

2017/18 ANNUAL REPORT



Leading and serving the climate control industry

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CHAIRPERSON'S REPORT

The future is the firm focus of the ARC. As such, we have a clear direction to concentrate our energies on decisions and actions that aim to make our industry a better place.

We continue to strive for increased visibility and profile of this vital industry which is so important to modern life. Unity is a critical factor in reaching our potential, positive voices all remarking on what a wonderful industry it is.

In late 2018, we were proud to be re-awarded the contract to continue our administration of the refrigeration and air conditioning (RAC) licence scheme. This demonstrates a heightening of both Government and industry confidence. And with 90,000 licence holders and growing, the sector has never been as strong, despite an uncertain refrigerant future. The sense of belonging is strong. The desire to be part of something bigger that provides meaning, connection and identity.

The RAC licence scheme, and the supporting pillars of Australia's refrigerant stewardship program, are essential to Australia. Indeed, the work of licensed technicians is saving the Ozone Layer. By reducing emissions of fluorocarbon refrigerants into the atmosphere, the hole in the Ozone Layer located near Australia is starting to repair.

As licensed technicians protect our environment, ARC wants to protect them. After completing industry consultation, an application was submitted to the Victorian Registration & Qualification Authority (VRQA) by the ARC for a new unit of competency for the handling of A2L mildly flammable refrigerants. This resulted in the official endorsement from the VRQA, and the ability of technicians to now get access to appropriate training for A2L mildly flammable refrigerants.

One of the best news stories of the year was the report from TAFE's that refrigeration and air conditioning apprenticeship numbers have increased, on average by 50 percent, and in some instances by up to 100 percent. Apprentices are our technicians of tomorrow. To support their training and development ARC produced free digital temperature sensors for trainee licence holders in their first year of a RAC apprenticeship. We hope the sensors

will not only be practical for apprentices in their day-to-day work, but also act as a reminder about the importance of climate control and the environment.

Every summer, ARC uses social media and online advertising to promote the use of appropriately licensed technicians and businesses to consumers. This summer was a huge success with more than 110,000 people visiting the RTA business directory website over a 3-month period. Driving customers to your business is the best result for our advertising.

Reflecting on the 90,000-strong support for the licence scheme, the popularity of RAC apprenticeships and the increased awareness of the industry amongst consumers, it would seem the future of our sector is on the right path.

I would like to thank my fellow Board members who volunteer their time and energy for the benefit of our great industry. I would also like to thank ARC member associations and working group representatives for their continued involvement and expertise.

The refrigeration and air conditioning industry is an exciting place to be right now, and ARC is looking forward to both leading and serving the industry into the future.

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. Michael Bennett

Refrigerant Reclaim Australia

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

2017/18 SNAPSHOT

ARC – RAC LICENCE SCHEME

89,237	licensed individuals and authorised businesses
2,767	new licence and authorisation holders
5,768	permit checks and education visits
110,000	consumers visited the RTA directory website in 3 months – improving the bottom line of RAC businesses
57,000	technician enquiries answered by ARC customer service team
84	licences cancelled due to non-compliance
18	non-compliant businesses referred to the Government for enforcement

ARC LICENSING CONTRACT ACTIVITIES – 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 businesses and individuals – www.lookforthetick.com.au
- ✓ All applications to be processed within a 30-day timeframe as specified in the Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995.
- ✓ Develop a Communications & Compliance Strategy for each financial year. The plan takes into account language differences and has a positive influence on RTA/RHL numbers.
- ✓ Newsletter sent to 90,000 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, increase the industry's profile and make the industry stronger.

- Production and delivery of free digital temperature sensors for first year refrigeration and air conditioning technicians – supporting their training and development.
- ARC's 'industry support' website www.arcltd.org.au
- ARC Green Scheme Accreditation program – for natural and low GWP refrigerants. First of its kind in Australia.
- Advocacy campaign promoting the 'climate control' sector to secondary schools. Highlighting its importance to modern life and as a career of first choice.
- Delivery of education campaign to all automotive air conditioning businesses in Australia educating on safe use and handling of emerging refrigerants.





THE VALUE OF FACE-TO-FACE EDUCATION

Non-compliance drops around **90%** each time an ARC field officer assists a business. Of approximately 30,000 permit condition checks performed over the past few years, only five businesses had outstanding non-compliance after four visits.

97% of RTAs surveyed about their permit condition check experience felt they are more confident with their compliance requirements.



ARC PERFORMANCE

LICENSING

PROCESSING

There were 89,237 Refrigerant Handling Licences (RHL) and Refrigerant Trading Authorisations (RTA) at the end of the 2017/18 financial year, including 70,479 licences and 18,758 authorisations.

APPLICATIONS/RE-APPLICATIONS

A total of 51,361 applications/re-applications were received and processed by ARC in 2017/18 including 40,999 RHLs and 10,362 RTAs.

ONLINE APPLICATION FACILITY

A total of 49,461 online applications/re-applications were received and processed by ARC in 2017/18 including 39,381 RHLs and 10,080 RTAs. This represents 97% 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

Main reasons Authorisation applications are assessed as incomplete:

- Incorrect details for licence holders
- Incorrect details for equipment
- Incorrect details for branch offices
- 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

- 5,469 permit checks of refrigeration and air conditioning businesses
- 3,376 compliant
- 2,093 non-compliant

ARC HELPS BUSINESSES TO SUCCEED

ARC field officers work collaboratively with businesses to ensure they are compliant and that compliance becomes a normal part of their business practice.

DEALING WITH NON-COMPLIANCE

- 84 re-applications were refused due to on-going compliance issues
- That 84 businesses who did not follow their legal obligations are now not able to purchase refrigerant gas, demonstrates that the licence scheme is effective.

GOVERNMENT ENFORCEMENT

156 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

187 inspections of non-authorised premises were conducted. The organisations visited included end-of-life RAC businesses such as metal/auto recyclers, collision repairers and demolition contractors.

ARC investigated 78 potential breaches of the Regulations, with 26 potential breaches referred to the DoEE for further investigation.

COMMUNICATIONS & ENGAGEMENT

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 90,000 people per edition – the most widely read publication in the RAC industry
- Various Fact Sheets created to educate industry about the licence scheme
- Educational video produced for industry to assist with compliance
- Update of business record keeping templates – including for risk management plans. This has enabled businesses to seamlessly apply/renew their refrigerant trading authorisation (RTA)
- Advertising campaigns targeting the mining, facility management and collision repair sectors – actively promoting the use of licensed technicians and businesses

INDUSTRY ENGAGEMENT

- Delivery of advocacy campaign promoting the 'climate control' sector to secondary schools Australia-wide
- ARC Training Quality and Refrigerant Evolution working groups engaged with industry and training stakeholders, developing reports on numerous issues influencing the industry, for the ARC Board of Directors
- All ARC Board meetings in 2017/18 were open to ARC members to attend
- 27% 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 state licensing and consumer protection authorities to ensure appropriately licensed technicians are being represented
- Production and delivery of free digital temperature sensors for first year refrigeration and air conditioning technicians – supporting their training and development

ARC HELPING BUSINESSES

Industry take-up of ARC's pre-populated Risk Management Plan templates has improved incomplete application assessments by over **40%** and enabled businesses to seamlessly apply/renew their refrigerant trading authorisation (RTA) and get on with their work.

95% of businesses surveyed felt (strongly/agreed) the documents sent prior to their permit check helped them to understand their responsibilities better.

CONSUMER CONNECTIONS

- Improving the bottom line of RAC businesses
 - ARC advertising drove 110,000 consumers to RTA business directory website over summer
- 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
- Direct mailout to property managers Australia-wide encouraging the use of appropriately licensed technicians for refrigeration and air conditioning work

ARC INDUSTRY PARTICIPATION

- ARC exhibited at the 2018 Air Conditioning, Refrigeration and Building Services Exhibition (ARBS)
- ARC exhibited at the 2018 Total Facilities Expo, promoting the use of licensed technicians to facility managers
- ARC delivered presentations at major industry events ARBS 2018 and ATMOsphere, as well as numerous industry stakeholder events
- ARC CEO was interviewed by Sky News TV and actively promoted the use of licensed technicians
- ARC supported and presented at the Future Gas industry educational seminars

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 2017/18 the customer service team assisted, on average, 1,187 RAC businesses and individuals per week
- 57,000 completed phone calls were taken between July 2017 and June 2018

SUPPORTING THE TRAINING AND DEVELOPMENT OF FUTURE TECHNICIANS

Trainee licence holders undertaking the first year of a refrigeration and air-conditioning apprenticeship were able to order free digital temperature sensors, courtesy of the ARC.



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 is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- Complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2018.
- 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 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.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosures 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.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit 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 Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG



Phillip Sands
Partner

Canberra
27 September 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
Revenue from continuing operations	6,039,244	5,839,914
EXPENSES		
Administrative	(499,184)	(486,635)
Compliance	(220,532)	(227,891)
Depreciation	(55,955)	(97,436)
Employee benefits	(3,084,791)	(2,791,949)
Financial management	(182,204)	(165,876)
Information technology	(462,804)	(397,652)
Publicity	(613,747)	(573,288)
Rent and outgoings	(407,479)	(400,325)
Travel	(104,393)	(108,013)
Directors'	(53,012)	(68,775)
Other	(9,701)	(3,866)
Profit before income tax	345,442	518,208
Income tax expense	-	-
Profit for the year	345,442	518,208
Other comprehensive income	-	-
Total comprehensive income for the year	345,442	518,208

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	2018 \$	2017 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,038,231	2,391,278
Trade and other receivables	86,358	89,601
Other current assets	45,069	45,175
Total current assets	3,169,658	2,526,054
Non-current assets		
Property, plant and equipment	60,404	65,617
Other financial assets	3,480,874	3,182,324
Total non-current assets	3,541,278	3,247,941
TOTAL ASSETS	6,710,936	5,773,995
LIABILITIES		
Current liabilities		
Trade and other payables	1,504,602	997,176
Provisions	424,447	299,139
Deferred revenue	1,243,807	1,207,580
Total current liabilities	3,172,856	2,503,895
Non-current liabilities		
Provisions	77,473	154,935
Total non-current liabilities	77,473	154,935
TOTAL LIABILITIES	3,250,329	2,658,830
Net assets	3,460,607	3,115,165
EQUITY		
Reserves	3,049,153	2,625,133
Retained earnings	411,454	490,032
TOTAL EQUITY	3,460,607	3,115,165

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Reserves \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2017	2,625,133	490,032	3,115,165
Total comprehensive income for the year	-	345,442	345,442
Transfer to reserves	424,020	(424,020)	-
Balance at 30 June 2018	3,049,153	411,454	3,460,607

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	5,972,904	5,813,140
Payments to suppliers and employees (inclusive of goods and services tax)	(5,487,456)	(5,377,452)
Interest received	105,810	94,056
Net cash inflow from operating activities	591,258	529,744
Cash flows from investing activities		
Payments for other financial assets	(298,550)	(693,498)
Payments for property, plant and equipment	(50,741)	(1,455)
Net cash (outflow) from investing activities	(349,291)	(694,953)
Net increase (decrease) in cash and cash equivalents	241,967	(165,209)
Cash and cash equivalents at the beginning of the financial year	1,539,421	1,704,630
Cash and cash equivalents at end of year	1,781,388	1,539,421

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 2018. 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 Requirements, 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 2017 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 2018 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 (initial adoption for year ending 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. Due to the nature of the company's investments and receivables, AASB 9 will have a limited quantitative effect to the financial statements.

- AASB 15 Revenue from Contracts with Customers (initial adoption for the year ending 30 June 2020)

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.

- 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 its 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 2018 the Company's current liabilities exceeded the current assets resulting in a \$3,198 net current liability (2017: \$22,159 net current asset). The Company maintains a net asset position overall and generated a profit for the 2018 financial year. The directors 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*.

Australian Refrigeration Council Limited has met the requirements for payroll and Company tax exemption for the financial year ending 30 June 2018.

(C) REVENUE RECOGNITION

Revenue is recognised for the major business activities as follows:

(i) 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.

(ii) Rendering of Services

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

(iii) Interest Revenue

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

(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. See note 6 for further information about the Company's accounting for trade receivables and for a description of the Company's impairment policies.

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.

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.

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.

(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 cost or revalued amounts, net of residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term 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 year.

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 liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. They are therefore 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 year 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 year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(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) 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.

(B) CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

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



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Customer Service Hours

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