ANNUAL REPORT 2009/10

REFRIGERANT
RECLAIM
AUSTRALIA

In September 2007, RRA was awarded a Montreal Protocol Implementers Award by The United Nations Environment Programme. The Implementers Awards recognise extraordinary contributions made by organisations and individuals whose hard work at country level has helped make the Protocol's phase out goals a reality.

http://ozone.unep.org/Publications/Awards-Booklet.pdf

In May 2006, RRA was awarded a Climate Protection Award from the United States Environment Protection Agency recognising "leadership, personal dedication and technical achievements in protecting the earth's climate". A decade earlier in 1995, RRA received international recognition with an Ozone Protection Award for "exceptional contribution to global environment protection".

CONTENTS

BOARD OF DIRECTORS

RRA has an eight-member Board of Directors. The Directors are drawn from various sectors to ensure equitable industry representation and to provide RRA with a deep and broad understanding of industry needs.

John McCormack
Chairman
Refrigerants Australia and DuPont Australia Ltd

Andrew Ambrose
Vice Chair
Refrigerants Australia and A-Gas Australia Pty Ltd

Kevin O'Shea
Secretary/Treasurer
Refrigeration & Air Conditioning Contractors Association and Coldrae Refrigeration Pty Ltd

Bernie Bugdalski
Air-conditioning & Refrigeration Wholesalers Association and Fujitsu General Australia Pty Ltd

Michael Bennett
General Manager

Greg Groppenbacher
Air-conditioning & Refrigeration Equipment Manufacturers Association and Microguard Pty Ltd

Brendan Howard
Air-conditioning & Refrigeration Wholesalers Association and Actrol Parts Pty Ltd

Brian Jecks
Refrigerants Australia and Arkema Pty Ltd

Mark Mitchell
Vehicle Air-conditioning Specialists of Australasia and SCA Australia Pty Ltd

MEMBERSHIP OF RRA

RRA's membership includes the major industry associations, major importers of equipment containing refrigerant, and importers of bulk refrigerants.

Industry Associations

AREMA

ARWA

NARGA

R.A.C.C.A

REFRIGERANTS AUSTRALIA

VASA

Equipment Importers

DAIKIN
A world Leader in Air Conditioning Technology

FUJITSU GENERAL

MITSUBISHI ELECTRIC
Changes for the Better

Bulk Refrigerant Importers

ACTROL

A-GAS
www.agas.com

ARKEMA
The world is our inspiration

BOC

DUPONT
The miracles of science

HEATCRAFT
Worldwide Refrigeration

ORICA

CHAIRMAN'S REPORT

RRA has enjoyed another very successful year in 2009/2010 due to the ongoing commitment by the refrigeration and air conditioning industry to the recovery and return of contaminated and unwanted refrigerant, the prevention of emissions, and compliance with environment protection regulations.

After a number of years of strong volumetric growth the amount of recovered refrigerant plateaued this year with the annual volume totalling 475 tonnes. The full impacts of the implementation of the amended Ozone Protection and Synthetic Greenhouse Gas Management Act with its requirement of compulsory recovery, licensing and compliance have now been absorbed. Increasing prices for new refrigerants and uncertainty regarding supply are both factors that have contributed to the increasing reuse of quality recovered refrigerant. Continuing uncertainty about Australia's response to climate change, such as an emissions trading scheme or carbon tax, has given rise to some confusion in the market place whilst the global financial crisis limited the scope for growth. Despite these headwinds RRA and the industry have combined to deliver a sound performance through continued responsible stewardship of the industry refrigerant recovery program and a strong commitment to recovery. RRA is well positioned as an integral part of industry operations by successfully providing support for industry-wide compliance within Australia's regulatory environment.

Performance

- More than 800 companies now contribute to the RRA program.
- Bulk importer contributions were 64% of total levy revenue whilst equipment importers contributed 36%.
- Levy revenue provided 92% of total revenue with the balance 8% provided by investment income.
- Revenue from investment grew $0.1million due to increased value of investments.
- Total refrigerant recovered for the year was 475 tonnes.
- The volume of refrigerant recovered since the program began until end June 2010 stands at 3,468 tonnes.
- Contractor rebates this year totalled $1.3 million and wholesaler rebates totalled $3.4 million so that $4.7 million was provided back directly to the industry.
- Total equity in the RRA Environment Trust has grown to $26.3 million.
- RRA finished the year with a surplus of $4.8 million which leaves us well placed to meet the challenges of relocation in 2012.

Operations

- A total of 460 tonnes of recovered refrigerant was destroyed throughout the year.
- The stockpile of product pending destruction increased to 117 tonnes.
- The local cost of destruction remained high and international opportunities continue to be sought.
- CFCs accounted for 7% of total recovered refrigerant whilst HFCs were 38%, and HCFCs were 55%.

Governance and Administration

- Continued focus remained on governance issues, and adherence to the Board Governance, Delegations and Treasury policies, as well as the Code of Conduct.

Challenges

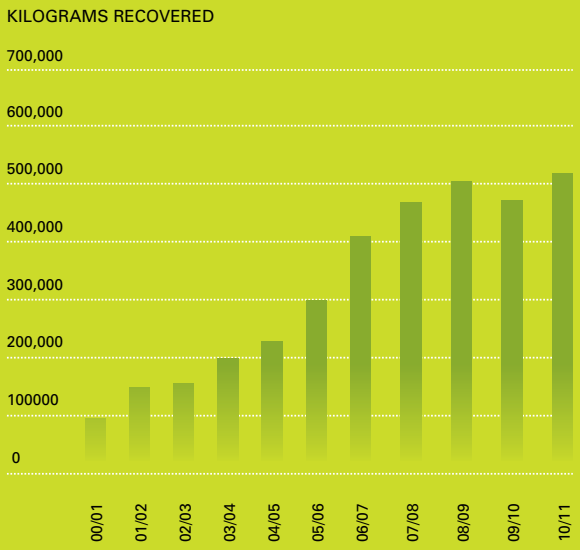
- The growth pause in the volume of refrigerant being returned provides an opportunity to better understand the recovery market and to pursue recovery opportunities from end-of-life equipment.
- The major effects of the implementation of the amended Ozone Protection and Synthetic Greenhouse Gas Management Act have now been absorbed and growth is likely to be more measured in coming years.
- The high cost of local destruction services continues to be a drain on financial resources and alternative methods, facilities and routes for destruction are being researched.
- The closure of the Tottenham site in 2012 provides a deadline for the establishment and commissioning of new facilities.
- The Commonwealth government's response to climate change has the potential to strongly impact our industry, and RRA in particular. Uncertainty about the future and the potential magnitude of the impacts makes planning and the pursuit of alternative destruction technologies and infrastructure problematic.
- The introduction of an emissions trading scheme or carbon tax that includes refrigerants may have industry changing impacts and will require strong focus and foresight to develop an appropriate response by RRA that will ensure the continuance of high levels of recovery and emission reduction.
- RRA, along with the rest of the Australian industry, believes managing the phase down of synthetic greenhouse gas refrigerants under the highly successful Montreal Protocol will provide greater and lower cost abatement.
- Working with government and industry locally and internationally to achieve the best result for industry and the environment is a key challenge.

The Directors of RRA continue to be generous with their commitment in time, knowledge and expertise. Their knowledge, experience and skills will support our small but dedicated team to take the organisation forward. The coming year will require decisions affecting the long-term operations of the program. The outcomes will be greater success, further reductions in emissions, and a commensurate improvement in the industry's environmental performance.

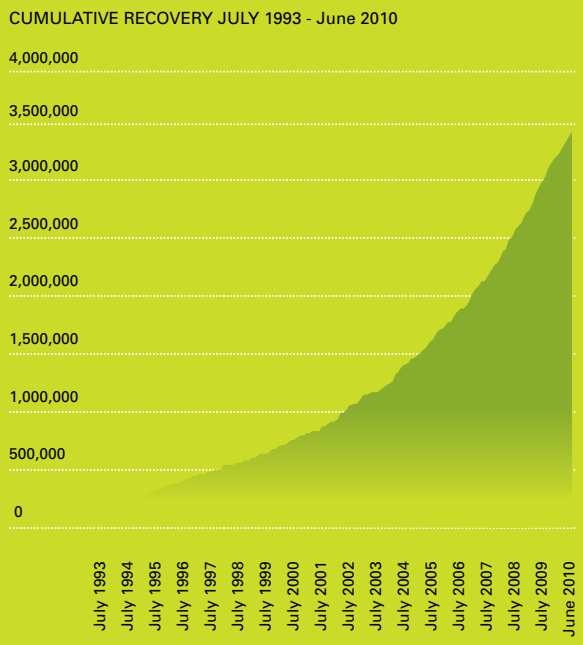
John McCormack
Chairman

PERFORMANCE 2009/10

Volume of Recovered Refrigerant in Kilograms
2000/2001 – 2009/2010 and Budget 2010/2011



Cumulative Volume of Recovered Refrigerant in Kilograms
1993 – 2010



PERFORMANCE 2009/10

Recent Performance

The volume of recovered used and unwanted refrigerant received from the market place has risen strongly in recent years due to a range of factors. The volume of recovered refrigerant doubled from 2003/04 to 2006/07, and further growth of 25% in the two years to the end June 2009. Growth turned negative in 2009/10 due to the effects of the global financial crisis reduced market activity, improved equipment design, higher quality installations, and the escalating price of refrigerants leading to increased levels of reuse.

- Growth in the early part of the decade was due to the promotion of the program to wholesalers and focused communication exercises with contractors and technicians.
- An increase in rebates paid to contractors and wholesalers, and the accompanying marketing campaign, brought about growth in 2003/04. RRA pays rebates to both refrigeration contractors and wholesalers who recover and return refrigerant. These rebates are intended to provide some incentive to contractors and part compensation for the costs incurred by wholsalers through taking back recovered refrigerant.
- Growth in 2004/05 and 2005/06 was due to the expansion of the program to recover HFCs and the introduction of the new Ozone Protection and Synthetic Greenhouse Gas Management Act (OPSGGM). The new Act includes a national system of licensing and a robust compliance program.
- Growth since then is due to the new Act that making recovery and safe disposal of ozone depleting and synthetic greenhouse gas refrigerants mandatory. .

Current Performance

The small decline in the volume received back from the market in 2009/10 has been caused by a confluence of factors, some of which will continue to influence outcomes in the near future.

- The impact of the global financial crisis was a diminution of activity that reduced the opportunity for recovery but will not have lasting effects.
- The national program introduced by the OPSGGM Act requires all technicians to be properly qualified tradespeople, all businesses acting in the industry to meet strict criteria regarding equipment and employment, and to ensure that all work Australian standards.
- An audit program that ensures a high level of compliance supports licensing and authorising. Collectively, these initiatives will have reduced the leakage rate from systems, improved the quality of installations, and reduced the amount the amount of refrigerant being recovered and returned.
- Improved equipment design and manufacturing processes have also reduced the availability of refrigerant for recovery and return. Lower leakage rates are prevalent particularly in the automotive and domestic air conditioning sectors. The improvements mean that less refrigerant leaks and fewer breakdowns occur.
- The increasing price and tightening availability of some refrigerants is leading to the increased reuse of recovered refrigerant and thereby a lessening in the volume being sent to RRA. A global shortage of production inputs and high demand has forced up the price of refrigerants internationally, whilst in Australia the phase out of HCFCs is beginning to restrict supplies.

Cumulative Performance

The RRA program has facilitated the recovery of 3,468 tonnes of ozone depleting and synthetic greenhouse gas refrigerants since the program began in 1993. In achieving this RRA has provided real benefit by assisting Australia meet obligations to control and phase out the use of ozone depleting substances under the Montreal Protocol. The program has so far prevented the emission of sufficient ozone depleting refrigerant to destroy at least 8.0 million tonnes of stratospheric ozone.

The program has also contributed significantly to Australia's greenhouse emission reduction targets set out in the Kyoto Protocol. RRA received a small grant from the Greenhouse Gas Abatement Program, a Commonwealth Government program managed by the Australian Greenhouse Office, to assist in the expansion of the program to take back and destroy synthetic greenhouse gas refrigerants.

Not only did CFCs deplete the ozone layer they also had very high global warming potentials. As much of RRA's cumulative recovery has been CFCs the reduction in carbon dioxide equivalent greenhouse gas emissions is in the order of 10 million tonnes of CO_2e. On a Kyoto Protocol only basis the reduction in emissions is well above target and is the equivalent of 1.26 million tonnes of CO_2e.

Recovery by Type

The impact from the expansion of the program and the introduction of new legislation on the mix of refrigerants being taken back is evident in these two graphs.

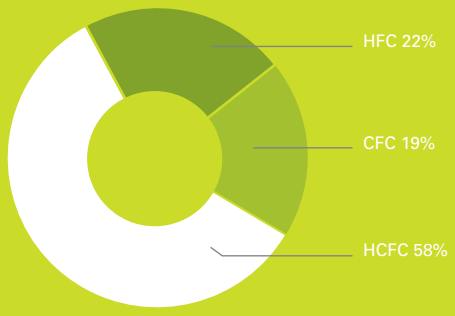
Whilst HCFCs, predominately R22, remain the most returned refrigerant, HFCs have grown to be more than a third of refrigerant recovered. R134a is used predominately in automotive air conditioning and accounted for 40% of HFCs returned. There are increasing quantities of HFCs used in blended refrigerants now being recovered. CFCs will continue to decline, as the installed bank is now quite small.

Process Activity

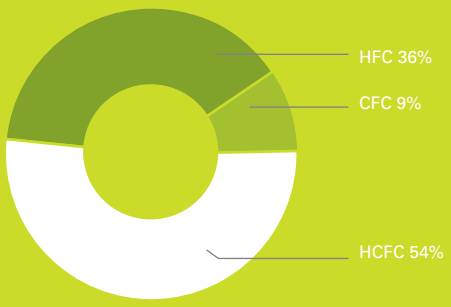
In the 1990's some recovered refrigerant was able to be reclaimed to new specification, or reprocessed as feedstock by the manufacturer. Since then refrigerant taken back by RRA has been destroyed.

The plasma-arc process is the only commercially available method for the destruction of fluorocarbons in Australia. This form of pyrolysis utilises a high temperature arc to generate argon plasma in which the fluorocarbon molecule is broken down. The resultant acid gases are then neutralised and quenched with sodium hydroxide and water to form a sodium chloride and sodium fluoride salts solution.

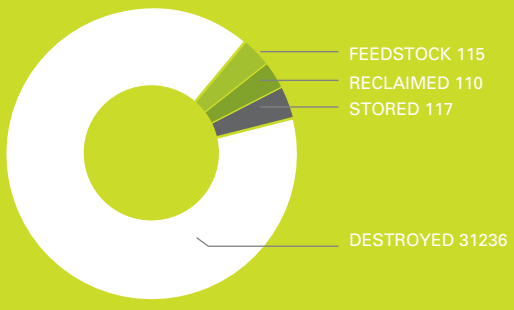
% RECOVERY BY TYPE 2004



% RECOVERY BY TYPE 2009

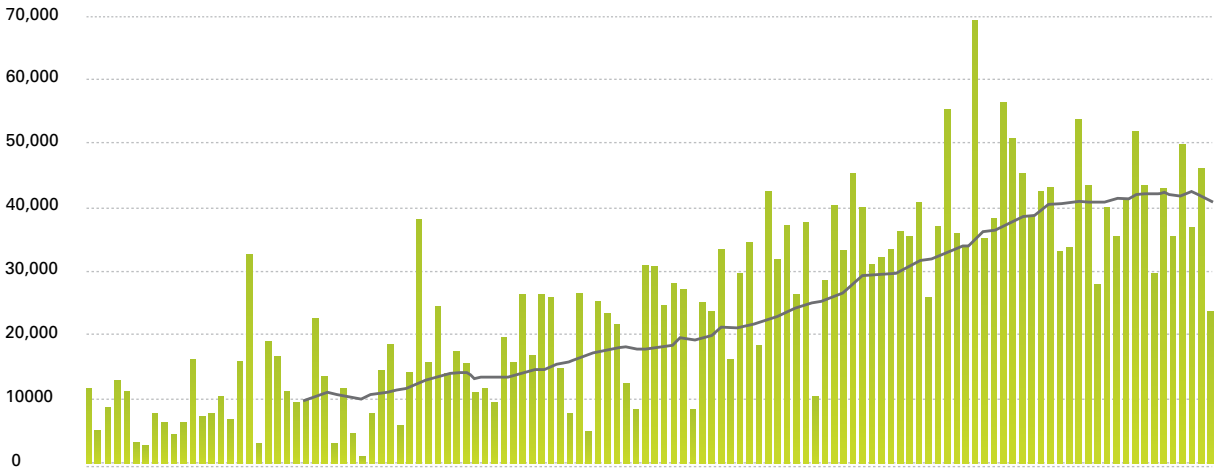


ACTIVITY JULY 1993 - JUNE 2010 TONNES



PROJECTIONS AND TRENDS – THE JOB AHEAD

MONTHLY RECOVERIES AND TREND FROM JULY 2001 TO JUNE 2010
24MTH MOVING AVERAGE TREND

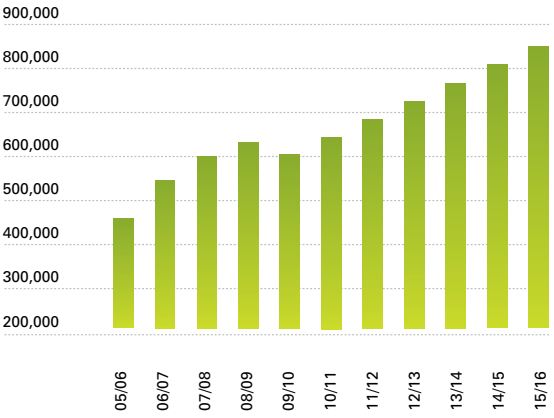


As can be seen growth was quite strong through most of the decade but reached a plateau in the last two years. The average monthly volume of recovered refrigerant taken back by RRA has grown from 10 tonnes early in the decade to 40 tonnes for the most recent two years.

The graph Annual Recovered Volume displays the volume projections to the 2015/16 financial year. The figures up to 2009/10 are actual recovered volumes with the remaining years' forecasts based on industry and RRA projections.

The projection has the recovered volume growing by 60% in the six years to 2015/16. The growth rate is less than recent years and reflects the full absorption of the impacts of the Ozone Protection and Synthetic Greenhouse Gas Management Act. After 2011/12 growth will be an increase of 50 tonnes per annum driven by the impact of the recovery of refrigerant from domestic air conditioning systems installed in Australia, and end of life motor vehicles.

PROJECTED VOLUME OF RECOVERED REFRIGERANT IN KILOGRAMS
2005/2006 – 2015/2016




FOR EVERY DECISION WE MAKE
THERE'S AN OUTCOME,
BE IT POSITIVE (+)
OR NEGATIVE (–)

A Growing Liability

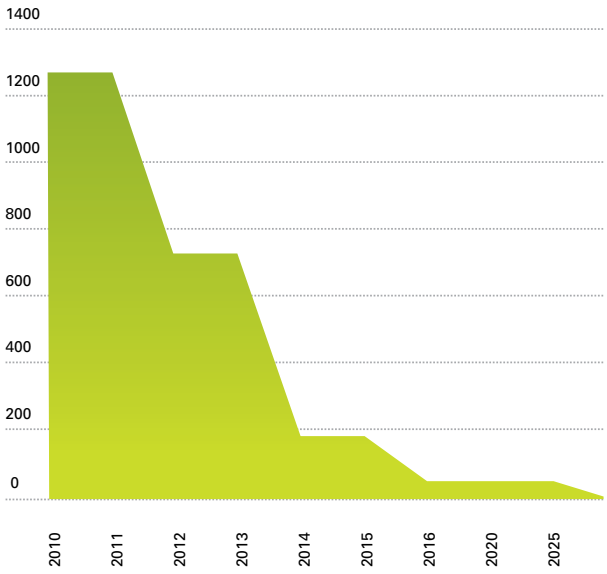
There is more than 30,000 tonnes of refrigerant installed in the Australian market place, and for which RRA has ultimate responsibility. The amount of installed refrigerant will grow as additional equipment is purchased over time, and Australia's population expands. New systems, equipment and installations have higher integrity leading to lower losses through leakage, and will retain higher proportions of their initial charges at end-of-life. This means that RRA's liability is growing annually and provision must be made to fund recovery and destruction activities in the future. The provision of funds will need to be achieved in an environment of diminishing funding from imports as new, low GWP refrigerants are progressively introduced.

Phasing Out HCFCs

CFCs such as R11 and R12 were strong ozone depleters that also had very high GWPs (a kilogram of R12 was the equivalent of 10.6 tonnes of CO2) and were phased out in the mid 1990's. HCFCs such as R22 were used as substitutes in a range of applications to enable the fast phase-out of those substances. HCFCs were only an interim measure and their phasing out was scheduled over a longer period. That period is now coming to an end. Commencing in 2016 just 2.5 ozone depleting tonnes of HCFC will be able to imported to service long life equipment. That is the equivalent of 45 tonnes of R22.

Much of the installed equipment will be able to be serviced with the range of new products that have been created for the purpose, and newly manufactured equipment has already transitioned to new refrigerants.

HCFC 22 PHASE OUT



Low GWP Refrigerants

An important new development is the creation of new very low GWP refrigerants. The first of these, HFO1234y/f, has been developed to replace HFC134a in motor vehicle air conditioning. Whereas the current product has a GWP of 1,420 its replacement has a GWP of only 4. The introduction of HFO1234y/f will lead to large and sustained reductions in CO_2e emissions. Further low GWP products are planned for the refrigeration and foam sectors, and will be progressively introduced throughout the next decade.

The introduction of refrigerants with such low impact may lead to a substantial fall in revenue for RRA. These very low GWP products will not be included in the product stewardship program if the carbon cost to recover and safely dispose of them is greater than their carbon emission value.


+
THINK.
WHAT IS POTENTIAL RESULT OF
THE ACTIONS YOU TAKE?
-

CONTRIBUTORS

RRA was initially funded by a levy on the bulk import and sale of ozone depleting refrigerants, CFCs and HCFCs. In 2003, the levy was extended to synthetic greenhouse gas refrigerants, HFCs and PFCs. During this period there was substantial growth in the volume of refrigerant being imported in already charged equipment.

Along with a licensing and authorisation system for technicians and contractors, the ODSGGM Act introduced a licensing system for importers of refrigerant. Importantly, the Act extended its licensing requirements to include importers of refrigerant contained in equipment. Since the introduction of the product stewardship requirement in 2005 RRA has worked closely with importers of equipment charged with refrigerant gases to ensure they are able to meet this condition of their import licence.

The change meant expanding the number of contributors to the program from only eight (8) bulk importers to now more than 800 importers of pre-charged equipment. Given the diversity of volumes and companies importing refrigerant a two tiered fee structure was devised. Companies that import less than 100 kilograms (about 550) a year pay a flat annual fee whilst companies importing greater than that amount pay a levy per kilogram each quarter.

In 2009/2010 importers of refrigerant contained in equipment contributed $5.2 million compared to $9.2 million for importers of refrigerant in bulk.

Program Participants

The number of RRA program participants has increased with now approximately 800 contributors. The number of wholesaler collection points for the return of refrigerants has also grown providing improved access to the program for contractors.

Importers of refrigerant in bulk

Actrol Parts Pty Ltd
A-Gas (Australia) Pty Ltd
Arkema Pty Ltd
BOC Ltd
Du Pont (Australia) Ltd
Heatcraft Australia Pty Ltd
Orica Australia Ltd
Technochem Australia Pty Ltd

Major Importers or refrigerant contained in equipment

Equipment
AHI – Carrier (Australia) Pty Ltd
Daikin Australia Pty Ltd
Electrolux Home Products Pty Ltd
Fujitsu General (Australia) Pty Ltd
LG Electronics Australia Pty Ltd
Mitsubishi Electric Australia Pty Ltd
Mitsubishi Heavy Industries Pty Ltd
Panasonic Australia Pty Ltd
Samsung Electronics Aust Pty Ltd
Temperzone Australia Pty Ltd

Motor Vehicles
Ford Motor Company of Aust Ltd
GM Holden Ltd
Honda Australia Pty Ltd
Hyundai Motor Company Aust Pty Ltd
Mazda Australia Pty Ltd
Mercedes-Benz Australia Pty Ltd
Mitsubishi Motors Australia Ltd
Nissan Motor Co. (Aust) Pty Ltd
Subaru (Aust) Pty Ltd
Toyota Motor Corporation Aust Ltd

Wholesalers and Collection Agents

A-Gas (Australia) Pty Ltd
ARW Pty Ltd
Coldpoint Pty Ltd
CoolDrive Distribution
Fluoroclaim Pty Ltd
Heatcraft Australia Pty Ltd
JZ's Wholesaler Refrigeration and Aircon Parts
Kingstone Enterprises Pty Ltd
Mick Ffrench Airconditioning Pty Ltd
Orica Pty Ltd
Refrigerant Management
Refrigeration Distributors Pty Ltd
Refrigeration Parts Pty Ltd
Solvents Australia Pty Ltd
Temperature Solutions Pty Ltd

Actrol Parts Pty Ltd
BOC Limited
Cool Parts Pty Ltd
Doritec Pty Ltd
GMR Supplies Pty Ltd
Highgate Industries Pty Ltd
Keith Good Pty Ltd
Mellcott Refrigeration
Metjak Pty Ltd
Optimum Energy Australia Pty Ltd
Patton Australia Pty Ltd Reece Pty Ltd
Refrigeration Air Supplies
Refrigeration Equipment Sales Pty Ltd
Scottish Pacific Business Finance Pty Ltd
Technochem Australia Pty Ltd

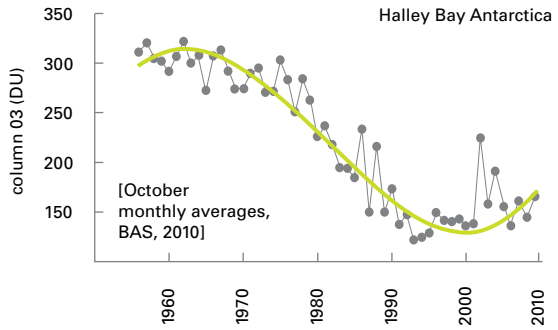
OZONE DEPLETION AND CLIMATE FORCING – EMISSIONS AND IMPACTS

Ozone Depletion and Ozone Recovery

The Ozone Hole

The most quoted metric in defining the severity of the ozone hole is the average minimum ozone levels observed over Halley Bay Station (British Antarctic Survey), Antarctica, throughout October. This was the metric that was first reported in 1985 to identify the significant ozone loss over Antarctica. Based on this metric alone, it would appear that October mean ozone levels over Halley Bay may have started to increase again. The minimum ozone level was observed in 1993, which has been attributed to residual volcanic effects (Mt Pinatubo, 1991). Ignoring the warm years of 2002 and 2004, the mean October ozone levels at Halley Bay for 2003 to 2009 are higher than those observed from 1996 to 2001, although the uncertainties just overlap.

Halley Bay Antarctica (CSIRO 2009)



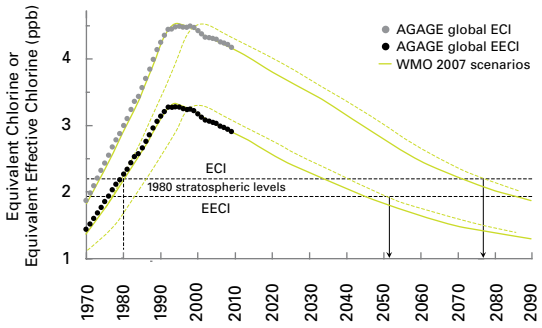
Chlorine in the Atmosphere

Ozone recovery over Antarctica is complex to model. Apart from the future level of ozone depleting chlorine in the stratosphere, temperature trends and variability in the stratosphere, the impact of major volcanic events and the future chemical composition (for example H_2O, CH_4 and N_2O) of the stratosphere are likely to be important factors in determining the rate of ozone recovery.

Chlorine levels reached their peak in 1994 and 1995, and are likely to decline steadily over the next few decades at about 1% per year, leading to reduced ozone destruction. The figure below shows Equivalent Chlorine and Effective Equivalent Chlorine. ECl is relevant to ozone depletion over Antarctica while EECl is relevant to ozone depletion at mid-latitudes.

The arrows indicate when the mid-latitude and Antarctic stratospheres will return to pre-1980s and pre-ozone hole levels respectively.

Equivalent and Effective Equivalent Chlorine (ECl, EECl) from global measurements of all the major ODS

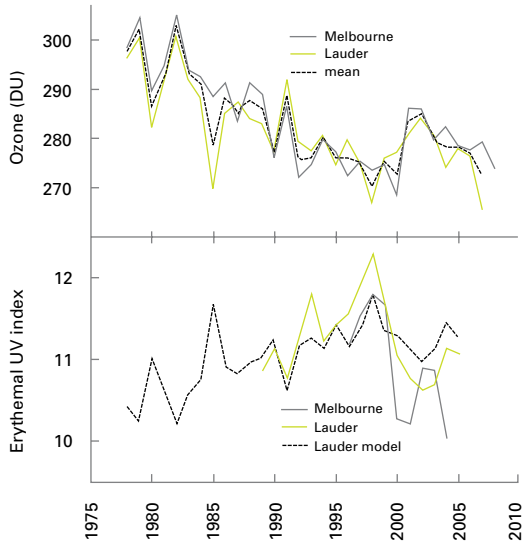


Ultra Violet Changes

Ozone and UV changes at mid-latitudes in the Southern Hemisphere are shown in the graph Summer Ozone and UV Changes. Ozone levels reached a minimum in the late 1990s and have recovered significantly in the early 2000s. This recovery is likely due to a combination of chlorine changes, which is the reduction in the amount of chlorine in the stratosphere due to lower emissions of refrigerants and other substances containing chlorine, and solar cycle effects. As ozone levels have started to increase at mid-latitudes since the late 1990s, ultra violet radiation levels have started to decrease. UV levels respond to ozone changes, cloud cover and the aerosol loading of the lower atmosphere.

Whilst it will take several years of careful ozone and UV observations to properly attribute the various possible causes of the recent decline in UV levels the improvement is significant.

Summer Ozone and UV Changes CSIRO 2009

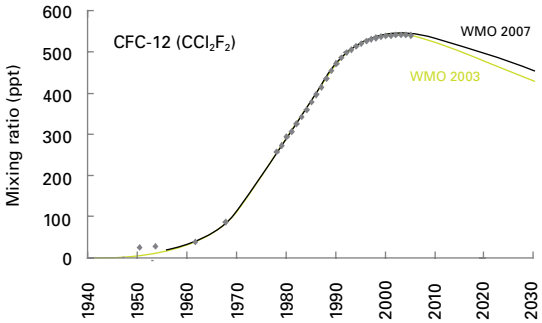


Refrigerants in the Atmosphere

CFC-12

CFC-12 is the most significant ozone depleting and the third most significant greenhouse gas (after carbon dioxide and methane) in the background atmosphere. Prior to the introduction of the Montreal Protocol in 1987, CFC-12 was the most commonly used refrigerant.

Annual Mean CFC-12 Concentrations Cape Grim Tasmania & Law Dome Antarctica (CSIRO 2009)

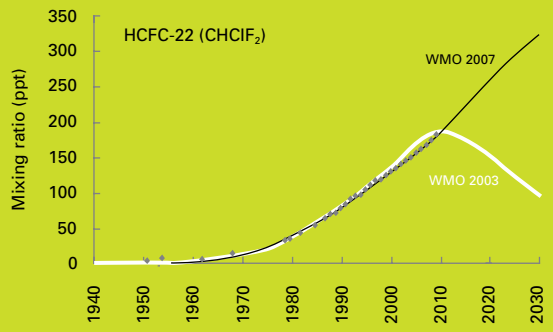


The graph shows the concentration of CFC-12. The levels of CFC-12 in the atmosphere have started to decline in line with predictions based on global compliance to the Montreal Protocol. The global abundance of CFC-12 peaked in the background atmosphere at in 2003. The decline in CFC-12 is accelerating and levels are predicted to soon decline by about 0.8% per year.

HCFC-22

HCFC-22 has long been the refrigerant of choice for domestic air conditioning and other applications. Under the Montreal Protocol, it is due to be largely phased-out of use by 2015 in developed countries. HCFC-22 consumption in developing countries has been growing. HCFC-22 is a minor greenhouse gas. The HCFC-22 graph shows the concentration from the 1940s to the present.

Annual Average HCFC-22 Concentrations Cape Grim Tasmania & Law Dome Antarctica (CSIRO 2009)

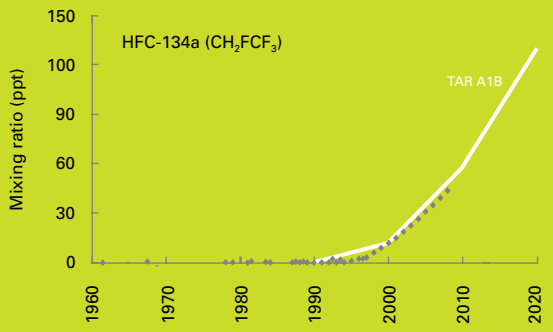


HCFC-22 levels are growing in the background atmosphere, but not as fast as predicted under the Montreal Protocol. The new scenario, blue line WMO 2007, predicts a continuing increase in levels of HCFC-22 consistent with significantly enhanced emissions from developing countries. The predicted rapid decline (5% per year) will be delayed.

HFC-134a

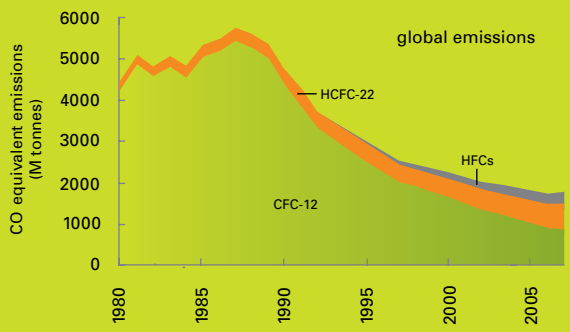
HFC-134a is the current refrigerant of choice for many refrigeration and air conditioning applications because it does not cause ozone depletion, is safe, and has excellent refrigerant properties. It is a significant greenhouse gas that has been identified for emission controls under the Kyoto Protocol. HFC-134a first appeared in the atmosphere in the mid-1990s and its concentration in the atmosphere is increasing as it replaced CFC-12 in the marketplace.

Annual Average HFC-134a Concentrations Cape Grim Tasmania & Law Dome Antarctica (CSIRO 2009)



Global Emissions

Global refrigerant equivalent CO_2 emissions (M tonnes CO_2-e) derived from atmospheric abundance data from Cape Grim and other global stations



Under the Montreal Protocol, CFC-12 emissions have fallen significantly over the past 20 years. At the same time emissions of HCFC-22 and HFC-134a have grown. The overall result is a significant reduction of CO_2-e emissions.

HCFC-22 emissions have been rising at the rate of 5% per year recently. The phasing out of HCFCs under the Montreal Protocol will lead to a gradual decline in emissions. HFC-134a emissions have risen from zero in the early 1990s and the recent growth in emissions has been 3-4% per year. However, the growth in HFC-134a emissions is starting to slow.

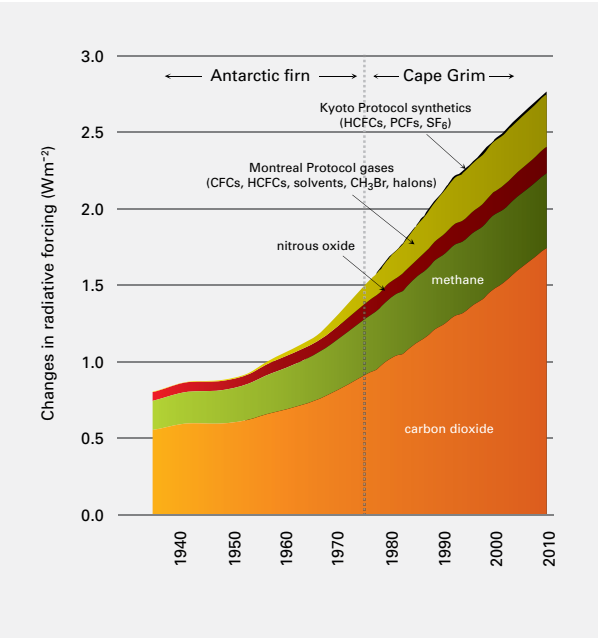
Climate Change

Change in the global levels of greenhouse gases (GHGs) is the major contributor to climate change over the past 100 years. The relative contributions of the various GHGs to climate change can be estimated from their radiative forcing. All of the important GHGs in the atmosphere have been measured since 1976 in air from Cape Grim and, over the past 2000 years, in air extracted from firn-ice at Law Dome, Antarctica and are displayed in the graph titled Radiative Forcing.

Since CFCs first appeared in the atmosphere in measurable quantities in the 1950s, the contributions of the various greenhouse gas 'categories' to radiative forcing up to 2006 are: CO_2: 61%, CH_4, 22%, Montreal Protocol gases (largely CFCs): 10%; N2O, 6%; Kyoto Protocol synthetic gases (largely HFCs): <1%.

Between 2005 and 2050 the contributions from CFCs will decline while those from HFCs will increase: CO_2: 68%, CH_4, 17%, Montreal Protocol gases (largely CFCs): 7%; N_2O, 6%; Kyoto Protocol synthetic gases (largely HFCs), 2–3% (IPCC, 2001).

Radiative Forcing – The change in radiative forcing due to GHGs measured at Cape Grim Tasmania & Law Dome Antarctica (CSIRO 2009) & Law Dome Antarctica (CSIRO 2009)



All data and graphs extracted from CSIRO Reports prepared by P. Fraser et al 2007 & 2009.Global and Australian Emissions of Refrigerant Gases and other HFCs, and The 2009 Antarctic Ozone Hole and Ozone Science Summary

2009/10 FINANCIAL REPORTS

ACCOUNTANTS LETTER

pwc

The Directors of:

Refrigerant Reclaim Australia Limited, as trustee for
Refrigerant Reclaim Australia Environment Trust

Cc: General Manager, Refrigerant Reclaim Australia

Compilation report to the directors of the Refrigerant Reclaim Australia group

Using information you provided, we have compiled the special purpose financial statements for the Refrigerant Reclaim Australia (RRA) group, consisting of Refrigerant Reclaim Australia Limited and the Refrigerant Reclaim Australia Environment Trust for the year ended 30 June 2010. Audited consolidated financial statements are not prepared for these entities because they are not a reporting entity under Australian Accounting Standards. The financial statements for the RRA group are an aggregation of the audited financial data for each of the entities listed above, after eliminating any inter-entity transactions and balances. The report comprises a combined income statement, combined balance sheet, and related notes.

The responsibility of the directors

The directors are solely responsible for the information contained in the report and have determined that the financial reporting framework used, as set out in Note 1 to the financial statements, is appropriate to your specific purposes.

Our responsibility

On the basis of information provided by you, we have compiled the accompanying financial statements in accordance with the financial reporting framework described in Note 1 to the financial statements.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which you provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

The financial statements were compiled exclusively for the benefit of the proprietor. We do not accept responsibility to any other person for the contents of the financial statements.

PricewaterhouseCoopers

Todd Wills
Partner

Canberra
19 November 2010

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INCOME STATEMENT

	2010 $	2009 $
Levy Income		
Levies		
– Bulk importers	**9,159,577**	8,830,996
– Charged equipment importers	**5,314,757**	4,361,365
Total Levy Income	**14,474,334**	13,192,361
Other Income		
Interest income	**1,076,874**	1,090,362
Other income	**660**	-
Total Other Income	**1,077,534**	1,090,362
Total Income	**15,551,868**	14,282,723
Operational Costs		
Cost of destruction		
– Destruction costs	**3,793,971**	4,285,273
– Rebates to contractors and wholesalers	**4,712,716**	5,795,224
– Other	**786,461**	760,757
Total Operational Costs	**9,293,148**	10,841,254
Gross Surplus/(Deficit) from Trading	**6,258,720**	3,441,469
Total Trading Overheads	**861,566**	946,560
Operating Surplus	**5,397,154**	2,494,909
Net Surplus/(Deficit)	**5,397,154**	2,494,909

BALANCE SHEET

	2010 $	2009 $
ASSETS		
Current Assets		
Funds		
Petty Cash	**200**	200
Operating Account	**723,255**	2,933,551
Investments	**24,175,949**	16,854,674
	24,899,404	19,788,425
Debtors		
Trade Debtors	**2,508,553**	2,585,169
Other Debtors	**-**	-
	2,508,553	2,585,169
Other		
Prepaid Insurance	**-**	31,284
Accrued Interest	**249,090**	86,489
	249,090	117,773
Total Current Assets	**27,657,047**	22,491,368
Non-Current Assets		
Property Plant and Equipment	**86,797**	36,523
Less Accumulated Depreciation	**(19,641)**	(10,278)
Cylinders	**420,395**	420,395
Less Accumulated Depreciation	**(216,331)**	(170,729)
Total Non-Current Assets	**271,221**	275,911
Total Assets	**27,928,268**	22,767,279
LIABILITIES		
Current Liabilities		
Creditors		
Trade Creditors	**719,662**	903,565
Accrued Expenses	**30,422**	34,585
	750,084	938,150
Tax liabilities		
Net GST payable	**-**	-
	-	-
Provisions		
Provision for annual leave	**40,547**	46,224
Provision for long service leave	**43,154**	35,864
Provision – Destruction Costs	**784,854**	834,567
	868,555	916,656
Total Current Liabilities	**1,618,639**	1,854,806
Total Liabilities	**1,618,639**	1,854,806
Net Assets	**26,309,629**	20,912,473
EQUITY		
Settled Sum	**10**	10
Retained Earnings	**20,912,465**	18,417,554
Current Year Earnings	**5,397,154**	2,494,909
Total Equity	**26,309,629**	20,912,473

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This is a special purpose financial report that has been prepared based on the 2010 financial reports of Refrigerant Reclaim Australia Limited and the Refrigerant Reclaim Australia Environment Trust, each of which were individually audited. As the consolidated Refrigerant Reclaim Australia entity presented in this report is not recognised as a consolidated entity under Australian Accounting Standards, management have determined the accounting policies outlined below are appropriate and sufficient to meet the needs of the intended users of this report.

Historical cost convention

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

(b) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

(i) Levy on imported refrigerant

Revenue is recognised when certain types of refrigerant are imported and sold in Australia.

(ii) Interest revenue

Interest revenue is recognised when interest is derived on cash at bank.

(c) Income tax

Income tax is not brought to account as the entities have exempt status under Division 50 Subdivisions 5 & 10 of the *Income Tax Assessment Act 1997*.

(d) Cash and cash equivalents

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

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement within 60 days.

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 Trust 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.

The amount of the impairment loss is recognised in surplus or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are initially recorded at cost and are depreciated over their estimated useful lives using the diminishing value method. New assets are depreciated from the date of their commissioning.

Depreciation rates and methods are reviewed annually for appropriateness. The useful lives used for each class of assets are as follows:

– Cylinders	7.5 years
– Other property plant and equipment	3–5 years

(g) Trade and other payables

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

(h) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

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

(i) 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.