ARC AUSTRALIAN REFRIGERATION COUNCIL

Annual Report 2008/2009

Foreword

It is a little known fact that one of the earliest pioneers of modern refrigeration was an Australian. James Harrison demonstrated and patented a commercial ice-making machine in Geelong, Victoria in 1851. His insights and the principles he demonstrated with his early vapour-compression systems still underpins much of the refrigeration technology that the world relies on today.

Refrigeration in various forms is central to modern food production, distribution and storage, critical to the occupation of large non-residential buildings, essential to the operation of large hospitals and labs and vital to the operation of large communication and computing centres, just to name a few applications.

While there are a range of refrigerants available, by far the largest type are fluorocarbon based. Chlorofluorocarbons (CFCs) were developed in the 1930s as safe, non-flammable and non-toxic refrigerants and have played a vital role in various industries however, they are ozone depleting substances (ODS) and synthetic greenhouse gases (SGGs).

While the import of and export of CFCs has been banned in Australia since 1996, much of our refrigeration and air conditioning equipment still uses these refrigerants. It is legal to continue to use CFCs, although restrictions and controls are in place to avoid their emission into the atmosphere. The Montreal Protocol is the international treaty responsible for phasing out the production of ozone depleting substances. In Australia, the Protocol is given power by the Commonwealth Ozone Protection Act. This gives rise to the Refrigeration and Air Conditioning (RAC) licensing scheme administered by the ARC under the Ozone and Synthetic Gas Management Act.

In the last 25 years, the almost universal adoption of air conditioning, firstly in non-residential buildings and, during the last decade, in homes, has produced a huge installed base of air conditioning machinery and systems. That has environmental implications in terms of energy use and installation so the ODS and SGG are not emitted.

Energy consumption generated by appliances is estimated to contribute to 36% of all energy consumption by the year 2020. Consequently, the energy efficiency abilities of these appliances become an increasingly important and critical factor in reducing this overall energy output.

A recent study indicates that the Refrigeration and Air Conditioning industry in Australia is;

- involved direct spending of at least $15.96 billion in 2006, slightly more than 1.7% of GDP;
- involves machinery that consumed possibly 45,000 GWh, or 21.9% of all electricity sent out in Australia in 2006;
- resulted in as much as 7% of all greenhouse gas emission in Australia in that year, or 40Mt of CO2e[1]
- employs at least 163,000 people*

**Courtesy Michael McCann, Thinkwell Australia*

Coupled with massively increased use of close control systems to maintain operating temperatures in critical telecomputing centres and other sensitive facilities, the continued operation of air conditioning systems is now as vital to the modern world as the cold chain, refrigerated transport and home fridges are to delivery of fresh foods and human nutrition in modern cities.

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Board of Directors

Vehicle Air Conditioning Specialists of Australia

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

Glenn Evans

Chairman's Report

To its great credit the Refrigeration and Air Conditioning (RAC) Industry, mindful of its intergenerational legacy is very much at the forefront of environmental quality.

Negotiating the global credit crisis, Commonwealth of Australian Governments (COAG), Licensing Reforms and the emerging Carbon Pollution Reduction Scheme (CPRS) have created a challenging environment and uncertain times for the RAC Industry during the last 12 months.

Amid this rapid changing environment, 2008/09 for the ARC has been about setting its direction and managing the change.

Earlier in the year, the Board developed a collective view of the ARC's future through the development of the ARC Strategic Plan 2009-2014, providing a vision for the ARC and a roadmap for sustainability in the future.

The strategic plan reinforces ARC's connection to the RAC industry. Keys to the Strategic Plan include strengthening our relationship with Industry, DEWHA, ARC licensed individuals and businesses and becoming a more transparent, accountable organisation.

The underlying theme of the ARC is delivering value. The success of the ARC is determined by the ability to provide outstanding value and service. Improved relationships with key Industry Stakeholders and cultivating new ones with aligned areas that directly benefit licence holders while promotion through mass media (radio and internet) and local papers has positively profiled ARC licensed businesses and licence holders.

Other initiatives such as the introduction of ARC's online licence facility has improved the convenience for technicians and businesses applying for or renewing their licence.

In excess of six thousand (6000) audits have been conducted over the past 12 months – with just under half being businesses that are currently unlicensed. This focus on those who "are not doing the right thing" is strongly supported by Industry.

Augmentation of the Minimum Energy Performance Standards (MEPS) into the mainstream services ARC provides, reflects its evolution to be a sustainable organisation, embracing business consistent with the ARC's mandate. One of the virtues of MEPS is that it strengthens the link with ARC's manufacturer members, completing the 'link' between manufacture and installation.

My thanks to the Board, who during the year invested 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. The ARC Strategic Plan is a legacy of the commitment of each Board Member that will continue to guide the ARC's efforts into the future.

Chairman

Mark Padwick

Membership of 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 Automotive 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

KPMG
Chartered Accountants
20 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

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 (SGS) 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 situated in Melbourne. Regional offices are located in Sydney, Perth, Adelaide and Perth.

CEO Report

The Board's Strategic Plan developed mid 2008/09 has set the agenda for the ARC to deliver. The ARC has been exceptionally busy over the last few months and is expected to remain so well into 2009/10.

Much work has been undertaken to ensure the long-term capability and financial viability of the organisation into the future. The basis of this is improving relevancy and our value proposition.

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 and is responsive to both Industry and Government.

The new budget and business plan reflect the Board's Strategic Plan and underpins the ARC's evolution to a more forward focused, strategic organisation that delivers increasing value for stakeholders, Industry and licensed individuals and businesses.

Significant increases in licence and business authorisation numbers year on year reflect improved knowledge of the ARC licence and recognition by both industry and consumers. Improving convenience for persons and businesses interacting with the ARC, such as lodging licence applications online has been a key focus.

Audits of regional areas have been a priority in 2008/09, with the following regional areas having been audited:

- Geelong
- Canberra
- Cairns
- Coffs Harbour
- Hobart
- Kalgoorlie
- Albury Wodonga
- West Coast as far as Kununurra

During 2008/09 COAG announced reforms to state occupational licences that are consumer protection and occupational health and safety (OH&S) based. In contrast, the scheme ARC administers under the Australian Government's *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989* (the Act), is national and environmentally based. Notwithstanding this, the ARC continues to work with COAG for the benefit of the RAC industry.

The addition of a significant new business opportunity in the form of MEPS has been augmented into ARC's mainstream business activities during 2008/09. MEPS activity is likely to increase in time. However, licensing is expected to dominate ARC business activities.

Working alongside Industry is important in making a positive difference across Australia. The future will see the ARC working closer with Industry and the Government in improving the value of the ARC licence and reinforcing the importance of the RAC Industry.

CEO
Glenn Evans

Services

The ARC works in partnership with the Australian Government (Department of the Environment, Water, Heritage and the Arts) in administering the RAC Licensing Scheme (ODS & SGGs) and Minimum Energy Performance Standards (MEPS) Compliance Program.

Under the RAC Licensing scheme the ARC manages regulations under the *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989*, 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 MEPS 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 Minimum Energy Performance Standards (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 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

For 2008/09, the number of licences was 53,745 and the number of authorisations was 19,794, up from 50,510 and 18,152 respectively in the previous year.

An online application facility was introduced that provides a more convenient process for busy operatives looking for faster turnaround of licensing applications. Over 40% of new applications have been submitted online as compared to hard-copy applications received. Over 21% of all new RHL applications have been made using the online facility. The facility has also been welcomed by existing licence holders, with early uptake being 11% of RHL re-applications received have been submitted online, as have 5% of RTA re-applications.

Compliance

The ARC's robust compliance program is intended to improve the quality of work practices in the RAC industry. While the program addresses and improves environmental issues, it essentially increases consumer and employer confidence in the quality of work undertaken by the licensee or authorised business.

A more strategic approach to auditing was implemented in 2008/09 with audit activity being aligned with data from the Government identifying licence numbers on a geographical basis. This resulted in a far more efficient and effective audit services.

The 2008/09 ARC compliance program saw a 66.9% increase in the number of audits undertaken from the previous year. 84.9% of audits were deemed initially to be compliant, up from 82.9% in 2008. This increase of compliant audits demonstrates an increasingly aware and educated industry. Those which are non compliant in the first instance are referred to the DEWHA and ultimately result in 100% compliance rate.

To help improve the understanding of the audit process, ARC developed and distributed guides. While these are available for download through the ARC industry website, it presented a good opportunity to ensure that all authorisations were well prepared for what was required at the time of audit.

With the addition of the MEPS contract, 89 surveys were undertaken in its first month of operations.

Industry Assistance

The level of interaction with the industry is high. 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 which better positions them in their business.

With changes to the regulations in addition to the online initiatives undertaken by ARC this year, the customer service team has had an extremely busy year. The ARC customer service team assisted 50,772 callers on ARC's 1300 phone number in the 2008/09 year with regards to licensing and related enquiries.

Improving Value

Improving the value of the licensing scheme to licensees and trading authorisations holders has underpinned ARC’s activities during 2008/09. Communications continues to be a critical focus for the Australian Refrigeration Council.

Online, radio and press activities directing consumers to “lookforthetick.com.au” were highly successful, detailed by the increased levels of traffic to the website during the campaign’s period.

Generating awareness of the “Look for the Tick” website, which promotes the work of licensees and authorised businesses, has continued throughout 2008/09 and is paramount to the success of the licensing scheme. Higher volumes of traffic to the website this year has suggested that more consumers are asking the question *“Are you an ARC authorised business or licensed technician?”* While this is a clear indication of the success of ARC communications, it also increases the incentive for businesses and technicians to hold an ARC approved licence and/or authorisation.

The ARC has continued to look at ways in which to increase its value to the industry. In 2008/09, the ARC maintained distribution of its quarterly newsletter, CoolChange, to all licence holders and authorised businesses. Electronic e-News bulletins were also dispersed to ARC’s fifteen key industry members. These activities are vital to ARC’s communications in building and maintaining relationships and ensuring constant interaction with the industry.

Complementing ARC’s “Find an authorised business” search application, was the introduction of a licence check facility. This additional online facility is aimed at assisting consumers in identifying whether a person holds a current refrigerant handling licence. It allows consumers the opportunity to check the type of work a technician is licensed to undertake and whether their licence is current. This again, supports the value proposition through promoting the use of licensed technicians.

For improved convenience, an electronic lodgement for new and existing RTA and RHL applications with step-to step guidance to assist persons using this mode of lodgement has been implemented. Along with the online lodgement of applications, the new service enables RHL and RTA holders to update personal details, cancel a licence and request replacement RHL cards online. The facility was another initiative ARC undertook to assist the industry, acknowledging the value of time by providing an improved, more convenient process for those who are time-poor and looking for faster turnaround of licensing applications.

Throughout 2008/09, ARC has continued to maintain and update its industry and consumer websites through improving accessibility, ease of navigation and downloading capabilities. Both websites play an important role in communications, delivering value through communicating and reinforcing the ARC’s key messages. They also complement the role of the ARC’s support to the RAC industry and assist in its delivery of effective customer service. Consequently, making these websites user friendly is a key to ensuring repeat visits.

ARC Financial Statement

Directors' Report

The directors of the Australian Refrigeration Council Ltd present their report on the company for the year ended 30 June 2009.

Directors

The following persons were directors of Australian Refrigeration Council Ltd during the whole of the financial year and up to the date of this report:
Gary Kenworthy
Gunther Jurkschat
Larry Moore
Mark Padwick
Robert Taylor
Peter Taylor and Glenn Evans were appointed as directors on 27 November 2008 and continue in office at the date of this report.
Michael Bennett and Alan Woodhouse were directors from the beginning of the financial year until their resignation on 27 November 2008.

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 Department of Environment, Water, Heritage and the Arts. The objective of the program was to reduce greenhouse gas emissions through improved work practices.

During the year the company also commenced the conduct of appliance energy rating audits under contract with the Department of the Environment, Water, Heritage and the Arts.

Operating results

The operating surplus of the company amounted to $245,364 (2008: deficit $121,125). No income tax is payable by the company.

Dividends - Australian Refrigeration Council Ltd

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 2009 that has significantly affected or may significantly affect:

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

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.*
Experience and expertise
Chief Executive Officer - Australian Refrigeration Council Ltd

Gary Kenworthy - *Non-executive*
Experience and expertise
National Operations Manager - Actrol Parts

Mark Padwick - *Chairman*
Experience and expertise
General Manager - Sanden International

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

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

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

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

Company secretary

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

Meetings of directors

The numbers of meetings of the company's board of directors held during the year ended 30 June 2009, and the numbers of meetings attended by each director were:

	Full meetings of directors A	B
Michael Bennett (resigned 27 November 2008)	3	3
Glenn Evans (appointed 27 November 2008)	3	3
Gunther Jurkschat	5	5
Gary Kenworthy	5	5
Larry Moore	5	5
Mark Padwick	5	5
Peter Taylor (appointed 27 November 2008)	3	3
Robert Taylor	5	5
Alan Woodhouse (resigned 27 November 2008)	3	3

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

Insurance of officers

During the financial year, Australian Refrigeration Council Ltd paid a premium of $9,416 (2008: $10,490) 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

This report is made in accordance with a resolution of directors.

This financial report covers the Australian Refrigeration Council Ltd as an individual entity. The financial report is presented in the Australian currency.

The Australian Refrigeration Council Ltd is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:
Australian Refrigeration Council Ltd, 818 Whitehorse Road, Box Hill VIC 3128

As lead auditor for the audit of Australian Refrigeration Council Ltd for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Refrigeration Council Ltd during the period.

Income Statement for the year ended 30 June 2009

	Notes	2009 $	2008 $
Revenue from continuing operations	5	**6,172,677**	4,531,938
Administrative expenses		**(277,127)**	(354,069)
Compliance expenses		**(69,570)**	(48,050)
Depreciation expense	6	**(59,374)**	(76,286)
Directors' expenses		**(15,947)**	(14,608)
Employee benefits expense		**(2,890,645)**	(2,428,518)
Financial management expenses		**(75,105)**	(84,850)
IT expenses		**(269,938)**	(194,169)
Other expenses		**(289,491)**	(22,589)
Publicity expenses		**(1,465,298)**	(1,047,004)
Rent and outgoings		**(222,383)**	(200,630)
Training expenses		**(140,434)**	(64,634)
Travel expenses		**(152,001)**	(117,656)
Profit/(loss) before income tax		**245,364**	(121,125)
Income tax expense		**-**	-
Profit/(loss) for the year		**245,364**	(121,125)

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

Balance Sheet as at 30 June 2009

	Notes	2009 $	2008 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**1,526,336**	1,617,530
Trade and other receivables	8	**640,796**	689,588
Other current assets	9	**178,067**	36,138
Total current assets		**2,345,199**	2,343,256
Non-current assets			
Property, plant and equipment	10	**73,467**	91,968
		2,418,666	2,435,224
Total assets			
LIABILITIES			
Current liabilities			
Trade and other payables	11	**243,618**	362,891
Provisions	13	**130,559**	76,651
Deferred income	12	**1,326,180**	1,512,870
Total current liabilities		**1,700,357**	1,952,412
Non-current liabilities			
Provisions	14	**41,571**	51,438
Total non-current liabilities		**41,571**	51,438
Total liabilities		**1,741,928**	2,003,850
Net assets		**676,738**	431,374
EQUITY			
Reserves	15(a)	**164,575**	-
Retained profits	15(b)	**512,163**	431,374
Total equity		**676,738**	431,374

The above balance sheet should be read in conjunction with the accompanying notes.

Changes in Equity at 30 June 2009

	Notes	Reserves $	Retained profits $	Total $
Balance at 1 July 2007		-	552,499	552,499
(Loss) for year	15	-	(121,125)	(121,125)
Balance at 30 June 2008		-	431,374	431,374
Balance at 1 July 2008		-	431,374	431,374
Transfer to reserve	15	164,575	-	164,575
Transfer from retained earnings	15	-	(164,575)	(164,575)
Profit for year	15	-	245,364	245,364
Balance at 30 June 2009		164,575	512,163	676,738

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

Cash Flow statement for the year ended 30 June 2009

	Notes	**2009 $**	2008 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**6,461,999**	4,997,956
Payments to suppliers and employees (inclusive of goods and services tax)		**(6,492,626)**	(4,912,014)
Interest received		**51,368**	71,238
Net cash inflow from operating activities	20	**20,741**	157,180
Cash flows from investing activities			
Payments for property, plant and equipment		**(40,873)**	(34,633)
Net cash (outflow) from investing activities		**(40,873)**	(34,633)
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		**-**	-
Net (decrease) increase in cash and cash equivalents		**(20,132)**	122,547
Cash and cash equivalents at the beginning of the financial year		**1,504,598**	1,382,051
Cash and cash equivalents at end of year	7(a)	**1,484,466**	1,504,598

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

Notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001.*

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for- sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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 3.

(b) Income tax

Income tax is not brought to account as the Australian Refrigeration Council Limited (ARC) 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) DEWHA Consultancy Funding

Revenues are based on the consultancy services contract with the Department of Environment, Water, Heritage and the Arts. 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

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with short periods to maturity 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

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

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 date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the balance sheet.

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.
Details on how the fair value of financial instruments is determined are disclosed in note 2.

Recognition and de-recognition

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 profit or loss. 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 the income statement during the financial 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	2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 the income statement.

(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) Wages and salaries, annual leave and sick leave

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) Long service leave

The liability for long service leave 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 reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation 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) Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

(j) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(k) 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 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.

(l) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009).

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The company intends to apply the revised standard from 1 July 2009.

2 Financial risk management

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest rate risk. The company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and aging analysis for credit risk.

Risk management is carried out by management under policies approved by the Board of Directors.

(a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the company consists of cash and cash equivalents and equity comprising reserves and retained earnings as disclosed in notes 7 and 15 respectively. The company is not subject to externally imposed capital requirements.

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity’s functional currency. The company does not operate in any currencies other then the entity's functional currency and therefore is not exposed to foreign exchange risk.

(ii) Price risk

Price risk arises from investments subject to changes in prices and values. The company does not hold any assets subject to changes in values and therefore is not exposed to price risk.

(iii) Cash flow and fair value interest rate risk

The company’s only interest rate risk arises from cash equivalents with variable interest rates. At 30 June

2009, if interest rates had changed by 1% from the year end rates with all other variables held constant, post tax profit would have been $14,570 lower/higher (2008 change of 1%: $14,039 lower/higher) as a result of lower interest income from these financial assets. This analysis was conducted using average monthly cash balances for the 2008 and 2009 years. For details of how the company manages its risks associated with cash and cash equivalents refer to 'Liquidity risk' below.

(c) Credit risk

Credit risk arises from cash equivalents and loans and other receivables. The company is subject to minimal levels of credit risk on its cash and cash equivalents and trade receivables with a maximum exposure equal to the carrying value of these instruments.

The company is fully funded by the Department of Environment, Water, Heritage and the Arts for the reimbursement of expenditure incurred in carrying out its role as administrator for the certification of contractors and service technicians in the refrigeration and air conditioning industry. Receivables in relation to expense reimbursements are not subject to credit risk.

An amount of outstanding receivables relates to rental and electricity bonds. These receivables are subject to low levels of credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding. The company has sufficient cash inflows to meet debt obligations. Therefore, the company is not exposed to significant liquidity risk. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long term funding and liquidity management requirements.

Financing arrangements

The company did not have access to any borrowing facilities at the reporting date (other than bank guarantees securing office leases totalling $10,430).

Financial instruments 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 Department of Environment, Water Heritage and the Arts. As at 30 June 2009, corresponding liabilities were recognised for cash balances not available for use, totalling $41,870 (2008: $112,932).

Maturities of financial liabilities

All financial liabilities are due to mature within 6 months of 30 June 2009 except for bank guarantees securing office leases which are due to mature on 31 December 2999.

Financial liabilities are non-interest bearing totalling $91,600 as at 30 June 2009 (2008: $149,913).

Maturities of financial assets

Loans and receivables are non-interest bearing and are due to mature in less than 3 months. Loans and receivables totalled $640,796 at 30 June 2009 (2008: $689,588).

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying amounts of the company's assets and liabilities at the balance sheet date equal their fair values.

3 Critical accounting estimates and judgements

Critical judgements in applying the entity's accounting policies

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

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.

4 Segment information

The Australian Refrigeration Council Limited operates solely in the geographical segment of Australia and in the Refrigeration and Air Conditioning and the Household Appliance Industries.