674,397**	1,484,466

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

Notes to the consolidated financial statements

(1) 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 *Corporations Act 2001.*

Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The financial statements of the company comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Early adoption of standards

The company has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

• AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to the Australian Accounting Standards arising from Reduced Disclosure Requirements*

The adoption of AASB 1053 and AASB 2010-2 allowed the company to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

Historical cost convention

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

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.

Financial statements presentation

The company has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the company had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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) DSEWPaC Consultancy Funding

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

(iii) Rendering of Services

Revenues are recognised as fee for service activities and are 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.

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 re-organisation, 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 nature and 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 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

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 employees' 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 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*

The company contributes to several superannuation plans. Contributions are recognised as an expense as they become payable.

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.

(2) Critical accounting estimates and judgements

i) Critical judgements in applying the entity's accounting policies

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

ii) 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.

(3) Revenue

	2010 $	2009 $
Sales revenue		
DSEWPaC - fee for services	**4,791,705**	6,023,572
	4,791,705	6,023,572
Other revenue		
Minimum Energy Performance Standards revenue	**134,744**	91,155
Interest	**37,349**	51,368
Other income	**-**	6,582
	172,093	149,105

(4) Expenses

	2010 $	2009 $
Surplus includes the following specific expenses:		
Depreciation		
Plant and equipment	**46,291**	59,374
Rental expense relating to operating leases		
Minimum Lease Payments	**236,940**	222,383
Defined contribution superannuation expense	**209,397**	207,085
Provisions		
Movement in employee entitlements	**113,030**	40,447
Movement in operating lease rentals	**(1,368)**	3,595
Total provisions	**111,662**	44,042

(5) Current assets – Cash & cash equivalents

	2010 $	2009 $
Cash on hand	**400**	400
General cheque account	**1,067,845**	1,055,212
Other accounts	**49,160**	54,788
Business Maximiser account	**556,992**	374,066
DSEWPaC licensing fees account	**62,762**	41,870
	1,737,159	1,526,336

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2010 $	2009 $
Balances as above	**1,737,159**	1,526,336
Less: cash attributable to the DSEWPaC	**(62,762)**	(41,870)
Balances per statement of cash flows	**1,674,397**	1,484,466

(b) Cash at bank and on hand

Cash held in the general cheque account is bearing variable interest rates. At year end the applicable interest rate is 2.50% (2009 - 1.00%).

Cash held in the other accounts are bearing variable interest rates. At year end the applicable interest rate is between nil% and 0.40% (2009 - nil%).

Cash held in the Business Maximiser account is bearing variable interest rates. At year end the applicable interest rate is 4.50% (2009 - 3.00%).

Cash held in the DSEWPaC licensing fees account is held on trust for the Department. The company has no right to the income held in this account, nor the interest earned on the account.

(c) Cash balances not available for use

The company holds licensing fees collected in an account for which they are the legal, but not beneficial, owner. Regular fund transfers are made to the beneficial owner, the DSEWPaC. As at 30 June 2010 cash balances not available for use totalled $62,762 (2009: $41,870).

(6) Current assets – Trade and other receivables

	2010 $	2009 $
Trade debtors	**516**	594,423
Rental bonds	**44,356**	46,373
Total	**44,872**	640,796

(7) Current assets – Other current assets

	2010 $	2009 $
Prepayments	**27,923**	26,213
DSEWPaC accrued income	**176,916**	151,854
	204,839	178,067

(8) Non-current assets – Property, plant and equipment

	Plant and equipment $	**Fixtures and fittings $**	**Total $**
At 30 June 2009			
Cost	196,214	57,182	253,396
Accumulated depreciation	(125,782)	(54,147)	(179,929)
Net book amount	70,432	3,035	73,467
Year ended 30 June 2010			
Opening net book amount	70,432	3,035	73,467
Additions	19,002	-	19,002
Depreciation charge	(44,476)	(1,815)	(46,291)
Closing net book amount	44,958	1,220	46,178
At 30 June 2010			
Cost	215,216	57,182	272,398
Accumulated depreciation	(1 70,258)	(55,962)	(226,220)
Net book amount	44,958	1,220	46,178

(9) Current liabilities – Trade and other payables

	2010 $	2009 $
Payroll liabilities	**42,543**	42,615
Accrued expenses	**79,986**	48,985
Goods and services tax (GST) payable	**17,994**	110,148
Amount payable to the DSEWPaC for licensing fees	**62,762**	41,870
	203,285	243,618

(10) Current liabilities – Deferred incomes

	2010 $	2009 $
DSEWPaC - unearned revenue	**869,135**	1,326,180
	869,135	1,326,180

(11) Current liabilities – Provisions

	2010 $	2009 $
Employee benefits - annual leave	**153,787**	77,939
Employee benefits - long service leave	**97,003**	49,183
Provision for operating lease rentals	**2,069**	3,437
	252,859	130,559

(a) Operating leases

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2010	**Provision for operating lease rentals**
Current	**$**
Carrying amount at start of year	3,437
Charged / (charged) to surplus of deficit	
- amounts incurred and charged	(1,368)
Carrying amount at end of year	2,069

(12) Non-current liabilities – Provisions

	2010 $	2009 $
Employee benefits – long service leave	**30,933**	41,571
	30,933	41,571

(13) Reserves and retained earnings

	2010 $	2009 $
(a) Reserves		
Special Reserve - Contract completion costs	**329,119**	164,575
	329,119	164,575

Contract completion reserve

A reserve was established to fund estimated costs arising upon the completion of the contract with the DSEWPaC for which no liability can be recognised at this time.

Movements:

Special Reserve - Contract completion costs

Balance 1 July	**164,575**	-
Transfer from retained earnings	**164,544**	164,575
Balance 30 June	**329,119**	164,575

(b) Retained earnings

	2010 $	2009 $
Balance 1 July	**512,163**	431,374
Net surplus for the year	**98**	245,364
Transfer to reserves	**(164,544)**	(164,575)
Balance 30 June	**347,717**	512,163

(14) Related party transactions

(a) Key management personnel compensation

	2010	2009
	$	$
Key management personnel compensation	**220,867**	287,457
	220,867	287,457

(15) Commitments

(i) Operating leases

The company leases Victorian property under an operating lease expiring on 31 October 2010. Lease payments comprise a base amount plus an indexation component. The indexation component is based on a fixed rate of 4.5%.

The company leases the following property under operating leases.

Western Australian property - current lease expiring on 31 July 2010.

New South Wales property - current lease expiring on 14 September 2010 with an option for a further two year extension. Queensland property - current lease expiring on 31 March 2012.

	2010	2009
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**70,502**	176,745
Later than one year but not later than five years	**15,975**	82,811
	86,477	259,556

(16) Economic dependency

During the year ended 30 June 2010, the company depended on the DSEWPaC for approximately 99% (2009: 99%) of the company's revenue. This revenue is provided under a Consultancy Services Agreement which commenced on 1 July 2005 and is currently in the first year of a two year contract extension. The contract is currently due to expire in September 2012 however the Department retains the discretion to extend the contract for another two years at this time.

(17) Bank guarantee

The company has the following bank guarantees as at 30 June 2010:

A bank guarantee of $6,000 (2009: $6,000) secured with the National Australia Bank which was taken out during the 2006 financial year to secure a lease for the Western Australian premises.

A bank guarantee of 3 months' rent totaling $4,430 (2009: $4,430) secured with the National Australia Bank which was taken out during the 2007 financial year to secure a lease for the Queensland premises.

(18) Company limited by guarantee

This company is a company limited by guarantee. In the event of a short fall of assets over liabilities, if the company is wound up, every member of the company undertakes to contribute an amount of $100. The number of members as at 30 June 2010 totalled 15 (2009: 15).

In the directors' opinion:

(a) the financial statements and notes set out on pages 18-33 are in accordance with the *Corporations Act 2001*, including:

(i) complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
(ii) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, and

(b) 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 directors.

Glenn Evans
Director

Mark Padwick
Director

Melbourne, 24 September 2010

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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 2010, and 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 as set out on pages 6 to 21.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing 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 and fair presentation of the financial report 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's Opinion

In our opinion, the financial report of the Australian Refrigeration Council Ltd is in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(a) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

DELOITTE TOUCHE TOHMATSU

P A Roberts
Partner
Chartered Accountants
Canberra, 24 September 2010