



AUSTRALIAN
REFRIGERATION
COUNCIL

*Supporting the refrigeration
and air conditioning industry*

ANNUAL REPORT

2019/2020



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For 15 years the Australian Refrigeration Council has worked to make our industry a better place, delivering actions that result in genuine, long-term outcomes which become part of the fabric of our sector. We do this standing side by side with our members and the refrigeration and air conditioning industry.





CHAIRPERSON'S MESSAGE

2020 will be defined by the COVID-19 pandemic. But in a very real sense, it is also the year that refrigeration and air conditioning (RAC) was finally seen as the essential service that it is in the eyes of government and the community, moving from success to significance.

Food transport and storage, hospitals and surgeries, medicines, vaccines and IT servers. Without refrigeration and air conditioning, the backbone of our COVID-19 response would have broken. It's as simple as that.

For 15 years the Australian Refrigeration Council (ARC) has worked to make our industry a better place, delivering actions that result in genuine, long-term outcomes which become part of the fabric of our sector.

We do this standing side by side with our members and the RAC industry.

In 2019/20 the ARC Board met with contractors and technicians at various Industry Roundtable events held around Australia. We listened to feedback and a number of common themes came through, including promotion of the industry, training quality, and how the ARC can better help technicians and businesses.

At a grass roots level, ARC Field Officers visited over 5,500 businesses last financial year, helping with licensing requirements and answering technical queries, as well as getting feedback about the issues that are important to our industry. On top of that, our Licensing and Customer Service Team responded to over 70,000 enquiries from licence holders and businesses.

And we listened.

Using this feedback as our guide, the last 12 months have delivered a number of wins for our sector, as we have aimed to get in front of the issues that matter:

- **Shutting the door on short courses** – Working with Australian Skills Quality Authority, we were able to close down a number of short course providers working in the RAC training sector.
- **Reducing the red tape burden** – We continued our work with state governments to ensure states and territories with occupational licensing schemes align with the ARCTick scheme to minimise the burden on licence holders.

- **Levelling the playing field for technicians** – We are contributing to the development of a training proposal to increase employment pathways for RAC apprentices.
- **Safety first** – ARC worked with the training industry regulators to develop and get the new A2/A2L flammable refrigerants unit of competency VU22583 endorsed. It is now being delivered by training organisations Australia-wide.
- **Fixing loopholes** – Working with our members, we obtained an agreement from the Queensland Government to review their recently introduced Mechanical Services – Air Conditioning and Refrigeration Licence to ensure RAC-specific training is included.

The next 12 months will be one of the most unique and important periods of our lives. ARC is committed to continuing to support the essential industry that supports Australia, especially on the bounce back post COVID-19.

I would like to thank my fellow Board members who volunteer their time to ensure the ARC uses its unique and fortunate position of influence to support our great industry, and to the ARC member associations for their continued guidance and expertise.

Michael Bennett
ARC Chairperson



REFRIGERATION AND AIR CONDITIONING INDUSTRY BOARD



All Board members volunteer their time because they all share a similar passion for the industry and a drive to help it succeed. 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 Khoury
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

The ARC members are our DNA. Our members make up all aspects of this diverse industry and contribute greatly to the ARC and the outcomes we achieve. They are the leaders of the refrigeration, air conditioning and automotive industries and serve technicians, as well as businesses.



AIA: Appliance Industry Association

AIA is the association for ethical professionals engaged in the repair, parts supply, manufacture, import and retailing of household appliances.

🌐 www.appliance.asn.au
✉ admin@appliance.asn.au



AIRAH: Australian Institute of Refrigeration, Air Conditioning & Heating

AIRAH is Australia's leading specialist membership association for professionals working in the HVAC&R (heating, ventilation, air conditioning and refrigeration) and building services industries. Formed in 1920, AIRAH is celebrating its Centenary in 2020. It is recognised by government and industry bodies for its expertise across a wide range of issues in the area of engineering services for the built environment.

🌐 www.airah.org.au
✉ airah@airah.org.au
☎ (03) 8623 3000



AMCA: Air Conditioning & Mechanical Contractors' Association

AMCA is a nationwide industry body that represents businesses operating in the commercial heating, ventilation, and air conditioning (HVAC) industry. AMCA members specialise in the design, fabrication, installation, repair and maintenance of HVAC systems that provide safe, healthy, and productive spaces for people to live, work, and play.

🌐 www.amca.com.au
✉ enquiries@amca.com.au
☎ (03) 8831 2800



AREMA: Air Conditioning & Refrigeration Equipment Manufacturers Association of Australia

AREMA represents the 30 most significant companies either manufacturing or importing air conditioning and refrigeration equipment in Australia. AREMA works closely and proactively with Governments to improve the energy efficiency of our products, ensure the electricity grid remains stable and that buildings meet society's needs at reduced environmental costs.

🌐 www.arema.com.au
✉ secretariat@arema.com.au
☎ 1300 413 011



ARWA: Air Conditioning & Refrigeration Wholesalers Association

ARWA exists to promote wholesalers and provide a forum for discussion amongst its members on issues of standards, legislation and compliance. ARWA also provides an interface on behalf of wholesalers with other entities and associations, and dissemination of information. Current items of interest for its members are the Australian Packaging Covenant and the increase of flammable components in reclaim refrigerant.

✉ greg.brooker@actrol.com.au



IAME: Institute of Automotive Mechanical Engineers

IAME is an Association for individuals and organisations in the automotive industry. The IAME aims are to further the interests of our members at all levels through knowledge, awareness and the sharing of expertise. IAME exists to provide relevant education and training opportunities on all facets of the Automotive Industry.

- 🌐 www.iame.com.au
- ✉ inbox@iame.com.au
- ☎ (02) 9782 1100



MTAA: Motor Trades Association of Australia

MTAA represents many, and is the voice of 69,365 retail motor trades businesses including retail, service, repair recycling and associated industries, which employ over 379,365 Australians. These automotive industries contributed \$37.1 billion to the Australian economy in 2017/2018, which equates to 2.2% of Australia's GDP.

- 🌐 www.mtaa.com.au
- ✉ admin@mtaa.com.au
- ☎ (02) 5100 8239



NECA: National Electrical & Communications Association

NECA is the peak industry body representing the interests of the electrical and communications contracting industry across Australia. They have close to 5,000 member organisations and their members employ around 100,000 people.

- 🌐 www.neca.asn.au
- ✉ marketing@neca.asn.au
- ☎ (02) 9439 8523



RA: Refrigerants Australia

RA is the peak organisation representing the Australian refrigerant supply chain including: importers, wholesalers, users and Refrigerant Reclaim Australia. It has been essential to the development of the refrigeration and air conditioning industries in Australia and to the significant reduction of the environmental footprint of these industries.

- 🌐 www.refrigerantsaustralia.org
- ✉ info@refrigerantsaustralia.org



RACCA: Refrigeration and Air Conditioning Contractors Association

RACCA serves its members with helpful and instructive material to elevate the standards of the refrigeration and air conditioning industry, and to co-operate with the relative authorities for the maintaining of industry standards.

- 🌐 www.racca.asn.au
- ✉ info@racca.asn.au
- ☎ 0405 224 779



RRA: Refrigerant Reclaim Australia

RRA is a not-for-profit organisation based in Canberra that works nationally with the refrigeration industry to recover, reclaim and destroy ozone depleting and synthetic greenhouse gases.

- 🌐 www.refrigerantreclaim.com.au
- ✉ info@refrigerantreclaim.com.au
- ☎ (02) 6230 5244



VACC: Victorian Automobile Chamber of Commerce

VACC is an automotive industry employer association that protects and promotes the interests of its members through advocacy initiatives and the provision of automotive industry products and services.

- 🌐 www.vacc.com.au
- ✉ vacc@vacc.com.au
- ☎ (03) 9829 1111



VASA: Driving Industry Excellence

VASA is a non-profit organisation representing the technicians, professional service centres, suppliers and original equipment manufacturers of the automotive air conditioning, electrical and thermal management industry in Australia and New Zealand.

- 🌐 www.vasa.org.au
- ✉ admin@vasa.org.au
- ☎ 1300 661 972

ARC VISION AND MISSION

ARC VISION

A safe, environmentally friendly and dynamic climate control industry

ARC MISSION

Setting new standards

ARC delivers leadership, value and knowledge to the refrigeration and air conditioning industry. We represent over 100,000 individuals and businesses, providing support in the areas of:

- ✓ 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
- ✓ Support for ARC-licensed businesses

INFORMATION AT YOUR FINGERTIPS

INDUSTRY INFORMATION



www.arcltd.org.au

ARC Green Scheme Accreditation, technical and business lobbying and advocacy.

LICENSING ASSISTANCE



www.arctick.org

ARCTick licensing scheme, education and regulatory support (Co-branded with Department of Agriculture, Water and the Environment).

CONSUMER ADVICE



www.lookforthetick.com.au

Consumer education, authorised-businesses directory, licence check facility and promotion of the industry (Co-branded with Department of Agriculture, Water and the Environment).



2019/20 SNAPSHOT



ARCTICK LICENSING SCHEME

104,706	licensed individuals and authorised businesses
7,903	new licence and authorisation holders
5,500	permit checks and education visits (average)
200,000	visitors to the licensed business directory website (approximate annual visitors)
70,369	technician enquiries answered by the ARC customer service team
76	licences cancelled due to on-going non-compliance (average)

ARC LICENSING CONTRACT ACTIVITIES – KPIs

As administrators of the refrigeration and air conditioning (RAC) industry permit scheme, ARC must deliver a number of services each year to comply with ARC's contract with the Department of Agriculture, Water and the Environment. These include:

- ✓ Materials designed to communicate entitlements of RAC industry permits to industry members and potential licence holders developed.
- ✓ Information designed specifically for consumers on the 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 and compliance strategy for each financial year. The plan takes into account language differences and has a positive influence on permit numbers.
- ✓ Newsletter sent to 95,000 individuals and businesses each edition. Most widely read publication in the industry.

ARC GREEN SCHEME ACCREDITATION



Established in 2017, the ARC Green Scheme Accreditation program is administered by the ARC and is the only national accreditation for low global warming potential (GWP) refrigerants in Australia.

ABOUT

- Qualifications-based accreditation for refrigeration and air conditioning industry technicians working with low GWP refrigerants including hydrocarbons, CO2 (R744), Ammonia and HFO 1234yf.
- Voluntary scheme, not aligned with the ARCTick licence scheme but requiring the same competencies as the ARCTick licence as its basis.

BENEFITS TO INDUSTRY

- Provides a pathway for technicians to upskill.
- Facilitates the transition to new and emerging refrigerants and technologies.
- Enables technicians to demonstrate their professionalism and skills to employers.
- Enables employers to comply with work health and safety regulations.
- Accreditation holders receive a free mobile phone App which includes:
 - Refrigeration and air conditioning wholesaler directory.
 - Technical resources: refrigerants, codes of practice/standards, training, safety and more.
 - Accreditation e-card.
- Facilitates development of training for industry.

WHY

Currently, low GWP refrigerants are not captured under the ARCTick licence program. As a result, training – and licensing for these gasses – is not at the forefront of a technician’s journey from apprentice to licensed professional.

The Green Scheme program addresses this shortfall by providing a scheme that allows technicians to demonstrate to employers and consumers their competency with low GWP refrigerants. It also pushes the training industry to adopt courses covering low GWP refrigerants.

The scheme enables individuals and businesses to ‘build their business’ in the area of low GWP refrigerants.

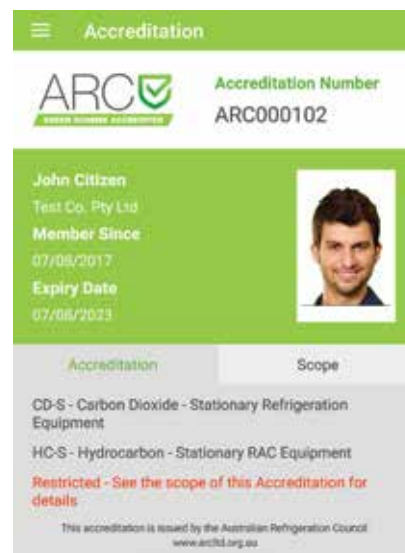
MOVING FORWARD

In 2019–20, large retailers and service providers saw the benefit of training their employees in the safe handling of A2/A2L refrigerants, recognising the risk to employee safety, as well as employer OH&S obligations.

ARC Green Scheme Accreditation is the next step in this process, and provides the mechanism for employers and employees to show their skills and professionalism to customers and clients.

To read more visit

www.arcltd.org.au/green-scheme-accreditation/



ARC PERFORMANCE

LICENSING PROCESSING

There were 104,706 refrigerant handling licences (RHL) and refrigerant trading authorisations (RTA) at the end of the 2019/20 financial year, including 83,274 licences and 21,432 authorisations.

APPLICATIONS/RENEWALS

A total of 35,814 applications/renewals were received and processed by ARC in 2019/20 including 28,793 RHLs and 7,021 RTAs.

ONLINE APPLICATION FACILITY

A total of 35,067 online applications/renewals were received and processed by ARC in 2019/20 including 28,046 RHLs and 7,021 RTAs. This represents 98 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 RTA 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 RHL applications are assessed as incomplete:

- Incorrect or incomplete qualification documents.
- Supervisor declaration not supplied (Trainee RHL).
- Photograph not certified.

COMPLIANCE

As part of ARC's role as administrators of the refrigeration and air conditioning industry (RAC) permit scheme, we provide education, engagement and monitoring services to the both the automotive and stationary RAC industry.

PERMIT CONDITION CHECKS

5,000 conducted per year

All businesses that hold a RTA will have a permit condition check conducted by a trained Field Officer from the ARC. This is a normal part of the conditions around holding an RTA. It's a great opportunity to talk with an ARC Field Officer to make sure businesses are doing their part to reduce harmful refrigerant gas emissions.

We also assist businesses to manage their records and equipment in the most efficient and accurate way. Having this conversation with an ARC Field Officer helps identify areas that may need greater action. This allows people to get on with their business, confident that their RTA conditions are being met.

During a permit condition check ARC Field Officers check for 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.

ARC's permit condition check education videos have helped businesses through their permit checks.



EDUCATION VISITS

500 conducted per year

In addition to 5,000 permit condition checks, ARC Field Officers also conduct education visits where there is a potential for unlicensed activity. ARC's compliance activities are delivered in partnership with industry. Many of these visits are driven by complaints sent to the ARC by members of the RAC industry. We rely on industry feedback when it comes to investigating illegal activity.

INVESTIGATIONS AND ENFORCEMENT

100-200 investigations conducted per year

ARC investigates alleged non-compliant activity around Australia and provides reports on these investigations to the Federal Government, who manage enforcement. This year many enforcement actions resulted in substantial fines to organisations for non-compliance matters.

In some cases, on-going non-compliance may result in a licence suspension or cancellation. **On average, 76 licences are cancelled each year due to on-going non-compliance issues.** This is a small but significant figure, considering most state occupational licence schemes tend to have no cancellations of licences.

TRAINING AND ASSURANCE

ARC actively engages with training institutions, training industry regulator Australian Skills Quality Authority (ASQA), committees and groups who influence training in Australia. We do this on behalf of the RAC industry to ensure high quality and modern training is maintained.

TAFE AND RTO ENGAGEMENT

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

ARC supplies free digital temperature thermometers for trainee licence holders undertaking the first year of a RAC apprenticeship. We also provide free code of practice booklets for students, as well as various work-related materials to ensure they are well-equipped for their training.

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, standards 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 the industry, employers, employees, training providers and learners.

ARC are currently sitting members on the Australian Industry and Skills Committee's (AISC) Electrotechnology IRC and Automotive (light vehicle) IRC. These both play an important role in ensuring training for RAC technicians keeps up with the pace of change. These IRC's are responsible for both the UEE11 Electrotechnology and the AUR Automotive Retail Training Packages.

Being part of these IRCs puts ARC in a valuable position to help shape training for industry and contribute to a dynamic, safe and environmentally friendly RAC industry.

AUSTRALIAN SKILLS QUALITY AUTHORITY

ARC continues its role working 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 registered training organisations. With the help of industry, ARC and ASQA, a number of sub-standard training courses continue to be 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 acts as the information hub for industry. ARC communications are designed to improve business for licence holders and promote the industry. Consumers and other end users are targeted to maximise the use of licensed technicians and businesses.

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 ARCTick licence scheme.
- Development of free information packs and video for technicians on R32 refrigerant (in-development).
- Development of free information packs for equipment owners on regularly maintaining and servicing HVACR equipment – encouraging more business for licence holders (in-development).
- Distribution of over 1,000 code of practice booklets to technicians each year.

INDUSTRY ENGAGEMENT

- Working with refrigerant wholesalers to develop a new online interface to identify authorised businesses in real time, making the process of buying refrigerant more efficient and effective.
- Delivery of advocacy campaign promoting the 'climate control' sector to secondary schools Australia-wide.
- 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.
- 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 almost 100,000 consumers to RTA business directory website over summer.

ARC INDUSTRY PARTICIPATION

- ARC sits on various committees and stakeholder groups including:
 - Refrigeration and Air Conditioning Training Alliance.
 - Australian Industry and Skills' Electrotechnology & Automotive industry reference committees.
 - 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.
 - Department of Agriculture, Water and the Environment's Refrigeration and Air Conditioning Industry Advisory Body.





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 2020 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

KPMG

A handwritten signature in black ink that reads 'Phillip Sands'.

Phillip Sands
Partner

Canberra
29 September 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
Revenue from continuing operations	6,290,708	5,971,368
EXPENSES		
Administrative	(542,853)	(535,753)
Compliance	(31,359)	(27,329)
Depreciation	(398,570)	(54,552)
Employee benefits	(3,160,087)	(3,175,852)
Financial management	(227,641)	(222,187)
Information technology	(385,775)	(441,981)
Publicity	(555,518)	(531,035)
Rent and outgoings	(178,433)	(413,797)
Travel	(69,989)	(98,289)
Directors'	(14,818)	(10,605)
Other	(7,073)	(31,107)
Finance costs	(21,447)	-
Profit before income tax	697,145	428,881
Income tax expense	-	-
Profit for the year	697,145	428,881
Other comprehensive income	-	-
Total comprehensive income for the year	697,145	428,881

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	2020 \$	2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,337,441	2,420,254
Trade and other receivables	320,814	373,179
Other financial assets	943,500	1,912,876
Other current assets	5,477	71,071
Total current assets	3,607,232	4,777,380
Non-current assets		
Property, plant and equipment	94,786	69,196
Other financial assets	2,006,456	568,060
Right-of-use assets	1,032,584	-
Total non-current assets	3,133,826	637,256
TOTAL ASSETS	6,741,058	5,414,636
LIABILITIES		
Current liabilities		
Trade and other payables	607,370	1,065,780
Provisions	472,083	373,011
Lease liabilities	354,066	-
Total current liabilities	1,433,519	1,438,791
Non-current liabilities		
Provisions	77,000	86,357
Lease liabilities	646,423	-
Total non-current liabilities	723,423	86,357
TOTAL LIABILITIES	2,156,942	1,525,148
Net assets	4,584,116	3,889,488
EQUITY		
Reserves	3,987,193	3,518,173
Retained earnings	596,923	371,315
TOTAL EQUITY	4,584,116	3,889,488

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Reserves \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2019	3,518,173	371,315	3,889,488
Change in accounting policy	-	(2,517)	(2,517)
Total comprehensive income	-	697,145	697,145
Transfer to reserves	469,020	(469,020)	-
Balance at 30 June 2020	3,987,193	596,923	4,584,116

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	6,858,894	4,838,567
Payments to suppliers and employees (inclusive of GST)	(5,688,748)	(6,102,563)
Government grants received	50,000	-
Interest paid	(21,447)	-
Net cash inflow (outflow) from operating activities	1,198,699	(1,263,996)
Cash flows from investing activities		
Payments for property, plant and equipment	(79,792)	(63,344)
Interest received	54,946	83,005
Net cash (outflow) inflow from investing activities	(24,846)	19,661
Cash flows from financing activities		
Redemption of term deposits	-	999,938
Payments of term deposits	(469,020)	-
Lease payments	(299,558)	-
Net cash (outflow) inflow from financing activities	(768,578)	999,938
Net increase (decrease) in cash and cash equivalents	405,275	(244,397)
Cash and cash equivalents at the beginning of the financial year	1,536,991	1,781,388
Cash and cash equivalents at end of year	1,942,266	1,536,991

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements relate to the Australian Refrigeration Council Ltd (the Company) and are as at and for the year ended 30 June 2020. 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 special 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 16 Leases

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.

• AASB 1058 Income for Not-for-Profit Entities

AASB 1058 replaces the income recognition requirements relating to private sector not-for-profit entities previously reflected in AASB 1004 Contributions.

The Company had to change its accounting policies as a result of the adoption of AASB 16. The Company elected to adopt the new rules on a modified, retrospective basis as at 1 July 2019. Details are disclosed in note 3. Other new standards, interpretations and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2019 did not have 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.

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 2020 reporting periods and have not been early adopted by the Company.

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 2020.

(c) Revenue recognition

Revenue is recognised for the major business activities as follows:

i. Department of Agriculture, Water and the Environment 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) Leases

The Company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 17 and AASB Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Trust uses the definition of a lease in AASB 17.

This policy is applied to contracts entered into, on or after 1 July 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-to-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amount expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Trust is reasonably certain to exercise, lease payments in an optional renewal period of the Trust is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Trust changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease terms that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(e) 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.

(f) 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.

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.

(g) 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 7) 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.

(h) 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.

(i) 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.

(j) 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 period 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 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 of 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.

(k) Goods and Services Tax (GST)

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

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

(l) 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) Reclassification of Expenses

During the financial year ended 30 June 2020, management reclassified expenses relating to staff amenities and electricity as administration expenses rather than directors' expenses. The purpose of the reclassification was to more accurately disclose the nature of these expenses.

The impact on the comparative amounts are as follows:

	2019	(Increase)/ Decrease	2019
	\$	\$	(Restated) \$
Income statement (extract)			
Administrative	(469,787)	(65,966)	(535,753)
Directors'	(76,571)	65,966	(10,605)
Profit before income tax	428,881	-	428,881
Profit for the year	428,881	-	428,881
Profit/(loss) is attributable to:			
Owners of Australian Refrigeration Council Ltd	428,881	-	428,881

(c) 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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