MAINSTREAMING THE ENVIRONMENT

2012/13
ANNUAL REPORT

ARC AUSTRALIAN REFRIGERATION COUNCIL

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ARC AUSTRALIAN REFRIGERATION COUNCIL

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> Following the requirements of our Refrigerant Trading Authorisation – such as maintaining refrigerant records and ensuring regular checks of gas cylinders and equipment – helps us to have a safe, organised and professional workplace.

Hahn Lam
Gordon Brother Industries Pty Ltd
(ARC-Authorised Business)

CHAIRPERSON'S REPORT

ARC has enjoyed another very successful year in 2012/13. Our success, amongst a year characterised by change and challenge, is due to the continued support of the refrigeration and air conditioning (RAC) industry.

Licence activity continues to experience moderate growth, even within the landscape of the introduction of the Equivalent Carbon Price. The introduction of the Equivalent Carbon Price for refrigerants has necessitated ARC to consider any market changes and how to respond to ensure refrigerant emissions continue to be minimal.

ARC has improved its engagement with Industry through the annual ARC Industry forum, representation on various committees and consultative groups, and through industry communications. This has ensured that the ARC remains informed, relevant and delivers value to the RAC Industry.

ARC has been working to generate business for licence and authorisation holders, with targeted communications to over 75,000 potential customers. Consumers, building owners and end of life businesses have been a focus.

The past twelve months has seen a total of 261 refrigerant trading authorisations refused due to compliance issues. While ARC assisted 200 of them to comply, 61 were put out of business and subject to follow up audits to surrender all fluorocarbon based refrigerant.

One emerging issue is the introduction of R32, which is being accelerated, due to it fast becoming the refrigerant of choice for major Japanese manufacturers. The Japanese manufacturers have reportedly selected Australia as one of the initial markets due to the highly skilled workforce and the ARC licence scheme.

ARC, along with the rest of the Industry, believes that all refrigerants should be licensed, thereby requiring appropriately qualified persons to handle them and that managing the phase down of synthetic greenhouse gas refrigerants is better and comes at a lower cost under the Montreal Protocol.

The new Licence Contract has directed ARC's efforts, with additional administrative and reporting obligations put in place.

Energy efficiency is a growing area that increasingly involves ARC. Product performance and installation impacts on energy usage both directly and indirectly. ARC remains in this space through the Government's Minimum Energy Performance Standards.

ARC will continue to work at a global, national and local level with Government and Industry to advise the best possible result for the environment and Industry.

The Directors of the ARC continue to be generous with their time, expertise and knowledge and remain committed to the improvement of Industry's environmental performance.

Gunther Jurkschat
ARC Chairperson

BOARD OF DIRECTORS

In 2005, the Government appointed a Refrigeration & Air Conditioning (RAC) Board (the Australian Refrigeration Council – ARC) to administer the RAC licensing scheme. The Board comes from the ARC membership and is, therefore, representative of the RAC industry. The Board consists of three directors responsible for the stationary sector and three directors responsible for the automotive sector. The ARC CEO is the executive director.

Victorian Automobile Chamber of Commerce

ARC Chairperson
Gunther Jurkschat

National Electrical and Communications Association

Larry Moore

Air Conditioning and Refrigeration Equipment Manufacturers Association of Australia

Kevin Lee

Refrigeration & Air Conditioning Contractors Association

Kevin O'Shea

Institute of Automotive Mechanical Engineers

Peter Blanshard

Vehicle Air Conditioning Specialists Association

Ian Stangroome

Australian Refrigeration Council

ARC CEO
Glenn Evans

Australian Refrigeration Council

Secretary
Richard Livingston

MEMBERSHIP OF THE ARC

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

Appliance Industry Association (AIA)

Australian Institute of Refrigeration Air Conditioning & Heating (AIRAH)

Air Conditioning & Mechanical Contractors Association (AMCA)

Air Conditioning & Refrigeration Equipment Manufacturers Association of Australia (AREMA)

Air Conditioning & Refrigeration Wholesalers Association (ARWA)

Federation of Automotive Products Manufacturers (FAPM)

Institute of Automotive Mechanical Engineers (IAME)

Institute of Refrigeration & Air Conditioning Service Engineers (IRASE – RACCA QLD)

Motor Trades Association of Australia (MTAA)

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)

ARC VISION

A better quality environment for Australia.

ARC MISSION

To reduce direct and indirect greenhouse gas and ozone depleting substance emissions through licensing, compliance and education.

ARC 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

RAC INDUSTRY AT A GLANCE

REFRIGERATION AND AIR CONDITIONING

A major player in the economy

Cold Hard Facts 2 – The Australian RAC industry at a glance

> Employs around 173,000 people, employed in more than 20,000 businesses

> $5.9 billion spent on purchasing and installing new equipment in 2012

> $533 million spent on refrigerant gas in 2012 (at 2013 prices)

> 43,000 tonnes of synthetic refrigerant gas in use

> 4,800 tonnes of low global warming potential refrigerants in use

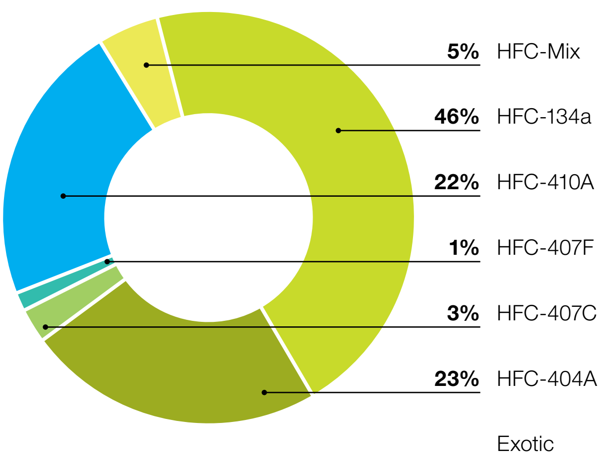
The use of RAC equipment makes up almost 22% of all electricity use in Australia, according to Cold Hard Facts 2, a study conducted on the refrigeration and air conditioning sector in 2012. Through proper installation and servicing of RAC equipment, and by ensuring leaks of refrigerant gas are minimised, RAC systems will be able to work more efficiently and effectively.

Right now over 43,000 tonnes of synthetic refrigerant gases (ozone depleting substances and synthetic greenhouse gases) are in use in Australia. That's approximately 89% of all refrigerant gas currently being used.

It is an important figure to remember, as the ARC licence scheme is in place to ensure these high global warming potential (GWP) refrigerants are not released into the atmosphere – both now, and into the future.

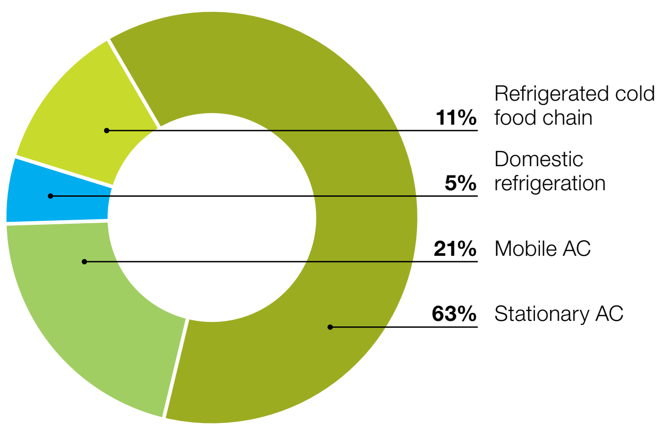
That's why it's more important than ever, when it comes to fluorocarbon air conditioning/refrigeration systems, that only ARC-licensed technicians – appropriately qualified to do the job – are legally allowed to install, maintain and decommission these systems.

2012 HFC bulk imports by species



Actual 2012 HFC bulk gas imports by species based on mass in tonnes. *Sources: DSEWPaC 2013a*

2012 bank by major segment



Bank of refrigerants by major segment 2012
Source: CHF2 stock model

ODS AND SGG PRODUCT STEWARDSHIP SCHEME

As part of the Australian Government's obligations as a signatory to the Montreal Protocol on Substances that Deplete the Ozone Layer, a three-part product stewardship scheme was set in place to manage ozone depleting substances (ODS) and, subsequently, synthetic greenhouse gases (SGG) from cradle to grave.

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

> Import licence

> Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC)*

2 Handling and trade of ODS and SGG refrigerants within Australian borders

> Refrigerant Handling Licence and Refrigerant Trading Authorisation

> **Australian Refrigeration Council (ARC)**

3 Reclaiming and destruction of ODS and SGG refrigerants

> Rebate and credit scheme set in place

> Refrigerant Reclaim Australia (RRA)

*Department of Sustainability, Environment, Water, Population and Communities has changed its name to Department of the Environment

PERFORMANCE

PROCESSING

Licensing

A total of 72,310 Refrigerant Handling Licences (RHL) and Refrigerant Trading Authorisations (RTA) were registered on the ARC database at the end of the 2012/13 financial year, including 55,253 licences and 17,057 authorisations.

Applications/Re-applications

A total of 37,100 applications/re-applications were received and processed by ARC in 2012/13.

Online Application Facility

A total of 31,528 online applications/re-applications were received and processed by ARC in 2012/13 including 9,053 applications and 22,475 re-applications.

The convenience of the online application/re-application facility has proven extremely successful since its inception in July 2009 steadily increasing from 34% (13,863) of all applications/re-applications in 2009/10 to 85% (31,528) in 2012/13.

Time to process

> Licences – generally 5 business days

> Authorisations – generally 7 business days

The ARC is required to process applications within 30 days.

Application statistics

74% of Licence and Authorisation applications are received with correct information to conduct an assessment.

Main reasons new Authorisation applications are assessed as incomplete:

> Incorrect details for licence holders

> Incorrect details for equipment

Main reasons new Licence applications are assessed as incomplete:

> Incorrect qualification documents

> Supervisors declaration not supplied (Trainee RHL)

COMPLIANCE

Audit / Monitoring

In 2012/13, the ARC conducted over 6000 Audits of refrigeration and air conditioning businesses.

5181 Audits were undertaken of Authorisation holders (site visits/remote), with 4,557 Audits deemed compliant. ARC adopts a collaborative approach to compliance – of the 624 non-compliant Audits, the ARC assisted 231 Authorisation holders to become compliant.

Recalcitrant businesses are referred to the Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC) for further action. With the prospect of enforcement action, most of these breaches were resolved co-operatively.

Dealing with non-compliance

261 Refrigerant Trading Authorisations have been denied due to non-compliance over the past twelve months. While the ARC assisted 200 of these businesses to achieve compliance, 61 businesses did not achieve compliance and are consequently no longer in business when it comes to the handling and trade of fluorocarbon refrigerant.

146 non-compliant Audits were referred to the Department for further follow up activities including issuing of warning letters and outlining what changes are needed to become compliant. As of July 2013, the remaining non-compliant cases were being managed through the compliance requirements by the ARC.

In 2012/13 the ARC also undertook 973 inspections of non-authorised premises, a number of which related to complaints made to ARC. The vast majority of these complaints proved to be without merit.

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 62 potential breaches of the Regulations, with 18 potential breaches referred to the DSEWPaC for further investigation.

COMMUNICATIONS

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

Industry Communications

> Advertising to increase awareness of licence scheme for collision repairers

> Local Paper advertising

> Participation at the Australian Auto Aftermarket Expo

> 3rd Annual ARC Members' Forum held in Canberra on 12th September 2012

> Quality survey conducted on Audited RTAs

> Quarterly 'Cool Change' ARC newsletter to RTA/RHL holders and stakeholders

> Quarterly 'E-news' email newsletter to ARC members

> On-going survey of RHL and RTA holders on Cool Change newsletter

Consumer Communications

> '5 Questions to ask before you buy an air conditioner' retail checklist

> Local Paper advertising

> ARC Advertorial piece published in mainstream newspapers in 5 states

Online summer communications campaign results (December to March)

> Over 50,000 visitors to ARC consumer website

> 6,500 Online RTA business directory searches

> 8,000 downloads of various ARC information guides

Customer Service

In 2012/13 the ARC customer service team assisted, on average, 1,140 callers per week.

> 58,156 completed phone calls were taken between June 2012 – July 2013

ARC Industry Participation

ARC is involved in numerous industry activities and participates in various events, committees and conferences each year:

> Climate Control News (CCN) Panel debate

> National Occupational Licensing Advisory Committee

> Met with Insurance Council of Australia

> Contributed to the AIRAH Transition to Low Emissions document

> Sits on Standards Australia committees

> Participated at Future of HVACR conference

ARC

BEYOND THE LICENCE SCHEME

As well as our contract to administer the refrigeration and air conditioning licence scheme, the ARC provides a variety of additional services which enable it to stay at the forefront of environmental best practice.

Minimum Energy Performance Standards (MEPS)

A significant initiative during the 2012/13 period was the ARC's role in the development of the E3 Lighting Survey – Survey of Compliance with Registration Requirements – Lamps.

ARC has a contract with the Australian Government to provide services assisting with Minimum Energy Performance Standards (MEPS) for the Government's E3 Equipment Energy Efficiency program.

The E3 Equipment Energy Efficiency program is important for Australia and is expected to yield a cumulative benefit of AUD $22.4 billion (and NZD $5.11 billion) by 2024.

ARC is a key player in the energy efficiency space and undertakes numerous compliance activities on behalf of the Australian Government.

Below: E3 Lighting Survey.

National Licensing – Refrigeration and Air-conditioning Mechanics Interim Advisory Committee

ARC is represented on this committee. The role of the committee is to advise on the structure and content of national licensing policy for refrigeration and air-conditioning – leading to a national occupational licensing System (NOLS). Whilst the scheme administered by the ARC is environmentally based and the NOLS licence is consumer protection/OH+S based, ARC sees much merit in competency alignment.

The ARC CEO is also a member of the NOLS Occupational Licence Advisory Committee.

Department of Resources, Energy and Tourism (DRET) – Expert Panel

ARC was chosen by the Department of Resources, Energy and Tourism (DRET) to be part of an Expert Panel for businesses services in the energy efficiency fields relating to appliances and equipment in the following service areas:

> Consultation and Liaison with Consumers and other Stakeholders

> Market and Social Research

> Program Monitoring and Evaluation

> Training and Communication

Standards Australia – Revision and development of standards

ARC is participating in the revision of AS/NZS 1677.1 and 1677.2 Refrigerating Systems.

ARC invitation to speak at United Nations Briefing

The ARC CEO was invited to speak about the refrigeration and air conditioning licence scheme at the United Nations Environment Programme meeting on the Gold Coast, Queensland in May 2012.

Internationally, the ARC licence scheme is seen as a 'world's best model' and interest in its creation, administration and effect on the environment is high, as other nations compare their approaches to control the use of ozone depleting substances, as per their obligations as signatories to the Montreal Protocol.

“

As wholesalers of refrigerant gas, ensuring our customers hold current Authorisations with the ARC helps us to maintain the integrity of the licence scheme and our professionalism as a business. It also provides us with the assurance that the users are in fact competent, qualified and environmentally responsible.

”

Vaughn Strydom
Real Cold
(ARC Authorised Business)

ARC FINANCIAL REPORT

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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 2013, 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 22.

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 *Corporations Act 2001* 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.

Auditor's Independence Declaration

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

Opinion

In our opinion, the financial report of 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 2013 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Spark

Alexandra Spark
Partner
Chartered Accountants
Canberra, 24 October 2013

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	2013	2012
	$	$
Revenue from continuing operations	**5,273,260**	4,918,363
Administrative expenses	**(301,907)**	(265,425)
Compliance expenses	**(187,425)**	(165,863)
Depreciation expense	**(69,748)**	(44,119)
Directors' expenses	**(52,038)**	(91,774)
Employee benefits expense	**(2,978,596)**	(2,845,826)
Financial management expenses	**(115,796)**	(70,393)
IT expenses	**(213,684)**	(305,236)
Other expenses	**(4,476)**	(120)
Publicity expenses	**(551,417)**	(650,495)
Rent and outgoings	**(263,944)**	(263,063)
Travel expenses	**(58,467)**	(80,321)
Surplus for the year	**475,762**	135,728
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**475,762**	135,728

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 2013

	2013	2012
	$	**$**
ASSETS		
Current assets		
Cash and cash equivalents	**2,941,496**	2,367,525
Trade and other receivables	**525,257**	69,608
Other current assets	**31,465**	27,112
Total current assets	**3,498,218**	2,464,245
Non-current assets		
Property, plant and equipment	**66,748**	69,668
Total non-current assets	**66,748**	69,668
Total assets	**3,564,966**	2,533,913
LIABILITIES		
Current liabilities		
Trade and other payables	**362,898**	248,001
Provisions	**247,105**	262,544
Deferred income	**1,502,083**	1,072,808
Total current liabilities	**2,112,086**	1,583,353
Non-current liabilities		
Provisions	**142,109**	115,552
Total non-current liabilities	**142,109**	115,552
Total liabilities	**2,254,195**	1,698,905
Net assets	**1,310,771**	835,008
EQUITY		
Reserves	**979,513**	658,207
Retained earnings	**331,258**	176,801
Total equity	**1,310,771**	835,008

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 2013

	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
	$	$	$
Balance at 1 July 2011	493,663	205,617	699,280
Total comprehensive income for the year	-	135,728	135,728
Transfer to reserves	164,544	(164,544)	-
Balance at 30 June 2012	**658,207**	**176,801**	**835,008**
Balance at 1 July 2012	658,207	176,801	835,008
Total comprehensive income for the year	-	475,762	475,762
Transfer to reserves	321,306	(321,306)	-
Balance at 30 June 2013	**979,513**	**331,257**	**1,310,770**

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 2013

	2013	2012
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	5,765,558	5,476,951
Payments to suppliers and employees (inclusive of goods and services tax)	(5,216,987)	(5,641,104)
Interest received	47,172	70,725
Net cash inflow (outflow) from operating activities	**595,743**	**(93,428)**
Cash flows from investing activities		
Payments for property, plant and equipment	(66,828)	(52,720)
Net cash outflow from investing activities	**(66,828)**	**(52,720)**
Net increase (decrease) in cash and cash equivalents	528,915	(146,148)
Cash and cash equivalents at the beginning of the financial year	2,269,250	2,415,398
Cash and cash equivalents at the end of year	**2,798,165**	**2,269,250**

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the 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. The company is a not-for-profit entity.

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

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

(ii) Early adoption of standards

Revised AASB 119 Employee Benefits and AASB 201110 Amendments to Australian Accounting Standards arising from AASB 19 (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so call 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduced a number of additional disclosures for defined benefits liabilities/assets and could affect the timing of the recognition of termination benefits.

This amendment applies to reporting periods commencing 1 July 2013, but the Company has chosen to early adopt it to avoid retrospective implementation in the financial year ended 30 June 2014.

(iii) Historical cost convention

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

(iv) 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.

(v) Going concern basis

This 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. The Company's contract with the DSEWPaC expired on the 12 September 2012. A new contract between DSEWPaC and the Company was signed, commencing on the 9 October 2012 which continues the Company's operations in a manner comparable to that under the previous contract.

The Directors continue to pursue additional business opportunities, including work for the Department of Climate Change and Energy Efficiency.

(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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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 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

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 balance sheet.

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 windup costs which would be incurred at the end of the consultancy service contract with the DSEWPaC.

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.

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