



REFRIGERANT
RECLAIM
AUSTRALIA

2019 — 2020

ANNUAL REPORT



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FROM THE CHAIRMAN

It has been another successful year for Refrigerant Reclaim Australia, in terms of continuing to deliver on our mandate of safely destroying unwanted refrigerant and supporting industry in doing the right thing by our planet both at home and overseas.

Although I don't wish to dwell the pandemic, or the other natural disasters that have impacted this reporting period it is encouraging that our industry has stepped up and kept on returning refrigerant.

In fact, on paper, there appears to have been little disruption to the amount of refrigerant sent for destruction. It's encouraging and a credit to the professionalism and dedication of people in the refrigeration and air-conditioning sector.

This was the first full year of service for our new General Manager, Kylie Farrelley.

She has taken the baton from long-serving predecessor Michael Bennett and begun applying her own deep business and operations experience to develop a clear vision for taking RRA into a new era.

And it is a new era for all of us. The global HFC phase-down is underway and awareness of the need to avert the effects of climate change has never been greater.

RRA's track record is admired around the world, and we have recently been sharing our experience with leaders from countries in Africa, as well as Chile, Turkey, that are all planning to build their own refrigerant stewardship programs.

We are also helping Fiji, Papua New Guinea and Samoa with affordable ways of collecting unwanted refrigerant and shipping it here for safe destruction.

Closer to home, we have been undertaking an important research project into split air-conditioner leakage rates, supporting TAFE with refrigerants, and rolling out training tools combining video and augmented reality technologies to teach, engage and inspire the next generation of technicians and engineers who are entering our industry.

Meanwhile 470 tonnes of unwanted refrigerant was recovered, a pleasing amount in the current environment.

However, we know there is more out there, that Australia's HFC refrigerant bank is growing and will continue to do so for the next few years, although not at the rate it once did.

I look forward to telling you about how we are addressing that in next year's annual report.



John McCormack
RRA Chairman

CUMULATIVE PERFORMANCE

7800+

TONNES RECOVERED
SINCE 1993

7300+

RETURNED FOR
DESTRUCTION

500+

TONNES
RECLAIMED

100+

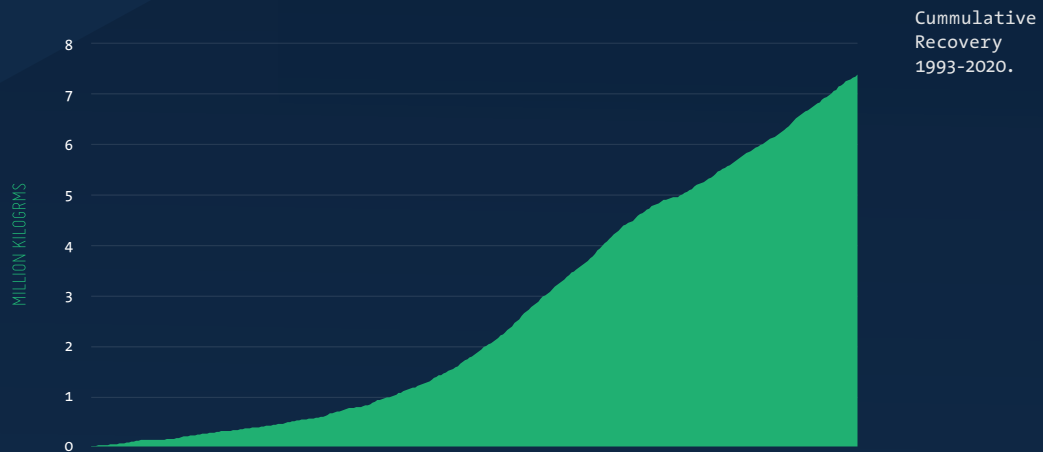
TONNES USED
AS FEEDSTOCK

\$7.3M

MILLION IN REBATES
PAID TO INDUSTRY
SINCE 2004

TONNES CUMULATIVE TOTAL
TO JUNE 2020

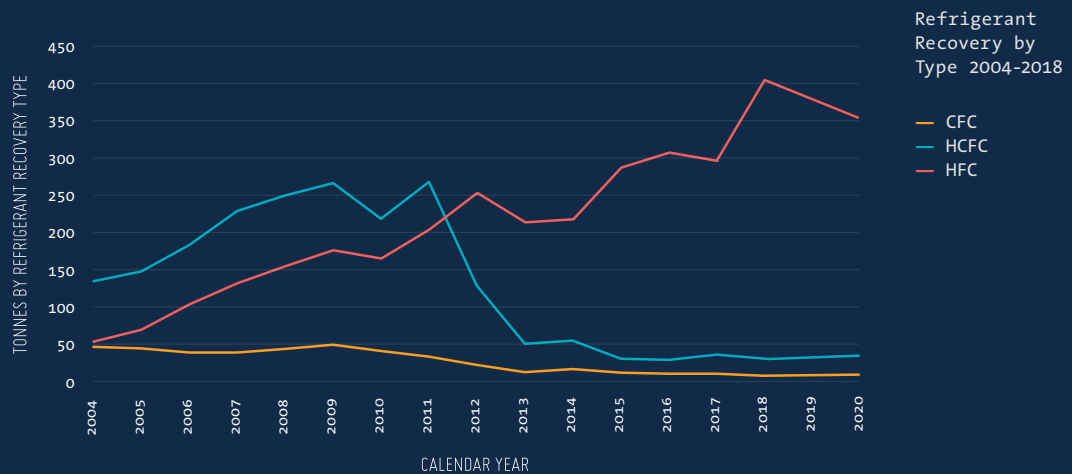
7,869



SINCE 1993 ANNUAL RECOVERIES HAVE GROWN
FROM 50 TONNES PER YEAR TO ALMOST

500 TONNES

In 2012 HFCs overtook HCFCs to become the most-recovered refrigerant type



107M

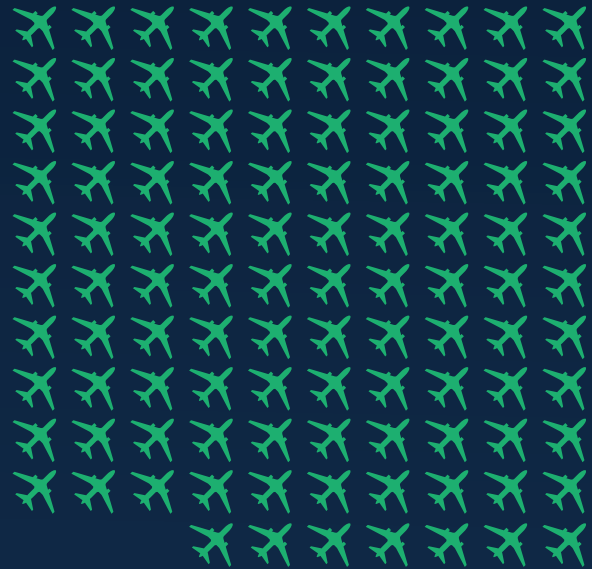
CO₂-EQUIVALENT ABATEMENT

has reached almost 15 million tonnes, the average greenhouse gas emissions of 107 million economy class passengers taking return flights between Melbourne and Sydney¹.

¹International Civil Aviation Organization Carbon Emissions Calculator

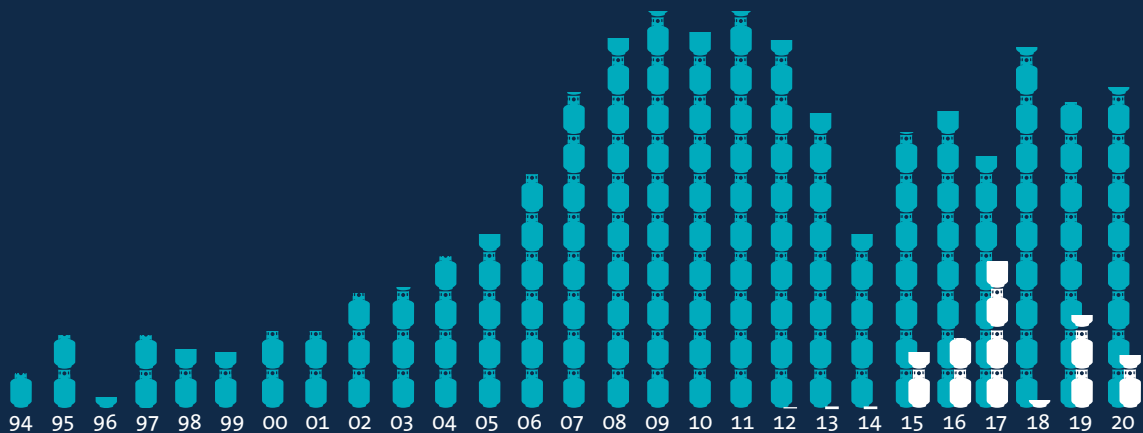


1 million
passengers

**MORE THAN 500 TONNES RECLAIMED IN TOTAL**

to as-new specification and sold back into the market. Read more in Long-term performance on Page 7.

500T



Returned
each equal to
approx. 50,000kg

Reclaimed
each equal to
approx. 50,000kg

PERFORMANCE THE YEAR IN NUMBERS

REFRIGERANT

In FY20 470 tonnes of refrigerant were recovered, preventing further ozone depletion and abating nearly a million tonnes of climate forcing CO₂ equivalent (CO₂e) emissions.

This was a great result, demonstrating that the industry kept recovering and returning refrigerant as the pandemic unfolded. For comparison, 497 tonnes of refrigerant were recovered in FY19, 471 tonnes in FY18 and 496 tonnes in FY17.

470

TONNES RECOVERED

RRA reclaimed (purified to as-new specification for resale) 61 tonnes of refrigerant in FY20, compared with 109 tonnes reclaimed in FY19.

Fluctuations in reclaimed refrigerant are due to timing within the reporting cycle. The average amount reclaimed between FY16-FY20 is around 90 tonne per year.

61
RECLAIMED

In FY20, RRA safely destroyed 2.6 tonnes of CFC, 32.7 tonnes of HCFC and 373 tonnes of HFC, as well as 4.2 tonnes of hydrocarbon refrigerant.

- HFC
- HC
- HCFC
- CFC

413

TONNES DESTROYED

REFRIGERANT STOCKPILE

45

45 tonnes of refrigerant are awaiting destruction

FINANCES

License exemptions for companies importing pre-charged equipment (PCE) containing less than 25 kilograms of refrigerant per year continue to reduce the number of PCE importers required to make import levy contributions to RRA.

In two years, the number of contributing companies has reduced from 800 to 602, however income has remained strong at \$6.1M albeit slightly below the \$6.4 million reported in FY19.

Conversely, the number of bulk importers of refrigerant in cylinders and ISO containers has returned to 24 in FY20, having briefly increased to 25 in FY19, paying \$7.2M in levies to RRA in FY20 compared with \$6.8M in FY19.

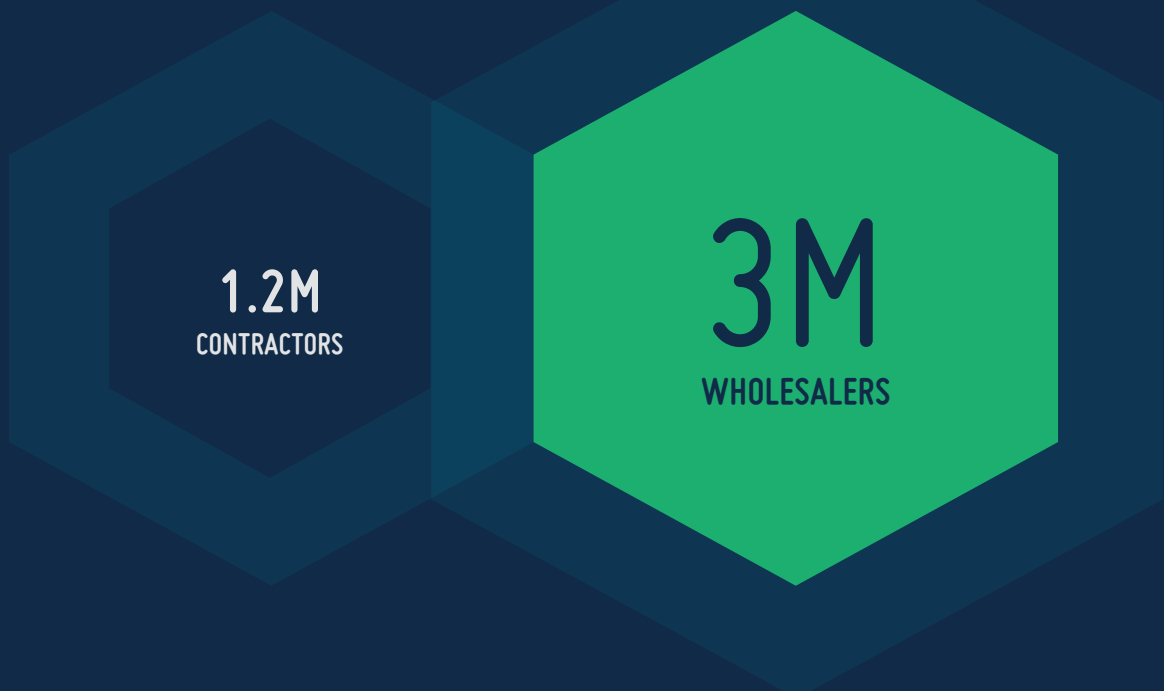
TOTAL REVENUE

\$15.5M

- 2.2M INVESTMENT OUTCOME
- 6.1M PCE IMPORTERS
- 7.2M BULK IMPORTERS

REBATES BACK TO INDUSTRY

\$4.2M



WHAT'S IN THE BANK

5.8 MILLION SURPLUS IN FY20

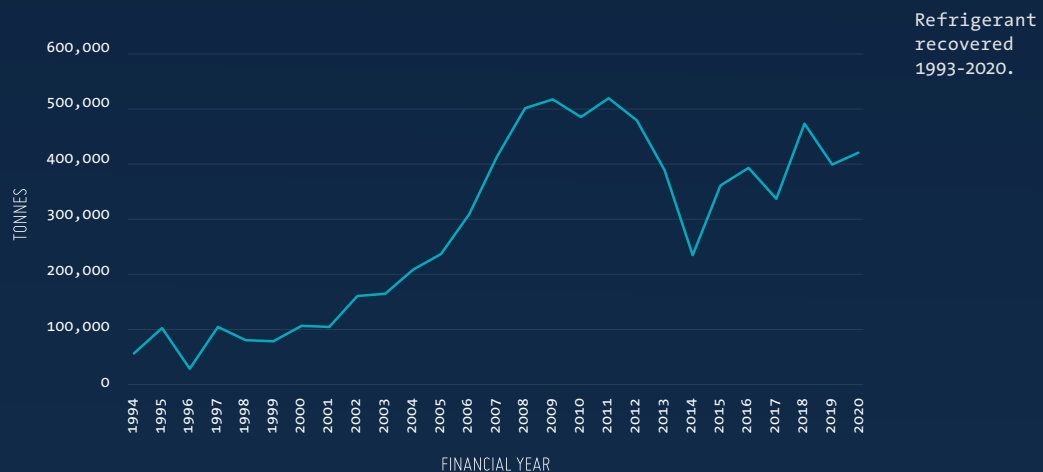
91.4 MILLION EQUITY IN RRA ENVIRONMENT TRUST

LONG-TERM PERFORMANCE

Refrigerant recovery rates have been trending upward toward the pre-2012 level of 500 tonnes per annum since the carbon price repeal in 2014.

As the chart shows, progress toward 500 tonnes has been steady rather than rapid, limited by a combination of reduced equipment leakage rates, unquantifiable level of re-use and delinquent emissions.

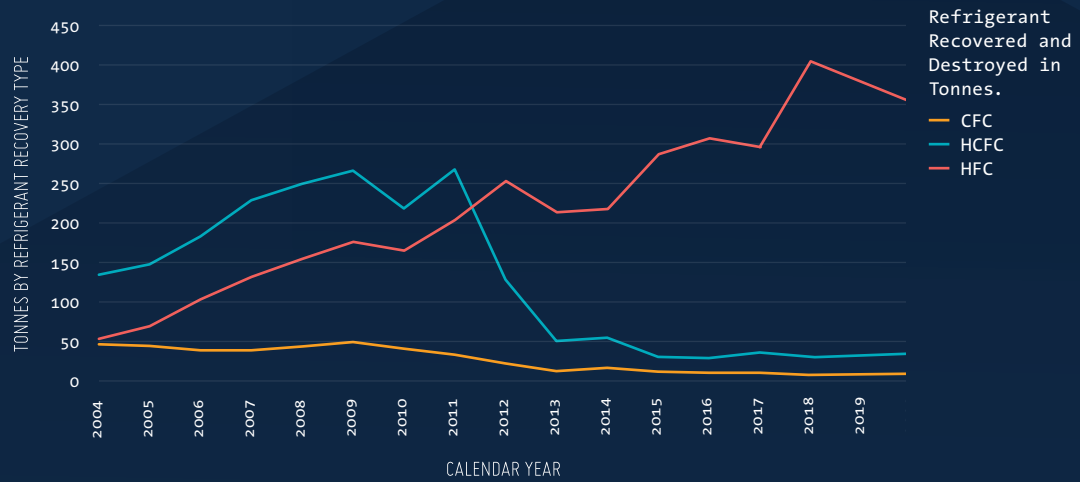
However, it is encouraging that the upward trend continued in FY20 despite the unfolding pandemic.



Increasing scarcity of HCFC refrigerants such as HCFC-22 has also led to greater reuse of these products since the carbon price repeal. FY13 marked the first reporting period in which RRA received more HFCs than HCFCs and are now the predominant refrigerant type returned to RRA for destruction.

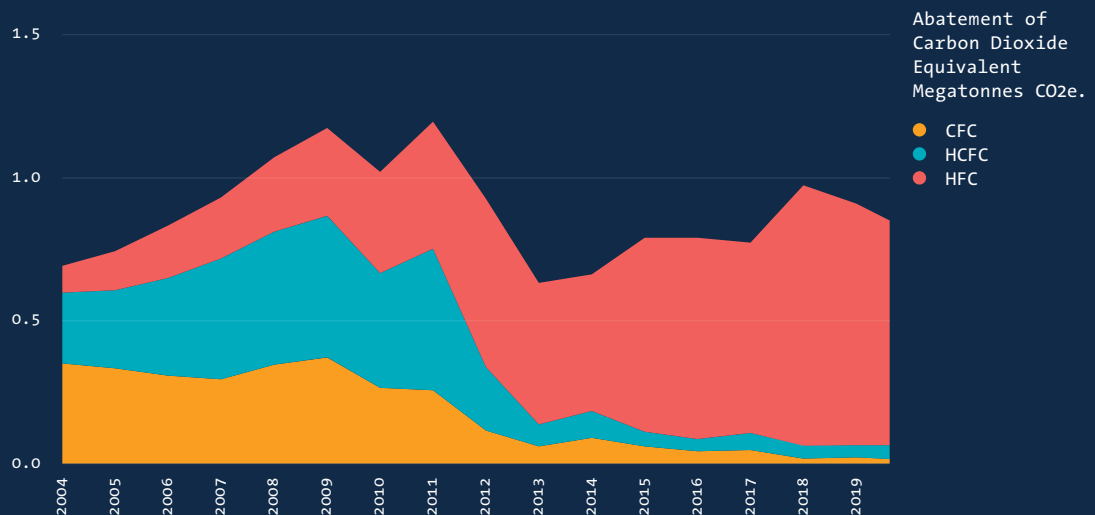
Annual recovery of CFCs, which were phased out in the 1990s, have diminished to around two tonnes as remaining equipment is decommissioned.

Until all equipment using HCFC-22 reaches end-of-life, this product will be increasingly reused and remain sought-after for servicing purposes due to strict import limits and the phase-out of all ozone-depleting refrigerants by 2030.



RRA began collecting HFC refrigerants in the mid 1990's and returns of these products are quickly increasing. A significant upswing in HFC recovery is predicted for end of the 2020s as equipment reaches end-of-life.

The prevalence of high-GWP HFC refrigerants will remain a long-term environmental threat that requires careful ongoing management and strong, ongoing industry participation in Australia's refrigerant stewardship scheme.



NOTE: In RRA annual reports prior to FY18-19, CO₂e was calculated using the GWP figures in the International Panel of Climate Change Assessment Report 2 (IPCC AR2). Nations that have signed the 2016 Kigali Amendment to the Montreal Protocol – including Australia – have adopted standard 100-year GWP reporting values as published in IPCC AR4. As a result, the GWP figures used for each product in RRA annual reports from FY18-19 onwards have increased. For example, under AR2 the GWP for HFC-134a was 1300 but under AR4 the GWP for HFC-134a is 1430.

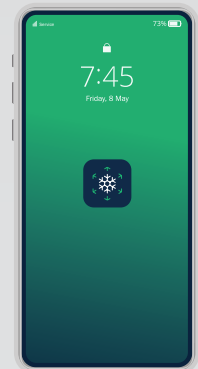
ACHIEVEMENTS

TAFE TOOLS ROLL-OUT

Just in time for remote learning to become the new normal due to lockdowns and social distancing, RRA began rolling out a suite of digital training resources to provide new ways of helping apprentices studying for a Certificate III in Air-conditioning and Refrigeration to understand the refrigerant recovery process for various stationary equipment types, as well as the role of following best practice in reducing the emission of ozone-depleting and high global warming potential refrigerants.

The 18-month collaborative project with TAFE has so far delivered a training video series and an augmented reality app designed to address the challenge of training apprentices in the differences between refrigerant recovery processes required on different system types while future-proofing the training against rapid technological evolution.

Work on equivalent tools for mobile equipment is underway, and a desktop version of the augmented reality app is also under development.



RESULTS FROM SPLIT SPLIT AIR-CONDITIONER RESEARCH PROGRAM

Data has been collated from RRA's crowdsourced research project to determine the amount of refrigerant available for recovery from split air-conditioners, what happens to it at end of life and when this is likely to happen.

A sample size of more than 1150 split system decommissioning operations determined that equipment had an average lifespan of 13.7 years, equivalent to a retirement rate of 7.3 per cent with a replacement rate of around 40 per cent.

Of the initial 1.93kg average charge, 30 per cent had been lost during the equipment's service life, to an average charge of 1.35kg when decommissioned, a lower refrigerant retention rate than the 80 per cent estimated in Cold Hard Facts reports commissioned by the Department of Agriculture, Water and the Environment.

It is estimated that 532 tonnes of refrigerant is available for recovery from the 400,000 split air-conditioners replaced each year and 798 tonnes from the 600,000 units that are not replaced.

Although research responses indicated that around 25 per cent of refrigerant was kept for reuse and almost 68 per cent returned to wholesalers, RRA receives around 500 tonnes a year from all refrigerant-using industry sectors, meaning there is work required to address this apparent shortfall and ensure responsible stewardship of the split air-conditioner refrigerant bank.



SUPPLY OF REFRIGERANT TO TAFE

RRA has established a program to ensure Australia's RAC apprentices are being taught with the latest available low global warming potential refrigerant technologies by supplying them to TAFE at zero cost. The program includes products suitable for safely retrofitting older equipment that is currently using high-GWP legacy refrigerants. FY2020 saw HFO refrigerants used by TAFE for the first time. RRA supplied 2182 Kg's of refrigerant to 21 TAFE campuses.



ANNUAL AUTOMOTIVE REFRIGERANT SURVEY

The regular surveys of which refrigerants are installed in vehicles undergoing service at metropolitan and regional locations around Australia has been expanded to include new-generation HFO-1234yf refrigerant, which is slowly entering the installed bank.



Since 2013 RRA has conducted these surveys in conjunction with workshop members of automotive air-conditioning trade association VASA, recording year of manufacture, refrigerant types including HFC-134a, those retrofitted to hydrocarbons or topped up with hydrocarbons resulting in a mixture with other refrigerants, and occasional full charges of CFC-12.

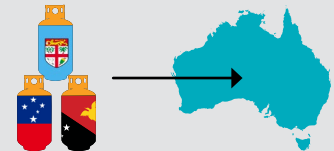
The 2020 automotive refrigerant survey revealed out of the 560 vehicles that participated in the study 10 vehicles contained some level of R12, which is remarkable given that the importation of vehicles using R12 was banned at the end of 1995.

56 vehicles contained hydrocarbon, including 3 vehicles from Queensland where the use of hydrocarbon refrigerant to retrofit equipment is only permissible by prior approval from the gas works licencing body. As far as RRA are aware authority to retrofit a vehicle with hydrocarbon has never been granted.

Only 2 vehicles contained the new low GWP refrigerant 1234yf.

ASSISTING PACIFIC NATIONS

RRA continued to encourage and facilitate the export of unwanted refrigerant from Fiji, Papua New Guinea and Samoa to Australia for safe destruction. RRA provide this service on a cost recovery basis using RRA owned cylinders.



INTERNATIONAL OUTREACH

RRA is sharing its experience of building and operating a successful refrigerant stewardship schemes with nations looking to commence programmes of their own.

Activities in FY20 included meeting with African delegates and conducting webinars for representatives in Chile and Turkey which was coordinated through the United Nations Industrial Development Organization.



OPPORTUNITIES AND CHALLENGES

INCREASED FLAMMABLE REFRIGERANTS IN THE RECOVERY CHAIN

Significant concentrations of flammable refrigerant are now consistently returned to RRA for safe processing and will continue to increase as the global HFC phasedown takes effect.

This presents broad implications across the entire recovery chain, from handling to transport and storage.

Analysis of refrigerant returned to RRA has identified a noticeable shortage of R125. R125 is used in refrigerant blends such as 404A and 410A to negate the flammability of components such as 143a and R32, resulting in higher concentrations of flammable refrigerant being recovered unbeknown to technicians doing the work.

This suggests an acceleration is required to the work RRA is doing to prepare and support the recovery chain for the management, storage, transport, handling, and destruction of flammable refrigerant as increasing quantities enter the market.

Preparations are vital as class A2L mildly flammable products such as HFO-1234yf and HFC-32 are already projected to make up more than half the refrigerant bank by the end of this decade, the latter requiring return for safe destruction due to its global warming potential of 675.



IMPROVING RECOVERY FROM END-OF-LIFE VEHICLES AND DOMESTIC EQUIPMENT

Better end-of-life management for refrigerant in vehicles and domestic equipment such as refrigerators, freezers and split air-conditioners is required, otherwise the improved equipment quality and working practices that have reduced in-service emissions are rendered meaningless by a 100 per cent leakage rate when vehicles are dismantled and equipment is decommissioned.

It is an important issue to address as it has been estimated that each year in Australia, around 400 tonnes of refrigerant is never recovered from end-of-life vehicles, domestic freezers, refrigerators, and split air-conditioners.

RRA continues to work with governments, the Australian Refrigeration Council and industry to ensure more refrigerant is recovered and safely disposed of, rather than emitted.



LICENSING AND COMPLIANCE

Little progress has been made towards broadening Australia's licensing scheme to be inclusive of all refrigerants and based on trade skills competencies.



RRA continues to support industry advocate for the adaptation of the existing licencing scheme to encompass emerging refrigerants not currently covered under the existing licence. Unregulated Low GWP refrigerants with flammable, toxic or high-pressure properties will largely replace traditional non-flammable non-toxic refrigerants in the coming years. RRA supports the use of such refrigerants by licenced skilled professionals.

GENERATION R: REDUNDANT REFRIGERANT

RRA anticipates an increase in recycling or reuse of some HCFC and HFC refrigerants in the coming years as Australia's HFC phase down progresses. At the same time, it is anticipated that vast quantities of refrigerants such as 410A will become redundant as the transition to lower GWP products such as R32 gathers momentum.

For example, split air-conditioning systems installed throughout Australia are said to contain more than 20,000 tonnes of HFC-410A, which have begun to reach the end of their useful life, resulting in a glut of redundant refrigerant including more than 500 tonnes per year of R410A alone.

RRA is preparing the necessary communication campaigns, infrastructure, and processes to successfully capture and handle high quantities of legacy refrigerants when they become available for recovery and safe disposal.

THE ATMOSPHERE

Chlorofluorocarbons (CFC's) and Hydrochlorofluorocarbons (HCFC's) are Ozone Depleting Substances (ODS).

ODS emissions play an important role globally in contributing to radiative forcing as many of them are also greenhouse gases.

In Australia, ODS emissions are controlled by direct actions the Australian Government has taken to control ODS production and consumption under the Montreal Protocol. As a result, the reduction in ODS's have helped reduce the human contribution to climate change over the past 30 years, however significant, persistent ODS emissions remain.

Mitigation of Australia's emissions of ODS continues to be supported by the collaborative efforts of Government and industry initiatives to capture used ODS and SGG substances, followed by their recycling and destruction.

Promising signs of ozone layer recovery, as a direct result of global action under the Montreal Protocol, prove that coordinated environmental efforts can quickly yield tangible outcomes as in 2019 the ozone hole is the smallest on record since its discovery.

It is less well-known that the high global warming potential of CFCs and HCFCs phased out by the Montreal Protocol has also prevented more than 130 billion tonnes of CO₂-equivalent from entering the atmosphere since it came into effect during the 1990s.

The Kigali Amendment to the Montreal Protocol now aims to reduce global synthetic greenhouse gas emissions by a further 72 billion tonnes of CO₂-e by 2050 as a result of phasing down the production and consumption of HFCs.

CLIMATE IMPACT OF POPULAR REFRIGERANTS

1Kg of CFC-12 = 10,900Kg CO₂e

1Kg of HCFC-22 = 1810Kg CO₂e

1Kg OF HFC-134a = 1430Kg CO₂e

1Kg of HFC-32 = 67Kg CO₂e

1Kg of HFO-1234yf = <1Kg CO₂e

CSIRO ATMOSPHERE DATA

Charts, data, and other information in this section are provided by CSIRO, which with support from RRA measures the world's most comprehensive list of ozone-depleting substances and synthetic greenhouse gases – including 12 CFCs, eight HCFCs and 11 HFCs – from air samples taken at the world-class Cape Grim atmospheric research facility in Tasmania, and from Antarctic ice cores.

OZONE DEPLETION AND RECOVERY

Research has concluded that in addition to reducing the size of the Antarctic ozone hole, declining atmospheric concentrations of ozone-depleting substances has arrested changes to weather patterns in the Southern Hemisphere that were first observed since in the 1960s.

Changing Southern Hemisphere air circulation patterns resulted in less winter rainfall for Australia and an expanded tropical rain belt in South America that made arid regions arable, but these trends ceased around the year 2000.

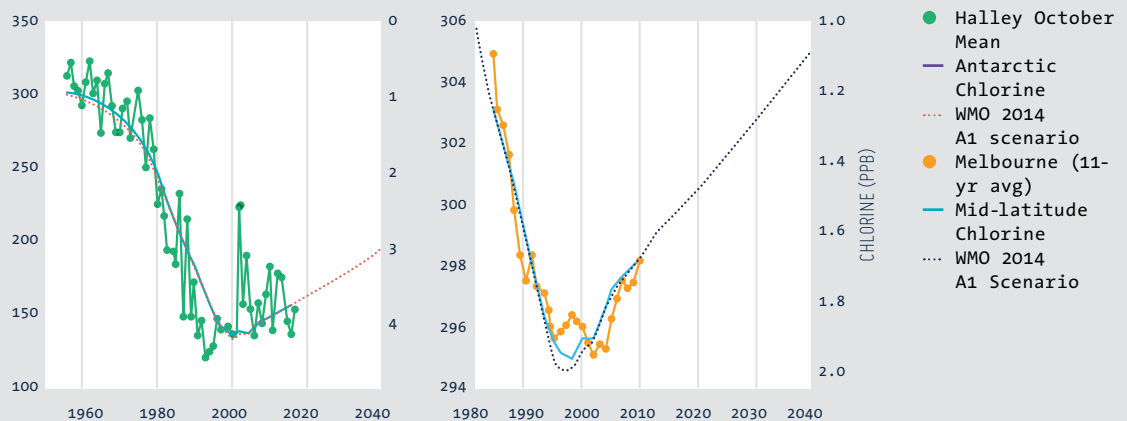
Researchers at CIRES, a partnership of NOAA and the University of Colorado Boulder, found the recovering ozone layer had sufficient influence on these weather patterns to counteract that of rising greenhouse gas emissions, as direct result of the successful worldwide phase-out of CFCs and HCFCs under the Montreal Protocol.

Figure 1 flight path of an ozonesonde as it rises into the atmosphere over the South Pole from the Amundsen-Scott South Pole Station. Scientists release these balloon-borne sensors to measure the thickness of the protective ozone layer high up in the atmosphere.



Credit:
Robert Schwarz/
University of
Minnesota

The start of Southern Hemisphere ozone layer recovery over Melbourne and Antarctica since the late 1990s can be clearly seen in the graphs below, which also project recovery those latitudes.



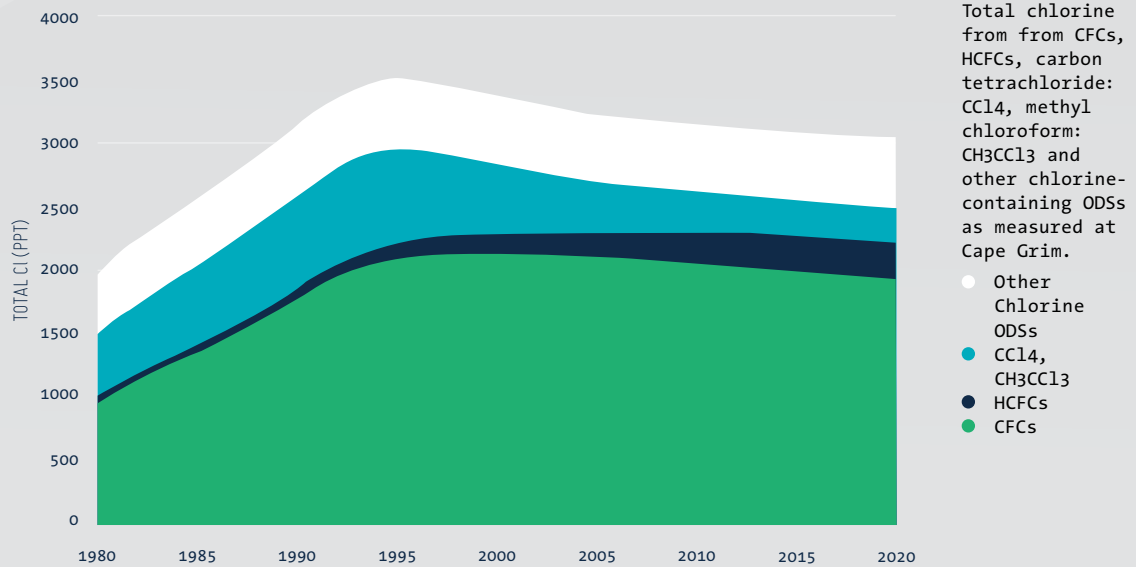
Total column ozone (DU) changes at Halley Station, Antarctica (76°S) and Melbourne, Australia (38°S) and Equivalent Effective Stratospheric Chlorine (EESC, ppb) changes at polar and mid-latitudes. The Melbourne ozone data are 11-year running means to minimise impacts of solar variability.

TOTAL CHLORINE

Since peaking in 1994, total chlorine from ozone-depleting substances has decreased by 10 per cent. Between 2017 and 2019 concentrations dropped by 20 ppt, or 0.62 per cent.

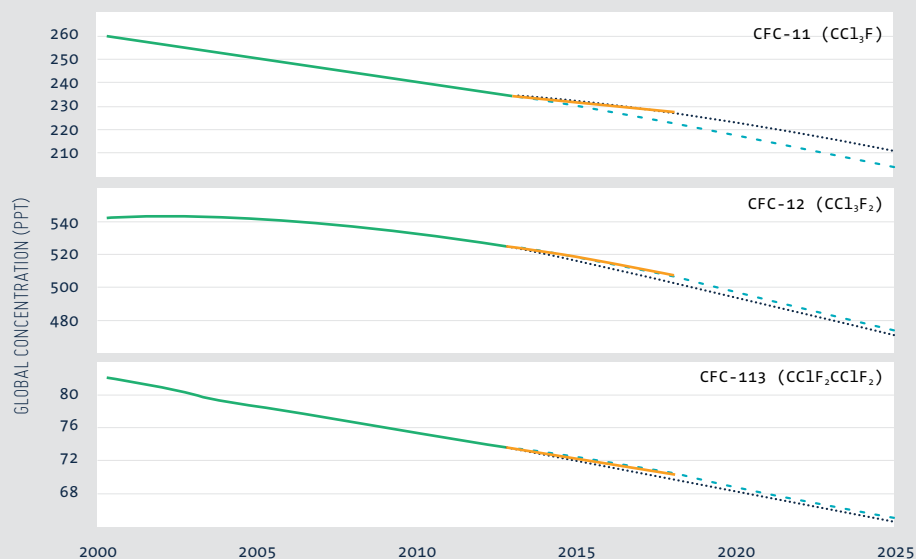
An overall 12.4ppt decline in chlorine from CFCs in 2017-18 was partially offset by a 1.9 ppt increase in HCFC chlorine

Total Chlorine from CFC's and HCFC's decreased by 1 percent.



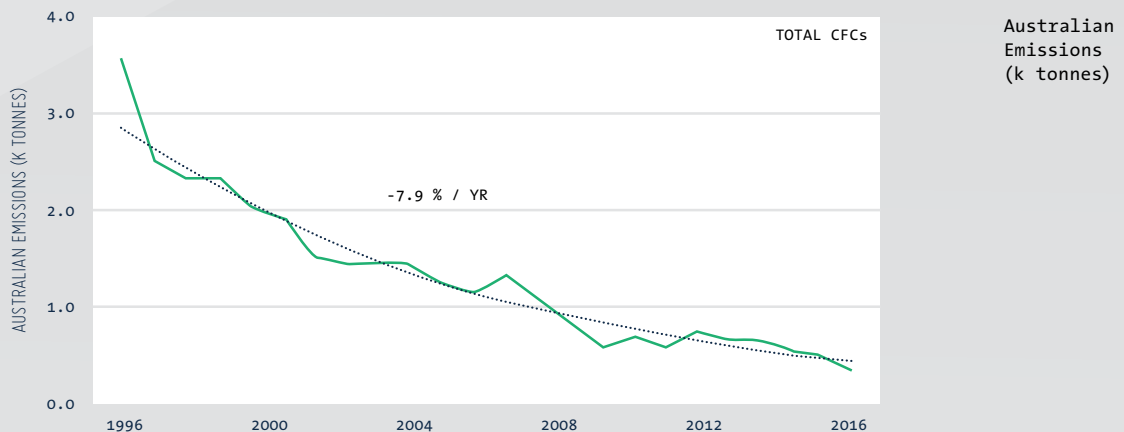
DECLINING EMISSIONS AND CONCENTRATIONS MOST CFCS

Concentrations of most CFCs, including CFC-11 and CFC-12 measured at Cape Grim in 2018 have stopped growing or are in decline, although CFC-112, CFC-113, CFC-113a, CFC-114 and CFC-115 are still growing slowly. Total CFCs in the background atmosphere declined by 0.5 per cent between 2017 and 2018, as did chlorine from CFCs.



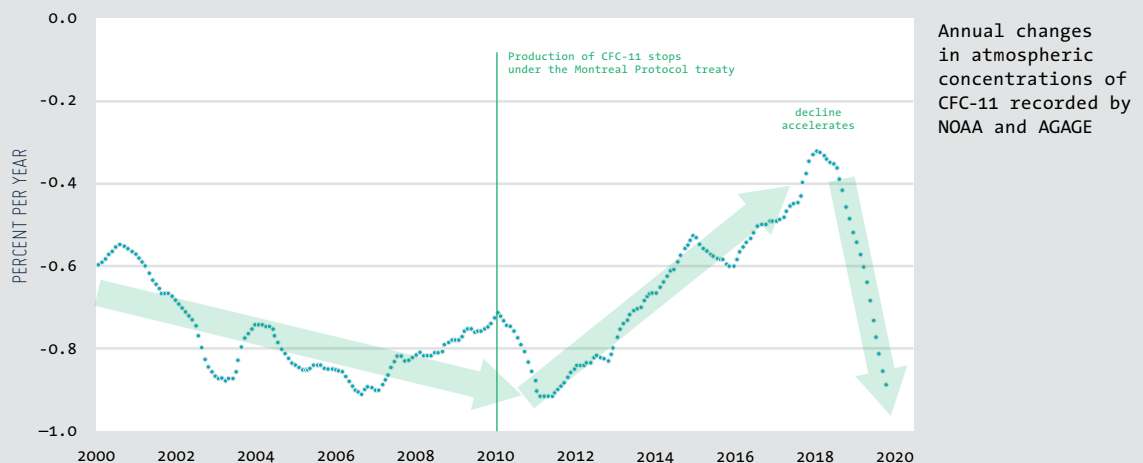
From Australian and Global Emissions of Ozone Depleting Substances - 2020.pdf

Australian CFC emissions have decreased from almost 3627 tonnes in 1995 to 397 tonnes in 2017, an annual reduction of around 78 per cent. It is estimated that it will take another 16 years for Australian CFC emissions to reach less than 100 tonnes per year and that the majority of emissions come from equipment, foams and aerosol cans that are either still in service or buried in landfill.



PROMISING PROGRESS ON ROGUE CFC-11 EMISSIONS

Persistent CFC-11 emissions from East Asia threatened to delay recovery of mid-latitude and Antarctic ozone by between seven and 20 years, although recent research suggests emissions declined 26 per cent – 18,000 tonnes – between 2018 and 2019.



Credit: NOAA Global Monitoring Laboratory and Climate.gov

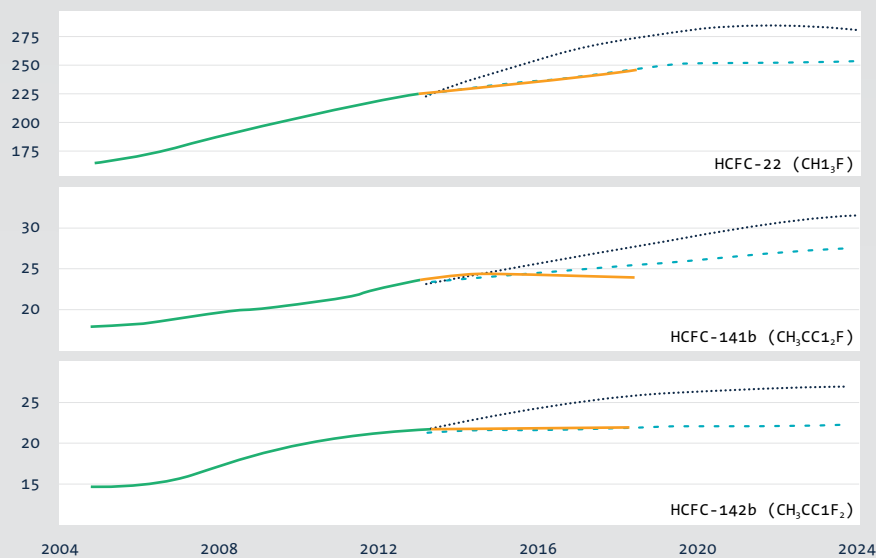
HCFC EMISSIONS CONTINUE TO FALL

Since global HCFC emissions peaked at 488,000 tonnes in 2010, they have declined by about 1 per cent per year, to 440,000 tonnes in 2017, compared with a 4 per cent annual increase in emissions recorded between the late 1970s and 2010.

According to the CSIRO, the growth rate of atmospheric HCFC concentration is slowing, so progress so far represents an encouraging contribution to the ozone layer recovery that has already been observed as a result of ongoing global efforts to phase out ozone-depleting substances.

HCFC-22 is the most abundant of this species, representing 84% of all HCFC's present in the atmosphere. Whilst HCFC-22 is currently growing at a rate of 1% per year, the rate at which it is growing has been declining since 2010.

Other HCFC's such as 141b and 142b, that constitute the remaining 16 percent are both declining at a rate of 0.59 percent and 0.41 percent respectively.



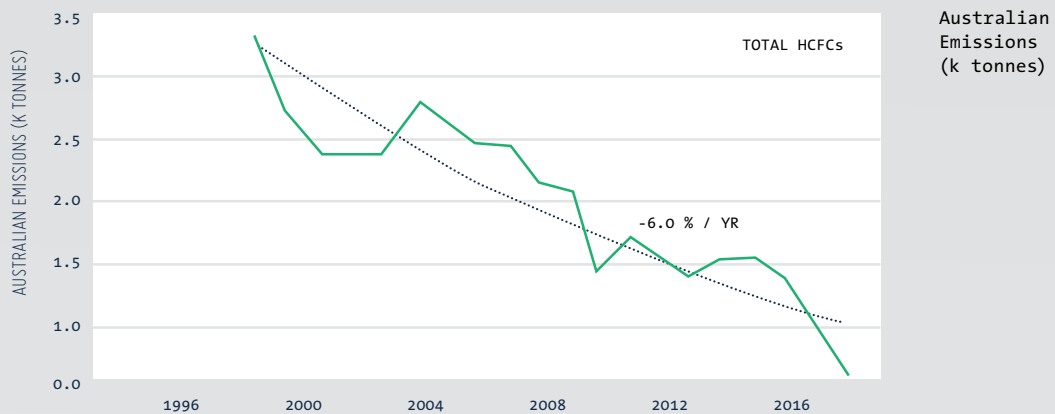
Global concentrations of HCFC-22 (CH_2F_2), HCFC-141b and HCFC-142b (ppt) and WMO A1 scenarios (dashed lines; Harris & Wuebbles, 2014; Carpenter & Daniel 2018).

From Australian and Global Emissions of Ozone Depleting Substances -2020.pdf

Overall Australian HCFC emissions have reduced by about 64 per cent – 3,286 tonnes to 614 tonnes in 2018, or about 6 per cent per year. The majority of emissions today are thought to come from service and malfunction leaks from existing equipment.

Australian HCFC-22 emissions reduced from 2500 tonnes in 1999 to an estimated 434 tonnes in 2018. Broddribb and McCann 2018 estimate emissions from the installed bank of HCFC-22 to be 323 tonne. An assumed linear relationship between the bank size and emissions, implies a banked emissions factor from refrigeration equipment of 13 percent cent per annum. Cape Grim data suggests the difference between the banked emissions from operation refrigeration equipment and total HCFC-22 emissions were possibly coming from equipment, foams and aerosol cans buried in landfill.

HFC-141b and HFC-142b emissions have fluctuated but are overall down, while HCFC-124 emissions have steadily fallen.



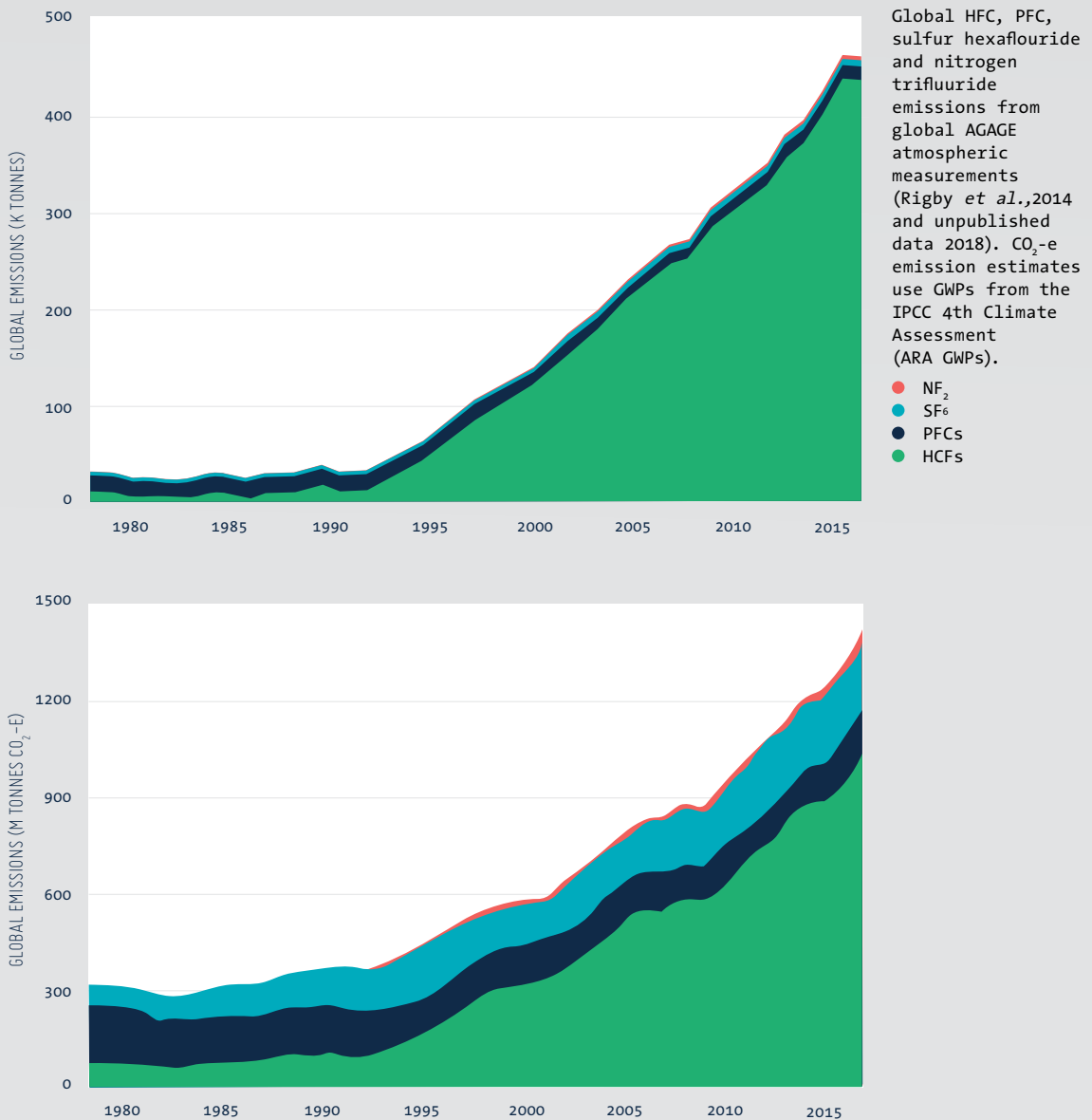
From Report ozone-depleting-substances-report-2029.pdf

HFC EMISSIONS ON THE RISE — EXCEPT FOR AUSTRALIA?

Atmospheric HFC concentrations are growing by 15 parts per trillion (ppt) per year, an annual increase of 87.2 per cent. In 2019, 134a made up almost half of the HFC's detected in the atmosphere at Cape Grim, with 134a representing 101.1ppt of the 212ppt total HFC concentration levels.

Concentrations of HFC-125 were up 3.0ppt and HFC-32 increased by 2.7ppt, while HFC-143a and HFC-23 were up 1.7ppt and 1.21ppt respectively.

These concentrations are a direct result of annual global HFC emissions, which reached 489,000 tonnes in 2018.

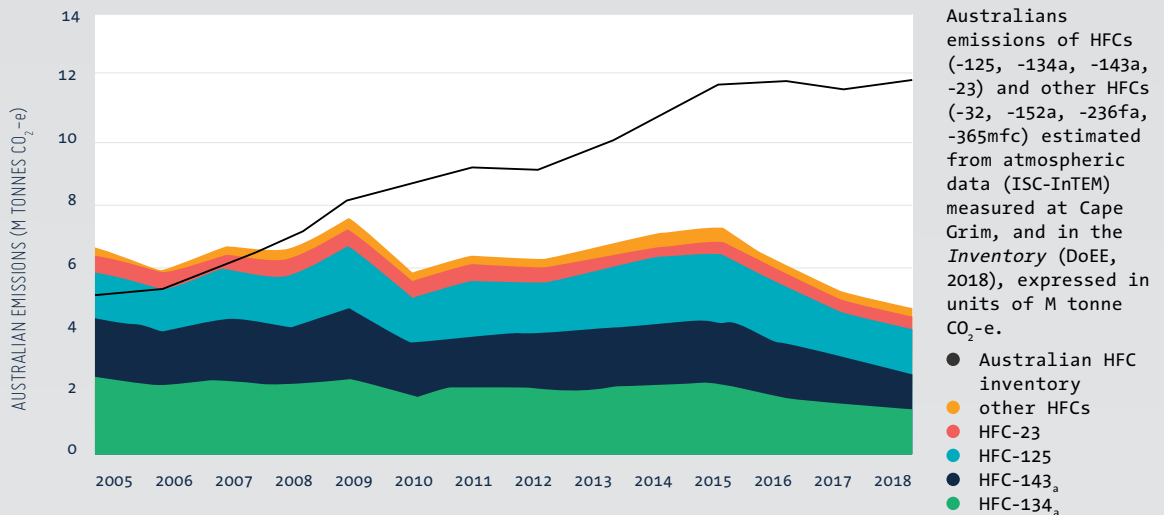


From Australia and global HFC, PFC, SF₆, Nitrogen Trifluoride and Sulfuryl Fluoride Emissions92020.pdf

Cape Grim data shows Australia's total HFC emissions consistently increased from 1,900 tonne in 2005 to a peak of 3,200 tonnes in 2015, reducing to 2,000 tonne in 2018, contributing to 0.4 per cent of the global total.

However, in 2018, Cape Grim recorded Australian emissions to be 11 per cent lower than the year prior, however increases were detected in HFC-32, HFC-125 and HFC-23. This is likely to be the result of leaks from aging split air conditioning equipment or poor decommissioning practices of equipment containing 410A (which is made up of 50% HFC-32 and 50% HFC-125).

Data collated in the next few years will determine whether this represents the beginning of a stabilisation in emissions, especially as the observation was made before Australia's mandated HFC production and import phase down HFC imports began on 1 January 2018 and caused imports of bulk HFC's to reduce by 20 per cent compared with 2017.



From Australia and global HFC, PFC, SF₆, Nitrogen Trifluoride and Sulfuryl Fluoride Emissions 2020.pdf

STILL NO HFO'S DETECTED AT CAPE GRIM

Slow uptake of HFO-1234yf by vehicle manufacturers serving the Australian market could be contributing to the fact that new-generation HFO refrigerants – the other major product being HFO-1234ze – have only recently been detected in sub-ppt levels in the air at Cape Grim.

Increasing amounts are being picked up by air monitoring stations in Europe, where HFO-1234yf has become the dominant refrigerant for passenger cars since the middle of last decade. Uptake of these new-generation refrigerants is also accelerating in North America.

THE FUTURE

Although refrigerant recovery has become an integral part of normal working practices in Australia and the HFC phase-down in compliance with the Kigali Amendment to the Montreal Protocol is now well underway, results from the split air-conditioner study suggests there is more work to do beyond operating a world-leading refrigerant stewardship scheme.

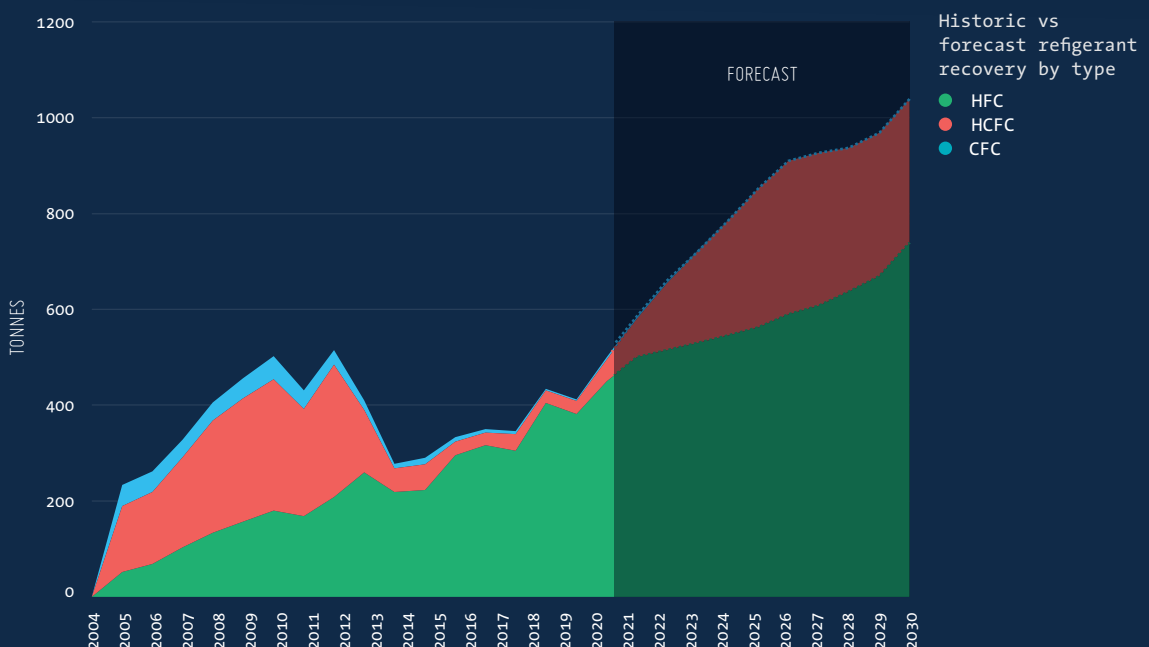
Success will take the form of substantially increased refrigerant returns and destruction, far beyond the 400-500 tonnes per year achieved in recent years, especially as the installed HFC bank continues to grow.

Even better, the estimated 400+ tonnes of refrigerant currently not recovered from end-of-life vehicles and domestic equipment would become available for RRA to safely destroy.

However, the below projections only account for additional volumes of refrigerant already expected from end-of-life HCFC and HFC equipment as it is replaced by new-generation products using low global warming potential refrigerants.

Returns of HCFCs alone are expected to exceed more than 300 tonnes by the end of the decade and HFC returns will keep growing beyond the end of Australia's HFC phase-down in 2036.

Meanwhile, installed CFCs in Australia are now estimated at less than 40 tonnes, suggesting returns of this type will cease around the mid-2020s.



CONTINGENT LIABILITY

More than 53,000 tonnes – and growing – of ozone-depleting and synthetic greenhouse gas refrigerants are installed in Australia and in a perfect world, RRA must manage and safely destroy the majority of them.

At the same time, the HFC phase-down makes it inevitable that revenue to RRA from levies on imported refrigerants will decline.

If Australia's entire refrigerant bank was delivered to RRA for safe disposal all at once, the cost of processing it would be in the region of \$440 million. But leakages, failures, accidents, and other reasons for emission, as well as recycling, mean the final figure is likely to be substantially lower.

At today's prices, if half of Australia's refrigerant bank was sent to RRA, the contingent liability would be \$220 million.

More optimistically from an environmental standpoint, for three quarters to be returned for destruction the contingent liability would be \$325 million or a 90 per cent recovery and return rate would leave RRA with a contingent liability of \$391 million.

For this reason, RRA has accumulated funds in a trust to maintain its ability to keep collecting and safely disposing of unwanted and contaminated recovered refrigerant from servicing or decommissioning of equipment charged with ozone-depleting and synthetic greenhouse gas refrigerants for many years to come.

FINANCIAL REPORT 2019—20

**Refrigerant Reclaim Australia Group
Compilation Report
For the Year Ended 30 June 2020**

**Compilation Report
to the Refrigerant Reclaim Australia Group**

We have compiled the accompanying special purpose financial statements of the Refrigerant Reclaim Australia Group, which comprise the statement of financial position as at 30 June 2020, the statement of profit or loss for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1.

The Responsibility of Director

The director is solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and has determined that the significant accounting policies adopted as set out in Note 1 to the financial statements are appropriate to meet his/her needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by the director, we have compiled the accompanying special purpose financial statements in accordance with the financial reporting framework as described in Note 1 of the financial statements and in accordance with APES 315: Compilation of Financial Information.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the financial reporting framework described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on these financial statements.

The special purpose financial statements were compiled exclusively for the benefit of the director of Quintessencelabs Pty Ltd who are responsible for the reliability, accuracy and completeness of the information used to compile them. Accordingly, we do not accept responsibility for the contents of the special purpose financial statements.

PricewaterhouseCoopers

Canberra



Eugene Kalenjuk
Partner

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Refrigerant Reclaim Australia Group
Income Statement
for the year ended 30 June 2020

	2020 \$	2019 \$
Income		
Levies		
- Bulk importers	7,144,377	6,811,918
- Charged equipment importers	6,138,941	6,411,679
Total Income	13,283,318	13,223,598
Operational Costs		
Cost of destruction		
- Destruction costs	3,168,891	2,950,865
- Rebates to contractors and wholesalers	4,239,798	4,082,957
- Other	954,944	990,047
Total Operational Costs	8,363,633	8,023,868
Gross Surplus/(Deficit) from Trading	4,919,685	5,199,729
Other Income		
Interest income	2,054,686	2,355,315
Other income	189,081	274,031
Total Other Income	2,243,767	2,629,346
Total Trading Overheads	1,288,917	1,369,784
Operating Surplus	5,874,536	6,459,292
Net Surplus/(Deficit)	5,874,536	6,459,292



Refrigerant Reclaim Australia Group
Balance Sheet
for the year ended 30 June 2020

	2020 \$	2019 \$
ASSETS		
Current Assets		
Funds		
Petty Cash	200	200
General Cheque Account	1,096,285	568,778
Term Deposits	14,315,989	28,260,512
Investments	9,425,080	7,513,317
	<u>24,837,554</u>	<u>36,342,807</u>
Debtors		
Trade Debtors	1,897,909	2,231,624
Other Debtors	-	62,122
	<u>1,897,909</u>	<u>2,293,746</u>
Other		
Prepayments	1,705	34,190
Accrued Interest	355,535	480,826
	<u>357,240</u>	<u>515,016</u>
Total Current Assets	<u>27,092,703</u>	<u>39,151,568</u>
Non-Current Assets		
Funds		
Term Deposits	-	5,000,000
Investments	66,037,568	43,118,027
Right of use asset	250,544	-
Cylinders	1,043,470	1,043,470
Less Accumulated Depreciation	(842,339)	(732,889)
	<u>66,489,243</u>	<u>48,428,608</u>
Total Non-Current Assets	<u>66,489,243</u>	<u>48,428,608</u>
Total Assets	<u>93,581,946</u>	<u>87,580,177</u>
LIABILITIES		
Current Liabilities		
Creditors		
Trade Creditors	1,192,669	1,109,300
Accrued Expenses	44,510	43,080
Lease liabilities	280,612	-
Other Payables	2,480	14,954
	<u>1,520,271</u>	<u>1,167,334</u>
Provisions		
Provision for annual leave	68,190	45,831
Provision for long service leave	146,738	139,864
Provision - Destruction Costs	355,206	582,673
	<u>570,134</u>	<u>768,369</u>
Total Current Liabilities	<u>2,090,405</u>	<u>1,935,702</u>
Total Liabilities	<u>2,090,405</u>	<u>1,935,702</u>
Net Assets	<u>91,491,541</u>	<u>85,644,474</u>
EQUITY		
Settled Sum	10	10
Retained Earnings	85,644,464	79,185,172
AASB 16 adoption	(27,467)	-
Current Year Earnings	5,874,534	6,459,292
Total Equity	<u>91,491,541</u>	<u>85,644,474</u>



Refrigerant Reclaim Australia Group
Notes to the financial statements
 For the year ended 30 June 2020

1 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.

The Group (consisting of Refrigerant Reclaim Australia Limited and R.R.A Environmental Trust) are not for profit entities for financial reporting purposes under Australian Accounting Standards.

(a) Basis of preparation

This is a special purpose financial report that has been prepared on the 2020 financial reports of Refrigerant Reclaim Australia Limited and R.R.A Environmental Trust, each of which were individually audited. As the consolidated Refrigerant Reclaim Australia entity presented in this report is not recognized 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 user of this report.

These tier 2 general purpose financial statements have been prepared in accordance with Australian Accounting Standards Reduced Disclosure Requirements, *Australian Charities and Not-for-profits Commission Act 2012* and comply with other requirements of the law.

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

The financial statements of the Group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) New and amended standards adopted by the Group

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income for Not-for-profit Entities

The Group had to change its accounting policies as a result of the adoption of AASB 16. The Group elected to adopt the new rules on a modified, retrospective basis as at 1 July 2019. Details are disclosed in note 2. The other amendments above did not have any impact on the current year or any prior year and is not likely to affect future years.

(iii) New and amended standards not yet adopted by the Group

There are no standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention except for those financial assets held at fair value.

(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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(vi) The financial statements have been prepared on a going concern basis

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

For the year ended 30 June 2020, COVID-19 has limited impact on the Group, specifically as follows:

- Receipt of Australian Commonwealth Government financial stimulus support.



Refrigerant Reclaim Australia Group
Notes to the financial statements
 For the year ended 30 June 2020

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(vi) *The financial statements have been prepared on a going concern basis (continued)*

- Changed staff and trustee working patterns through working from home and use of remote working technologies.
- No significant variation to collection or destruction activities has been experienced.

The directors have concluded that the Group is a going-concern based on its strong financial position.

(b) Revenue recognition

Revenue is recognised for the major business activities as follows:

⌘ Levy on imported refrigerant

Revenue is recognised when certain types of refrigerant are imported into Australia.

⌘ Government revenue

Government revenue is recognised when it is invoiced.

(ii) Interest revenue

Interest revenue is recognised when interest is derived.

(c) Income tax

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

(d) Leases

Policy applicable before 1 July 2019

In the comparative period, as a lessee the Group 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 Group'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.

Policy applicable from 1 July 2019

At inception of a contract, the Group 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 Group uses the definition of a lease in AASB 16 *Leases*.



Refrigerant Reclaim Australia Group
Notes to the financial statements
 For the year ended 30 June 2020

1 Summary of significant accounting policies (continued)

The Group leases property comprising its office and car parking spaces. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by The R.R.A. Environment Trust, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and



Refrigerant Reclaim Australia Group
Notes to the financial statements
For the year ended 30 June 2020

1 Summary of significant accounting policies (continued)

(d) Leases (continued)

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options

Any extension and termination options included in the property leases are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

(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 up to three months 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. Trade receivables are due for settlement within 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Expected credit losses for trade receivables are not material. 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 Group 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 deficit 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 surplus or deficit.



Refrigerant Reclaim Australia Group
Notes to the financial statements
 For the year ended 30 June 2020

1 Summary of significant accounting policies (continued)

(g) Investments and other financial assets

Ø Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Ø Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



Refrigerant Reclaim Australia Group
Notes to the financial statements
For the year ended 30 June 2020

1 Summary of significant accounting policies (continued)

(g) Investments and other financial assets (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.



Refrigerant Reclaim Australia Group
Notes to the financial statements
 For the year ended 30 June 2020

1 Summary of significant accounting policies (continued)

(g) Investments and other financial assets (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(h) 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

(i) 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.

(j) Employee benefits

@ 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.



Refrigerant Reclaim Australia Group
Notes to the financial statements
For the year ended 30 June 2020

1 Summary of significant accounting policies (continued)

(i) Employee benefits (continued)

(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.

2 Critical accounting estimates and judgements

(a) Critical accounting estimates and judgements

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

(b) Key sources of estimation uncertainty

There are no significant key judgements 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.

3 Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements for the property lease.

As indicated in note 1(a) above, the Group has adopted AASB 16 *Leases* on a modified retrospective basis from 1 July 2019, but has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 1(d).

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.07%.

(i) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:



Refrigerant Reclaim Australia Group
Notes to the financial statements
For the year ended 30 June 2020

3 Changes in accounting policies (continued)

(i) Practical expedients applied (continued)

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 July 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the office lease, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

2020

\$	
Operating lease commitments disclosed as at 30 June 2019	361,634
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(31,785)
Lease liability recognised as at 1 July 2019	<u>329,849</u>

Of which are:

Current lease liabilities	49,237
Non-current lease liabilities	<u>280,612</u>
	<u>329,849</u>

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

(iv) Adjustments recognised in the statement of financial position on 1 July 2019

The change in accounting policy affected the following new line items in the statement of financial position on 1 July 2019:

- right-of-use assets - increase by \$302,381
- lease liabilities - increase by \$329,849

The net impact on retained earnings on 1 July 2019 was a decrease of \$27,468.



**REFRIGERANT
RECLAIM**
AUSTRALIA

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