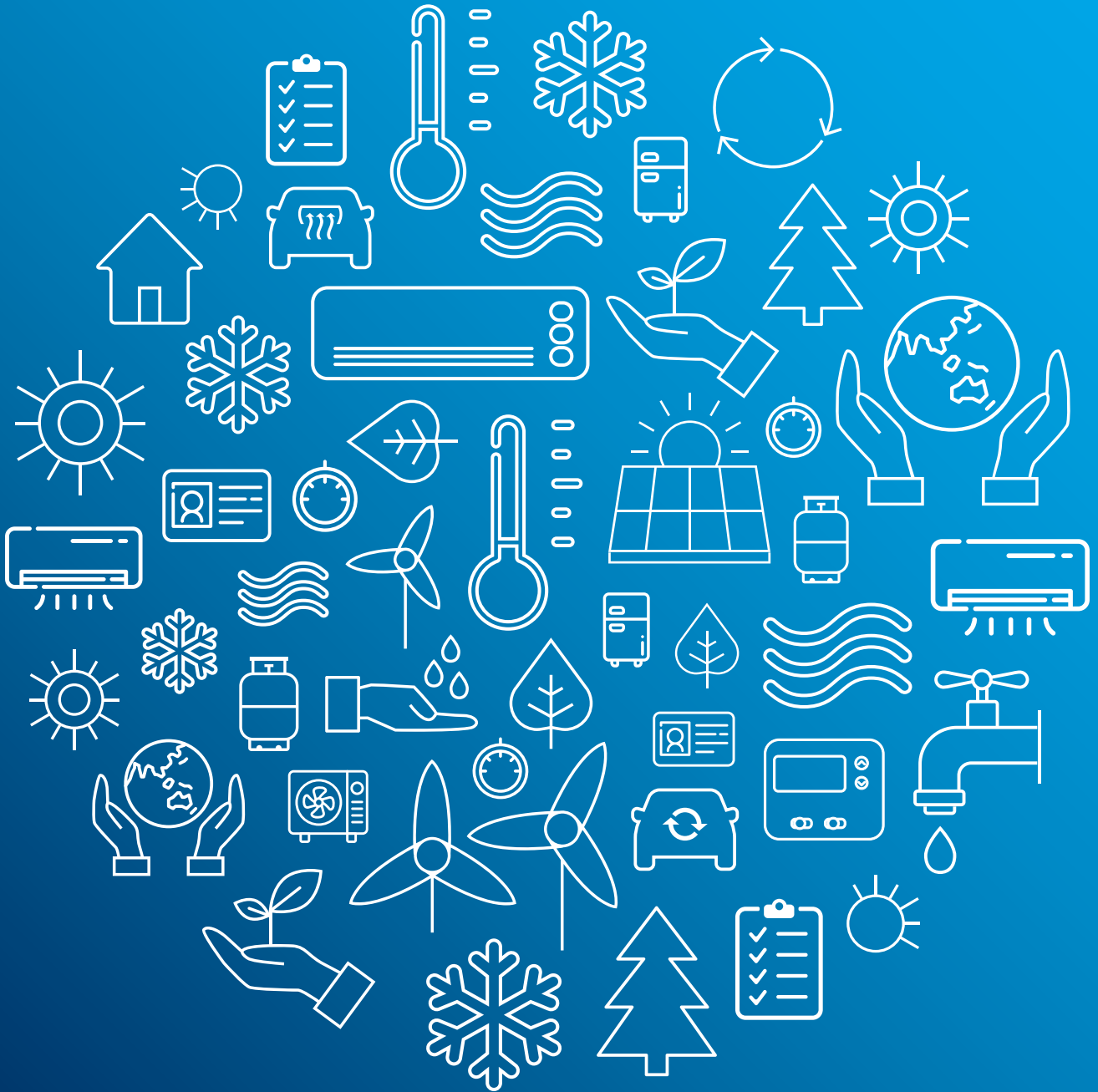


2018/19 ANNUAL REPORT

SUPPORTING AND LEADING THE CLIMATE CONTROL INDUSTRY



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// Under ARC's management the licence scheme has gone from strength to strength – now numbering over **95,000 licences** and **authorisations**. //

CHAIRPERSON'S MESSAGE



In late 2018 the Australian Refrigeration Council (ARC) secured the refrigeration and air conditioning (RAC) licence scheme contract for the next nine (9) years.

This is testament to the hard work and dedication of the ARC and the continued support of the RAC industry. This support is critical because ARC represents the industry. The scheme is operated by industry, for and on behalf of industry.

Under ARC's management the licence scheme has gone from strength to strength – now numbering over 95,000 licences and authorisations. Underpinning this growth has been a number of value-add initiatives we have delivered:

- Introduction of the ARC Smart Card – information at technician's fingertips.
- Improving the visibility of the RAC sector through targeted consumer and advocacy campaigns.
- Free digital temperature sensors for first year apprentices.
- Development of A2L refrigerants unit of competency.
- Lobbying governments for the benefit of the industry, environment and consumers.
- Various initiatives to promote technicians and their businesses.
- ARC Green Scheme accreditation scheme for low GWP refrigerants.

National and competency based, the licence scheme sets the benchmark for refrigeration and air conditioning skills in Australia. Importantly, short training courses have almost been stamped out. When they do appear, the ARC is quickly into action, working with the training industry regulator Australian Skills Quality Authority to rid the sector of sub-standard training.

The scheme has also seen a number of businesses lose their licence for continued non-compliance this year. This is important, as the credibility of the scheme and the health of the industry depends on people doing the right thing.

Helping industry to achieve success is central to who we are. We respond to over 1,200 phone calls per week and visit technicians, businesses and trainers throughout Australia. In addition, we try to keep licence processing times to a minimum so technicians can get back to work as quick as possible – 70 per cent of complete applications are issued the next day. These activities have contributed to a significant reduction in emissions of HFC, HCFC and CFC refrigerants. This has resulted in over 24.37 mega tonnes of CO₂ equivalent direct emissions savings.

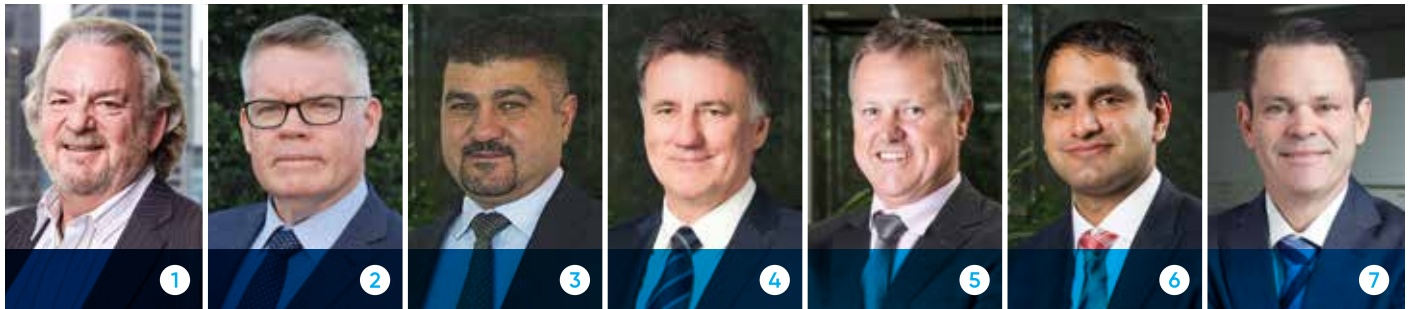
While industry and the ARC can be proud of these figures, we can do better. By improving ARC's engagement and working with industry, in partnership we can strengthen our sector and deliver better outcomes. The sum of what we can achieve through a genuine partnership is greater than the individual elements.

I would like to thank my fellow Directors who work relentlessly on behalf of the RAC industry, and the ARC member associations for their central support and involvement. I would also like to highlight the leadership demonstrated by the ARC Chairman of the past five years – Mr Kevin O'Shea AM.

Finally, on behalf of the ARC Board and staff, I'd like to re-affirm our commitment to all the technicians, businesses, wholesalers and training organisations who make this sector the best in Australia.

MICHAEL BENNETT
CHAIR, ARC

REFRIGERATION AND AIR CONDITIONING INDUSTRY BOARD AND MEMBERS



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. Michael Bennett (Chairperson)**
Refrigerant Reclaim Australia
- 2. Brett Meads**
Vehicle Air Conditioning Specialists of Australia
- 3. John Houry**
Victorian Automobile Chamber of Commerce
- 4. Larry Moore**
National Electrical and Communications Association
- 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 AND MISSION

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



2018/19 SNAPSHOT

Separate to our role managing the licence scheme, ARC is also a peak industry body undertaking many 'value-add' activities that are independently funded – not through licence fees. These activities aim to improve the bottom line of RAC businesses and make the industry safer and stronger. Some actions we are delivering at the moment include:

- + Development of A2&A2L refrigerant competency.
- + ARC Board Members engaging with contractors and licence holders.
- + Supporting WorldSkills.
- + Supporting World Refrigeration Day.
- + ATMosphere sponsorship.
- + RAC industry careers video – showcasing the RAC industry/encouraging quality students.
- + Lobbying Victorian Government to remove plumber oversight and better align their licence scheme with how the industry operates.
- + Lobbying of TAS and QLD Government to revise their licence scheme for the betterment of the RAC industry.
- + Work with State OH&S agencies for the betterment of the RAC Industry.
- + Ensure industry views are considered on Standards Australia committees.
- + Input into ongoing training developments.
- + Working with training regulator ASQA to stamp out short courses.
- + Supporting the training and development of future technicians – ARC supplied first year RAC apprentices with digital temperature sensors.
- + Initiated Australia-first natural refrigerant accreditation – ARC Green Scheme.

You can read about our work outside of the licence scheme by visiting www.arcltd.org.au

ARC's primary role is to administer the refrigeration and air conditioning (RAC) licence scheme (ARCTick), on behalf of the federal government. ARC does this on a not-for-profit basis.

ARC tries to provide as much value as we can to industry within the framework of the government-controlled licence scheme.

Some actions of note include:

- + The implementation of the RAC licence scheme protects the industry – before it, anybody could do RAC work.
- + We conduct thousands of permit checks and education visits each year.
- + ARC communications keep industry up to date on a host of changes and developments – both regulatory and technical.
- + Licence renewal process updated Dec 2018 – easier to renew.
- + Upgrade to licence holder data security. New ARC database security protocols meet and exceed Australian Department of Defence criteria. This means improved security of personal information.
- + ARC Smart card allows licence holders to use their mobile phones to scan their cards for quick access to the ARC website and a variety of useful resources.
- + ARC communications and advertising drives over 250,000 consumers to connect with licensed businesses.
- + Stamping out 'short courses' in training that would otherwise lead to sub-par qualifications.



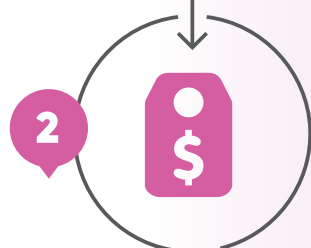
CONTROLLED REFRIGERANTS IN AUSTRALIA – HOW IT ALL WORKS

Ozone depleting substance (ODS) refrigerants (CFCs, HCFCs) and synthetic greenhouse gas refrigerants (HFCs) can damage the ozone layer and contribute to climate change if emitted into the atmosphere. As a result, their import, purchase/sale, use, recovery and destruction is controlled under the *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989* and associated regulations. The below diagram shows how this works and how the RAC industry plays a vital role in minimising emissions of these gases into the atmosphere.



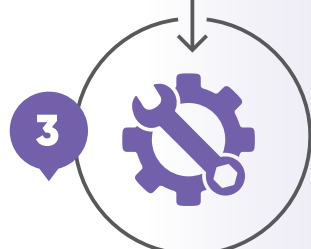
IMPORTING REFRIGERANT

Refrigerant is imported in gas cylinders (bulk) and pre-charged in equipment (import licence required through Department of the Environment and Energy).



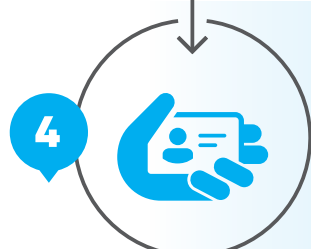
WHOLESALE

Refrigerant gas cylinders are sold for domestic and commercial use (RTA required from the ARC to purchase and sell).



INSTALLATION, SERVICE AND MAINTENANCE

Technicians appropriately licensed through the ARC handle refrigerants and RAC equipment.



RECOVERY/DECOMMISSION

Appropriately licensed technicians recover refrigerant from end of life systems into recovery cylinders which can be purchased or rented from wholesalers.



DESTRUCTION/TRANSFORMATION

Recovered refrigerant (bulk) is returned to wholesalers where a rebate/credit is available, then tested and sent to Refrigerant Reclaim Australia (RRA). RRA uses Australian-developed plasma-arc technology to destroy refrigerants, transforming fluorocarbons into harmless salty water, with a destruction efficiency of 99.9999 per cent.



/// There were **96,803** Refrigerant Handling Licences (RHL) and Refrigerant Trading Authorisations (RTA) at the end of the 2018/19 financial year, including **76,654 licences** and **20,149 authorisations.** ///

ARC PERFORMANCE

LICENSING PROCESSING

There were 96,803 Refrigerant Handling Licences (RHL) and Refrigerant Trading Authorisations (RTA) at the end of the 2018/19 financial year, including 76,654 licences and 20,149 authorisations.

APPLICATIONS/RENEWALS

A total of 43,969 applications/renewals were received and processed by ARC in 2018/19 including 35,917 RHLs and 8,052 RTAs.

ONLINE APPLICATION FACILITY

A total of 61,877 online applications/renewals were received and processed by ARC in 2018/19 including 50,504 RHLs and 11,373 RTAs. This represents 95 per cent of all applications received.

TIME TO PROCESS

- Licences – generally within 3-5 business days.
- Authorisations – generally within 5 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

As part of ARC's role as administrators of the refrigeration and air conditioning (RAC) licence scheme, we provide education, engagement and monitoring services to industry. These include:

- Permit condition checks.
- Education visits.
- Investigations into non-licensed activity or activity that has the potential to be a breach of the Ozone Act.

PERMIT CONDITION CHECKS

All businesses that hold a refrigerant trading authorisation (RTA) under the RAC licence scheme will have a permit condition check conducted by a trained Field Officer from the ARC. We aim to conduct permit holder checks on RTAs within each licence period (2-3 years).

Permit condition checks are a normal part of the conditions around holding a RTA. They are a great opportunity for businesses to talk with ARC Field Officers and make sure they are doing their part to reduce emissions of harmful refrigerant gas and managing their records and equipment in the most efficient and accurate way.

During a permit condition check ARC Field Officers look at the following information:

- Refrigerant records, RAC equipment lists and maintenance records, Risk Management Plan for refrigerants, cylinder leak test and test date records, licensed staff lists, and RTA number on RAC advertising and stationery.

EDUCATION VISITS

ARC Field Officers also conduct education visits of premises where there is a potential for unlicensed RAC activity. Education visits assist and encourage people to:

- better understand the requirements of the licence scheme where their activities may require them to hold a licence; and
- assist and encourage consumers of services provided by licensed businesses to access these services.

INVESTIGATIONS AND ENFORCEMENT

The ARC investigates alleged non-compliant activity around Australia and provides reports on these investigations to the Government, who manage enforcement. In some cases, on-going non-compliance may result in a permit suspension or cancellation. On average, 76 permit reapplications are refused each year due to on-going non-compliance issues.

TRAINING AND ASSURANCE

Appropriate qualifications are the cornerstone of the RAC licence scheme. Sub-standard courses have no place in the RAC industry or as part of the licence scheme. That is why ARC actively engages with training institutions, the training industry regulator ASQA and the committees and groups who influence training in Australia.

TAFE AND RTO ENGAGEMENT

ARC regularly visits TAFEs and registered training organisations (RTO) engaging with trainers and students to support them in their training and development.

A recent ARC initiative was the development of free digital temperature sensors for Trainee licence holders undertaking the first year of a refrigeration and air-conditioning (RAC) apprenticeship.

The ARC licence scheme promotes high quality work through a skills-based licence. It also encourages professionalism through properly equipped and staffed businesses and promotes an awareness of the environment. Providing licensed trainee holders with digital temperature sensor will contribute to producing high quality RAC professionals of the future.

TRAINING DEVELOPMENT

ARC sits on various committees and groups, including industry reference committees (IRC) and Australian Standards, to ensure the interests of the refrigeration and air conditioning industry are represented when it comes to training development and quality.

IRCs are the formal channel for considering industry's skill requirements in the development and review of training packages. IRCs advise about the current and upcoming skills needs of their industry sectors and ensure training packages meet the needs and concerns of employers, employees, training providers and learners.

ARC sits on the Australian Industry and Skills Committee's (AISC) Electrotechnology IRC and plays an important role in ensuring training for technicians keeps up with the pace of change. This specific IRC is responsible for the UEE11 Electrotechnology Training Package and will drive priorities for the review and development of future training.

ARC also sits on the Light Vehicles IRC, looking at training for the automotive air conditioning sector. This specific IRC is responsible for the AUR and AUM training packages.

Being part of the IRC puts ARC in a valuable position to help shape training for industry and contribute to a dynamic, safe and environmentally friendly climate control sector.

AUSTRALIAN SKILLS QUALITY AUTHORITY

ARC works closely with the Australian Skills Quality Authority (ASQA), assisting them with investigations into training quality in the RAC sector. ASQA is the training industry regulator responsible for regulating TAFES and registered training organisations. With the help of industry, ARC and ASQA a number of substandard training courses have been recently closed down. ARC has shown that by partnering with ASQA and acting on complaints raised to us by industry, it is possible to rid the sector of sub-standard training courses.

COMMUNICATIONS AND 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. ARC acts as the RAC industry information hub, with a strategic communications and compliance plan developed on an annual basis.

INDUSTRY COMMUNICATIONS

- Continued production of numerous free promotional materials for licensed businesses.
- Quarterly newsletter sent to 95,000 people per edition – the most widely read publication in the RAC industry.
- Various Fact Sheets created to educate industry about the licence scheme.
- Advertising campaigns targeting the real estate, 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.
- All ARC Board meetings in 2018/19 were open to ARC members to attend.
- 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 supported World Refrigeration Day 2019 by attending various Kirby wholesaler outlets and speaking with technicians throughout Australia.
- The ARC Customer Service Team attends to over 1,200 phone calls per week assisting the RAC industry.

CONSUMER CONNECTIONS

- Improving the bottom line of RAC businesses – ARC advertising drove 100,000 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 service their systems.
- Direct mailout to property managers Australia-wide encouraging the use of appropriately licensed technicians for refrigeration and air conditioning work.
- ARC exhibited at the 2019 Housing Industry Association Home Show Expo promoting the use of licensed technicians and businesses to consumers.

ARC INDUSTRY PARTICIPATION

- ARC exhibited at the 2019 Australian Automotive Aftermarket Expo.
- ARC sponsored and presented at the 2019 ATMOSphere conference for natural refrigerants.
- ARC supported the Future Gas 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.
 - Department of the Environment and Energy's Refrigeration and Air Conditioning Industry Advisory Committee.

ARC FINANCIAL REPORT





Lead Auditor's Independence Declaration under
Subdivision 60-C section 60-40 of the Australian Charities
and Not-for-profits Commission Act 2012

To the Directors of the Australian Refrigeration Council Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of the Australian Refrigeration Council Limited for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.


KPMG


Phillip Sands
Partner

Canberra
25 September 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
Revenue from continuing operations	5,971,368	6,039,244
EXPENSES		
Administrative	(469,787)	(499,184)
Compliance	(27,329)	(220,532)
Depreciation	(54,552)	(55,955)
Employee benefits	(3,175,852)	(3,084,791)
Financial management	(222,187)	(182,204)
Information technology	(441,981)	(462,804)
Publicity	(531,035)	(613,747)
Rent and outgoings	(413,797)	(407,479)
Travel	(98,289)	(104,393)
Directors	(76,571)	(53,012)
Other	(31,107)	(9,701)
Profit before income tax	428,881	345,442
Income tax expense	-	-
Profit for the year	428,881	345,442
Other comprehensive income	-	-
Total comprehensive income for the year	428,881	345,442

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	2019 \$	2018 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,420,254	3,038,231
Trade and other receivables	373,179	86,358
Other financial assets	1,912,876	-
Other current assets	71,071	45,069
Total current assets	4,777,380	3,169,658
Non-current assets		
Property, plant and equipment	69,196	60,404
Other financial assets	568,060	3,480,874
Total non-current assets	637,256	3,541,278
TOTAL ASSETS	5,414,636	6,710,936
LIABILITIES		
Current liabilities		
Trade and other payables	1,065,780	1,504,602
Provisions	373,011	424,447
Deferred income	-	1,243,807
Total current liabilities	1,438,791	3,172,856
Non-current liabilities		
Provisions	86,357	77,473
Total non-current liabilities	86,357	77,473
TOTAL LIABILITIES	1,525,148	3,250,329
Net assets	3,889,488	3,460,607
EQUITY		
Reserves	3,518,173	3,049,153
Retained earnings	371,315	411,454
TOTAL EQUITY	3,889,488	3,460,607

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Reserves \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2018	3,049,153	411,454	3,460,607
Total comprehensive income for the year	-	428,881	428,881
Transfer to reserves	469,020	(469,020)	-
Balance at 30 June 2019	3,518,173	371,315	3,889,488

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,838,567	5,972,904
Payments to suppliers and employees (inclusive of GST)	(6,102,563)	(5,487,456)
Interest received	83,005	105,810
Net cash (outflow) inflow from operating activities	(1,180,991)	591,258
Cash flows from investing activities		
Payments for other financial assets	-	(298,550)
Payments for property, plant and equipment	(63,344)	(50,741)
Net cash (outflow) from investing activities	(63,344)	(349,291)
Cash flows from financing activities		
Redemption of term deposits	999,938	-
Net cash inflow from financing activities	999,938	-
Net (decrease) increase in cash and cash equivalents	(244,397)	241,967
Cash and cash equivalents at the beginning of the financial year	1,781,388	1,539,421
Cash and cash equivalents at end of year	1,536,991	1,781,388

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 2019. 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. New and amended standards adopted by the Company

• AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies for the financial assets of the trust including term deposits, floating notes and other investments. The introduction of this standard has impacted the classification of assets, as now the financial assets are held at amortised cost and not available for sale and therefore no financial assets were required to be revalued to market value at the reporting date.

Under AASB 9, at the date of initial application, any change in carrying amount from 30 June 2019 would be recognised directly in opening retained earnings. The changes in accounting policy has not significantly impacted the amounts recognised in prior periods and therefore no adjustment has been made.

- **AASB 15 Revenue from Contracts with Customers**
AASB 15 Revenue from Contracts with Customers establishes new principles for reporting information to users of financial statements about the nature, timing, amount and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue when control of the goods or services is transferred to the customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company has adopted AASB 15 from 1 July 2018 using the modified retrospective approach, which has resulted in changes in accounting policies. No material adjustment to opening retained earnings was recognised as the amendments to the Group's accounting policies did not result in any significant changes to the timing or amount of revenue previously recognised. As the modified retrospective approach has been adopted, comparative information continues to be accounted for under AASB 118 Revenue and has not been restated.

iii. 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 2019 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 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.

iv. Historical cost convention

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

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.

(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 2019.

(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.

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 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 the 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 Company also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations 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 years 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.

(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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