AUSTRALIAN REFRIGERATION COUNCIL

ANNUAL REPORT

2016 2017

Leadership for a changing industry

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Chairperson's Report

What drives the ARC is a desire to make the refrigeration and air conditioning (RAC) industry a better place for everyone who benefits from a vibrant, safe, friendly and professional climate control sector.

Over the last 12 months the ARC has delivered an unprecedented number of key initiatives for the industry. And in doing so, we have stuck our head above the fence to lead the way on key industry issues such as training quality, natural/low global warming potential (GWP) refrigerants education and accreditation, and industry advocacy. Actions truly do speak louder than words.

And while ARC is getting on with the job, it is worth reflecting on each of these initiatives and achievements, some of which were industry-firsts:

- Industry Careers video – promoting the RAC industry and attracting high-calibre students to the sector
- Launch of new ARC 'industry support' website www.arcltd.org.au
- Launch of ARC Green Scheme Accreditation program – for natural and low GWP refrigerants. First of its kind in Australia
- Launch of mobile phone App. Online 'toolbox' for technicians. Includes the only dedicated directory for RAC suppliers and wholesalers
- Delivery of advocacy campaign promoting the 'climate control' sector to secondary schools Australia-wide
- Delivery of education campaign to all automotive air conditioning businesses in Australia, educating on safe use and handling of emerging refrigerants
- Improving the bottom line of RAC businesses – ARC advertising drove 250,000 consumers to RTA business directory website in 2016/17
- Working with ASQA to stop 'short courses' in the RAC training sector
- Certificate II review

In addition to these achievements, the ARC RAC industry Board continued to successfully administer the national RAC licence scheme on behalf of the Commonwealth Government to almost 87,000 individuals and businesses, the largest number of licence holders ever recorded. In an environment of changing refrigerants, this support demonstrates the value placed on the scheme, to ensure only qualified professionals operate in the sector.

For refrigerants that don't fall under the RAC licence scheme, the ARC launched the industry-first ARC Green Scheme Accreditation program. It can't be stressed enough the importance of this program in driving demand and availability of training for natural and low GWP refrigerants. This potentially dangerous gap in the market needed to be filled. The Green scheme program is providing that mechanism, driving training development and delivery.

The ARC doesn't operate in isolation. None of these initiatives were possible without the support of our Board of Directors and members, who collectively, make up all the mainstream industry associations and groups in the sector.

In addition to the Board and members, the ARC relies on the input of our two working groups (training quality and refrigerant evolution) made up of independent industry representatives, as well as our involvement in a number of key stakeholder committees including - Refrigeration and Air Conditioning Training Alliance, Standards Australia and Industry Reference Committees (IRC).

It is because of these close ties to the sector that we feel so strongly about the health and sustainability of the RAC community as a whole. The issue of skills shortages for the sector in some states, and the ability of the industry to position itself to attract the best and brightest, drove the ARC to develop a careers video which we sent to secondary schools Australia-wide.

At a grass roots level, this was about presenting the industry as dynamic career of choice and focusing on cutting edge technologies and diverse career pathways. In widening the scope of what our industry can offer, it became about 'climate control' and using new terms that speak to the youth of today who are considering many career options.

It is important industry works collaboratively to promote the benefits of having a career in our sector. This includes having a mutual understanding of what makes us strong – professionalism driven by skills-based licensing and training, environmental credentials, passion and the fact that climate control is vital to modern life. It is these tenets, and a continued focus on delivering value to technicians and businesses, that will underpin ARC's performance over the next 12 months.

I would like to thank my fellow Board members who volunteer their time to ensure the ARC plays a leading role in the shape, foundation and support of our great industry, and to the ARC member associations and working group representatives for their continued involvement and expertise.

KEVIN O'SHEA // ARC CHAIRPERSON

Refrigeration and air conditioning Industry Board and Members

The ARC's Board of Directors come from the refrigeration and air conditioning sector – they are your industry representative board. The Board consists of three directors responsible for the stationary sector and three directors responsible for the automotive sector. The ARC CEO is the executive director.

1. **Kevin O'Shea, (Chairperson)**
   Refrigeration & Air Conditioning Contractors Association
2. **Ian Stangroome**
   Vehicle Air Conditioning Specialists of Australia
3. **Peter Blanshard**
   Institute of Automotive Mechanical Engineers
4. **Brenton Kaitler**
   Automotive Sector Representative
5. **Mark Padwick**
   Air Conditioning & Refrigeration Equipment Manufacturers Association of Australia
6. **Sumit Oberoi**
   Air Conditioning & Mechanical Contractors Association
7. **Glenn Evans**
   CEO, Australian Refrigeration Council

ARC Members

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

ARC Vision

A safe, environmentally friendly and dynamic climate control industry

ARC Mission

Setting new standards

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

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

2016/17 Snapshot

ARC – RAC licence scheme

86,248	**licensed individuals and authorised businesses**
4,797	**new licence and authorisation holders**
5,318	**permit checks and education visits**
250,000	**visits to RTA directory website annually – improving the bottom line of RAC businesses**
59,775	**technician enquiries answered by ARC customer service team**
71	**licences cancelled due to non-compliance**
113	**non-compliant businesses referred to department for enforcement**

ARC licensing contract activites

KPI	
Materials designed to communicate entitlements of RAC industry permits to industry members and potential licence holders developed	✓
Information designed specifically for consumers on entitlements of RAC industry permits developed	✓
Maintain a public electronic register of all licensed RTAs and RHLs – www.lookforthetick.com.au	✓
All applications to be processed within a 30 day timeframe as specified in the Regulations. ARC have exceeded this by processing all applications within 3-4 days of receipt with 98% accuracy	✓
Develop a Communications & Compliance Strategy for each financial year. Plan takes into account language differences and has a positive influence on RTA/RHL numbers	✓
Newsletter sent to almost 87,000 individuals and businesses each edition. Most widely read publication in the industry	✓

ARC adding value to the industry

As well as the activities ARC are required to perform as part of its contract to deliver the RAC licence scheme, ARC also undertakes many 'value-add' actions. These activities are independently funded – not through licence fees. These actions aim to improve the bottom line of RAC businesses and make the industry stronger.

- Industry Careers video – promoting the RAC industry and attracting high-calibre students to the sector
- Launch of new ARC 'industry support' website www.arcltd.org.au
- Launch of ARC Green Scheme Accreditation program – for natural and low GWP refrigerants. First of its kind in Australia
- Launch of mobile phone App. Online 'toolbox' for technicians. Includes the only dedicated directory for RAC suppliers and wholesalers
- Delivery of advocacy campaign promoting the 'climate control' sector to secondary schools Australia-wide
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- Working with ASQA to stop 'short courses' in the RAC training sector
- Certificate II training review.

ARC Performance

Licensing

Processing

There were 86,248 Refrigerant Handling Licences (RHL) and Refrigerant Trading Authorisations (RTA) at the end of the 2016/17 financial year, including 67,891 licences and 18,357 authorisations.

Applications/Re-applications

A total of 50,076 applications/re-applications were received and processed by ARC in 2016/17 including 40,648 RHLs and 9,428 RTAs.

Online Application Facility

A total of 47,353 online applications/re-applications were received and processed by ARC in 2016/17 including 38,296 RHLs and 9,057 RTAs. This represents 95% of all applications received.

Time to process

- Licences – generally within 3 business days
- Authorisations – generally within 4 business days

The ARC is required to process applications within 30 days.

Application statistics

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

Main reasons Authorisation applications are assessed as incomplete:

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

Main reasons new Licence applications are assessed as incomplete:

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

Compliance

Permit checks/Monitoring

- 4,879 permit checks of refrigeration and air conditioning businesses
- 3,033 compliant
- 1,846 non-compliant

ARC helps businesses to succeed

ARC Field Officers work collaboratively with the licence holder to ensure they are compliant and that compliance becomes a normal part of their business practice.

Dealing with non-compliance

- 71 re-applications were refused due to on-going compliance issues
- That 71 businesses who did not follow their legal obligations are now 'out of business' when it comes to purchasing and handling refrigerant gas, demonstrates that the licence scheme is effective.

Government Enforcement

113 non-compliant permit checks (audits) were referred to the Department of the Environment and Energy (DoEE) for further follow up activities including issuing of warning letters and outlining what changes are needed to become compliant.

Non-licensed activity

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

ARC investigated 38 potential breaches of the Regulations, with 18 potential breaches referred to the DoEE for further investigation.

Communications

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

Industry Communications

- Continued production of numerous free promotional materials for licensed businesses
- Quarterly newsletter sent to over 87,000 people per edition – the most widely read publication in the RAC industry
- Various Fact Sheets created to educate industry about the licence scheme
- Production of free education materials for all automotive air conditioning businesses in Australia educating on safe use and handling of emerging refrigerants.

Industry Engagement

- Delivery of advocacy campaign promoting the 'climate control' sector to secondary schools Australia-wide
- Launch of new ARC 'industry support' website www.arcltd.org.au
- Launch of ARC Green Scheme Accreditation program – for natural and low GWP refrigerants. First of its kind in Australia
- Launch of mobile phone app. Online 'toolbox' for technicians. Includes the only dedicated directory for RAC suppliers and wholesalers
- ARC Training Quality working group – certificate II training review completed and submitted to Government
- All ARC Board meetings in 2016/17 were open to ARC members to attend
- 37% of all RTAs who received a permit condition check and businesses who received an education visit were surveyed to ensure ARC practices are effective and efficient
- ASQA – ARC assists the training industry regulator to investigate and close down sub-par training providers in the RAC sector
- ARC works with all stare licensing and consumer protection authorities to ensure the right players are in the game
- Production of industry 'careers' video – promoting the RAC industry and attracting high-calibre students.

Consumer Connections

- Improving the bottom line of RAC businesses – ARC advertising drove 250,000 consumers to RTA business directory website
- ARC Air Con Checklists were sent to retailers of air conditioning and refrigeration systems Australia-wide, encouraging consumers to ask for licensed technicians to install and services their systems.

ARC Industry Participation

- ARC exhibited at the 2016 Australian Automotive Aftermarket Expo in Victoria
- ARC CEO delivered presentation at major natural refrigerants conference ATMOsphere
- ARC supported and promoted the Future Gas industry educational seminars Australia-wide.

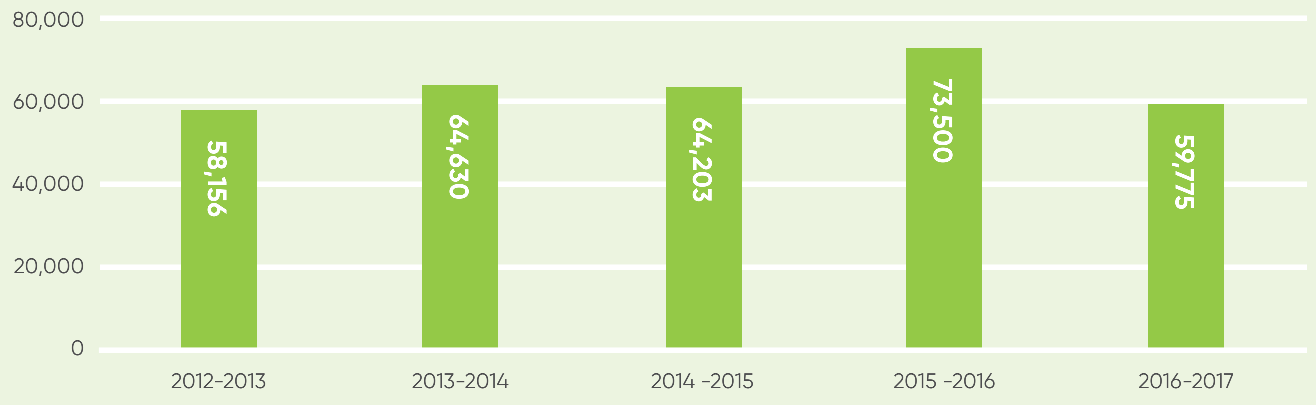
ARC sits on various committees and stakeholder groups including:

- Refrigeration and Air Conditioning Training Alliance
- Australian Industry and Skills' Electrotechnology & Automotive industry reference committees (IRC)
- Various Standards Australia sub-committees
- Government Air Conditioning and Commercial Refrigerants Advisory Committee
- Box Hill Refrigeration Climate Control Committee – Vetassess and Victorian Government Skills Committee.

Helping RAC businesses

- In 2016/17 the customer service team assisted, on average, 1,150 RAC businesses and individuals per week
- 59,775 completed phone calls were taken between July 2016 and June 2017.

Helping RAC businesses – enquiries assisted annually



ARC Financial Report

Independent Auditor's Report

To the Directors of the Australian Refrigeration Council Limited

Opinion

We have audited the ***Financial Report***, of the Australian Refrigeration Council Limited (the "Company").

In our opinion, the accompanying ***Financial Report*** of the Company gives a true and fair view, in all material respects the Company's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year ended on that date:

- in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*; and
- in compliance with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2017.
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in the Australian Refrigeration Council Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Independent Auditor's Report

KPMG

Responsibilities of the Directors for the Financial Report

The Company's Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards – Reduced Disclosure Requirements* and the *ACNC Act 2012*.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Phillip Sands

Phillip Sands
Partner

Canberra
8 November 2017

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	2017 $	2016 $
Revenue from continuing operations	**5,839,914**	5,715,612
EXPENSES		
Administrative	**(486,635)**	(403,299)
Compliance	**(227,891)**	(194,474)
Depreciation	**(97,436)**	(86,054)
Employee benefits	**(2,791,949)**	(2,870,355)
Financial management	**(165,876)**	(170,880)
IT	**(397,652)**	(299,499)
Publicity	**(573,288)**	(589,162)
Rent and outgoings	**(400,325)**	(359,714)
Travel	**(108,013)**	(105,444)
Directors'	**(68,775)**	(45,776)
Other	**(3,866)**	(3,387)
Profit before income tax	**518,208**	587,568
Income tax expense	**-**	-
Profit for the year	**518,208**	587,568
Other comprehensive income	**-**	-
Total comprehensive income for the year	**518,208**	587,568

Statement of Financial Position

as at 30 June 2017

	2017 $	2016 $
ASSETS		
Current assets		
Cash and cash equivalents	**2,391,278**	1,830,541
Trade and other receivables	**89,601**	74,815
Other current assets	**45,175**	31,688
Total current assets	**2,526,054**	1,937,044
Non-current assets		
Property, plant and equipment	**65,617**	161,598
Other financial assets	**3,182,324**	2,488,826
Total non-current assets	**3,247,941**	2,650,424
TOTAL ASSETS	**5,773,995**	4,587,468
LIABILITIES		
Current liabilities		
Trade and other payables	**997,176**	380,252
Provisions	**299,139**	308,146
Deferred income	**1,207,580**	1,125,511
Total current liabilities	**2,503,895**	1,813,909
Non-current liabilities		
Provisions	**154,935**	176,602
Total non-current liabilities	**154,935**	176,602
TOTAL LIABILITIES	**2,658,830**	1,990,511
Net assets	**3,115,165**	2,596,957
EQUITY		
Reserves	**2,625,133**	2,201,113
Retained earnings	**490,032**	395,844
TOTAL EQUITY	**3,115,165**	2,596,957

Statement of Changes in Equity

For the year ended 30 June 2017

	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2015	1,777,093	232,296	2,009,389
Total comprehensive income for the year	-	587,568	587,568
Transfer to reserves	424,020	(424,020)	-
Balance at 30 June 2016	2,201,113	395,844	2,596,957
Balance at 1 July 2016	2,201,113	395,844	2,596,957
Total comprehensive income for the year	-	518,208	518,208
Transfer to reserves	424,020	(424,020)	-
Balance at 30 June 2017	**2,625,133**	**490,032**	**3,115,165**

Statement of Cash Flows

for the year ended 30 June 2017

	2017 $	2016 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**5,813,140**	5,633,155
Payments to suppliers and employees (inclusive of goods and services tax)	**(5,377,452)**	(5,159,741)
Interest received	**94,056**	88,354
Net cash inflow from operating activities	**529,744**	561,768
Cash flows from investing activities		
Payments for other financial assets	**(693,498)**	(436,000)
Payments for property, plant and equipment	**(1,455)**	(34,654)
Net cash (outflow) from investing activities	**(694,953)**	(470,654)
Net (decrease) increase in cash and cash equivalents	**(165,209)**	91,114
Cash and cash equivalents at the beginning of the financial year	**1,704,630**	1,613,516
Cash and cash equivalents at end of year	**1,539,421**	1,704,630

1 Summary of significant accounting policies

Reporting entity

These financial statements relate to the Australian Refrigeration Council Ltd (the Company) and are as at and for the year ended 30 June 2017. The Company is a not-for-profit entity.

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

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

In the opinion of the directors the Company is not publicly accountable. These general purpose financial statements have been prepared in accordance with Tier 2: Australian Accounting Standards-Reduced Disclosure Requirments, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Australian Charities and Not-for-profits Commission Act 2012.*

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Company

None of the new standards, interpretations and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 had a material impact on any of the amounts recognised in the current period or any prior period and are not likely to have a material impact in future periods.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- AASB 9 Financial instruments (effective 30 June 2019)

  AASB 9 will be applicable for the financial years commencing on or after 1 January 2019. It addresses the classification, measurement and derecognition of financial assets and financial liabilities as well as new rules for hedge accounting.

  The Company has yet to determine which, if any, of its disclosures will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on the financial statements. The Company does not intend to adopt the standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2019.

- AASB 15 Revenue from Contracts with Customers (effective 30 June 2019)

  The Company is expected to adopt AASB 15 for the annual reporting period ending 30 June 2019. The Company has not yet assessed the impact of AASB 15 and therefore it is impracticable at this stage to provide a reasonable estimation of the impact.

- AASB 16 Leases (initial adoption for year ending 30 June 2020)

  AASB 16 removes the classification of leases as either operating leases or finance leases, for the lessee, effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The Company is yet to determine the impact of the new accounting standards.

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

- AASB 1058 Income for Not-for-Profit Entities (initial adoption for year ending 30 June 2020)

  AASB 1058 replaces the income recognition requirements relating to private sector not-for-profit entities previously reflected in AASB 1004 Contributions. The Company is yet to determine the impact of the new accounting standards.

(v) Critical accounting estimates

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

(vi) Going concern basis

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

The Company's main source of revenue is derived from their service agreement with the Department. The current service agreement is due to expire on 12 October 2018. The service agreement is eligible for a one year extension (up until 12 October 2019) subject to approval from the Department. Discussions regarding the extension have not yet commenced, however the one year extension is not an open tender process and the Directors are comfortable that the company will secure the extension. The Company maintains a cash reserve to settle their liabilities as they fall due in the event that the service agreement with the Department is not renewed. The adequacy of this cash reserve is assessed each time the service agreement with the Department is renewed.

At 30 June 2017 the Company's current assets exceeded the current liabilities causing a $22,159 net current surplus (2016: $123,135 net current surplus). The Company maintains a net asset position overall and generated a profit for the 2017 financial year. The director's are comfortable that the Company is solvent and represents a going concern.

The directors continue to pursue additional business opportunities.

(b) Income tax

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

ARC has met the requirements for payroll and Company tax exemption for the financial year ending 30 June 2017.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(i) Interest Revenue

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

(ii) Department of the Environment and Energy Consultancy Funding

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

(iii) Rendering of Services

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

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(e) Trade receivables

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

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

(f) Investments and other financial assets

Classification

The Company classifies its financial assets as loans and receivables.

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

(i) Loans and receivables

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

Subsequent measurement

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

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through surplus or deficit. Financial assets carried at fair value through surplus or deficit are initially recognised at fair value and transaction costs are expensed in surplus or deficit. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

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

(h) Trade and other payables

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

(i) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

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

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

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(k) Special Reserve

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

2 Critical accounting estimates and judgements

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

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

(b) Key sources of estimation uncertainty

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

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