ANNUAL REPORT 2022–2023

RRA's aim is to improve the industry's environmental performance by reducing the level of emissions of refrigerants through its take-back program.

CONTENTS

MESSAGE FROM THE CHAIR

It is my pleasure to present the Refrigerant Reclaim Australia (RRA) Annual Report for the 2022–23 financial year.

This year marked a significant milestone for RRA as we celebrated 30 years of operation. Over three decades, the RRA Product Stewardship Scheme has become a cornerstone of responsible lifecycle refrigerant management in Australia, demonstrating the value of stable, industry-led product stewardship in protecting our environment while delivering practical and sustainable solutions for industry

During 2022–23, RRA continued to deliver strongly on its core purpose amid increasing regulatory, environmental, and market complexity. We worked closely with industry participants, government partners, and service providers to maintain strong recovery outcomes, strengthen compliance with Australia's obligations to phase down high-global-warming-potential refrigerants, and enhance our operational systems.

Importantly, operational improvements delivered during the year resulted in stronger efficiency and performance across the scheme. Payment timeframes from collection through to destruction were significantly reduced, enabling faster payments to wholesalers, improved asset turnover and enhanced overall operational effectiveness.

This year also marks a significant leadership transition. After 26 years of dedicated service, Michael Bennett stepped down as RRA General Manager. Michael's contribution to RRA and to Australia's refrigerant stewardship framework more broadly has been substantial. His leadership has helped shape the scheme's operational strength, governance maturity and industry credibility.

Michael's broader contribution to the sector has also been recognised nationally. He was elected Chair of the ARC Board and was honoured with the VASA Legend Award, reflecting the high regard in which he is held across the automotive and refrigeration industries. On behalf of the Board, I extend our sincere thanks to Michael for his commitment, expertise and lasting impact on RRA.

On behalf of the Board, I thank our members, contractors, staff and stakeholders for their continued engagement and collaboration. I also acknowledge the contribution of my fellow directors, whose governance and oversight continue to strengthen the organisation.

I look forward to RRA's continued work in the years ahead.

John McCormack
RRA Chairman

SPECIAL RECOGNITION MICHAEL BENNETT AM

During the year, RRA acknowledged the extraordinary contribution of Michael Bennett AM, who retired from his role as General Manager in 2019 after more than 25 years leading the organisation. Michael was instrumental in establishing Refrigerant Reclaim Australia in 1993 and went on to manage the program from 1997, becoming RRA's Managing Director.

Under Michael's stewardship, the recovery program grew from approximately 50 tonnes per year in its early stages to around 500 tonnes annually. Over that time, more than 6,500 tonnes of refrigerant have been destroyed through the scheme, preventing the emission of nearly 18 million tonnes of carbon dioxide equivalent and preserving more than 10 million tonnes of stratospheric ozone. These outcomes represent nationally significant environmental benefits and position RRA as one of the premier product stewardship organisations internationally.

Michael's influence has extended well beyond RRA's operations. He contributed to the Organisation for Economic Co-operation and Development guidelines on Extended Producer Responsibility and served as a lead author on the IPCC and Technical and Economic Assessment Panel Special Report, Safeguarding the Ozone Layer and the Global Climate System. The authors of that report were collectively awarded the Nobel Peace Prize in 2007.

He also ensured strong collaboration with CSIRO, including close engagement with the Cape Grim atmospheric research station to support research and measurement of atmospheric refrigerants.

Throughout his career, Michael and RRA have received prestigious recognition, including the United Nations Environment Programme Montreal Protocol Implementers Award and two awards from the United States Environmental Protection Agency for Stratospheric Ozone Protection and Climate Protection

In 2022–23, Michael's broader industry leadership was again recognised. He was elected Chair of the ARC Board and received the VASA Legend Award, honouring his longstanding contributions to the refrigeration and automotive air-conditioning sectors. His appointment as a Member of the Order of Australia further reflects the national significance of his work.

Michael's vision, commitment and commitment have delivered enduring environmental and industry benefits for Australia and the global community. On behalf of the Board, members and stakeholders, RRA extends its sincere gratitude for his exceptional leadership and lasting legacy.

OVERVIEW

This financial year marked another year of steady operational delivery for Refrigerant Reclaim Australia, alongside continued refinement of systems, data integrity and contractor engagement.

As equipment installed in earlier decades reaches end of life, recovery volumes continue to reflect broader industry transitions driven by regulation, technology change and lifecycle maturity. These trends reinforce the importance of accessible recovery pathways and effective product stewardship arrangements.

CUMULATIVE PERFORMANCE

As at 30 June 2023

9,743.45 TONNES

of refrigerant recovered (including reclamation)

8,947.42 TONNES

returned for destruction

796.03 TONNES

reclaimed for reuse

$87.34 MILLION

paid to industry in rebates

These cumulative outcomes underscore the long-term role of refrigerant recovery and destruction in preventing the release of high global warming potential and ozone depleting refrigerant gases into the atmosphere.

ANNUAL PERFORMANCE

During the 2022-23 financial year

632.88 TONNES

of refrigerant recovered

439.80 TONNES

returned for destruction

193.08 TONNES

reclaimed for reuse

410.77 TONNES

destroyed

88.65 TONNES

tonnes stock on hand

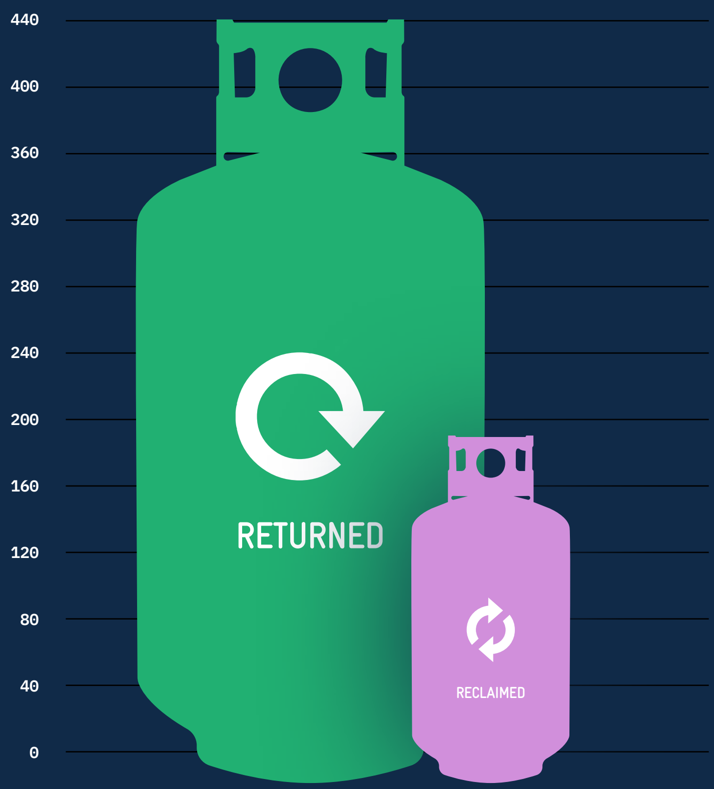
ANNUAL RECOVERY 2022–23 FINANCIAL YEAR

439.80 TONNES

returned for destruction

193.08 TONNES

reclaimed for reuse



SPECIES BREAKDOWN

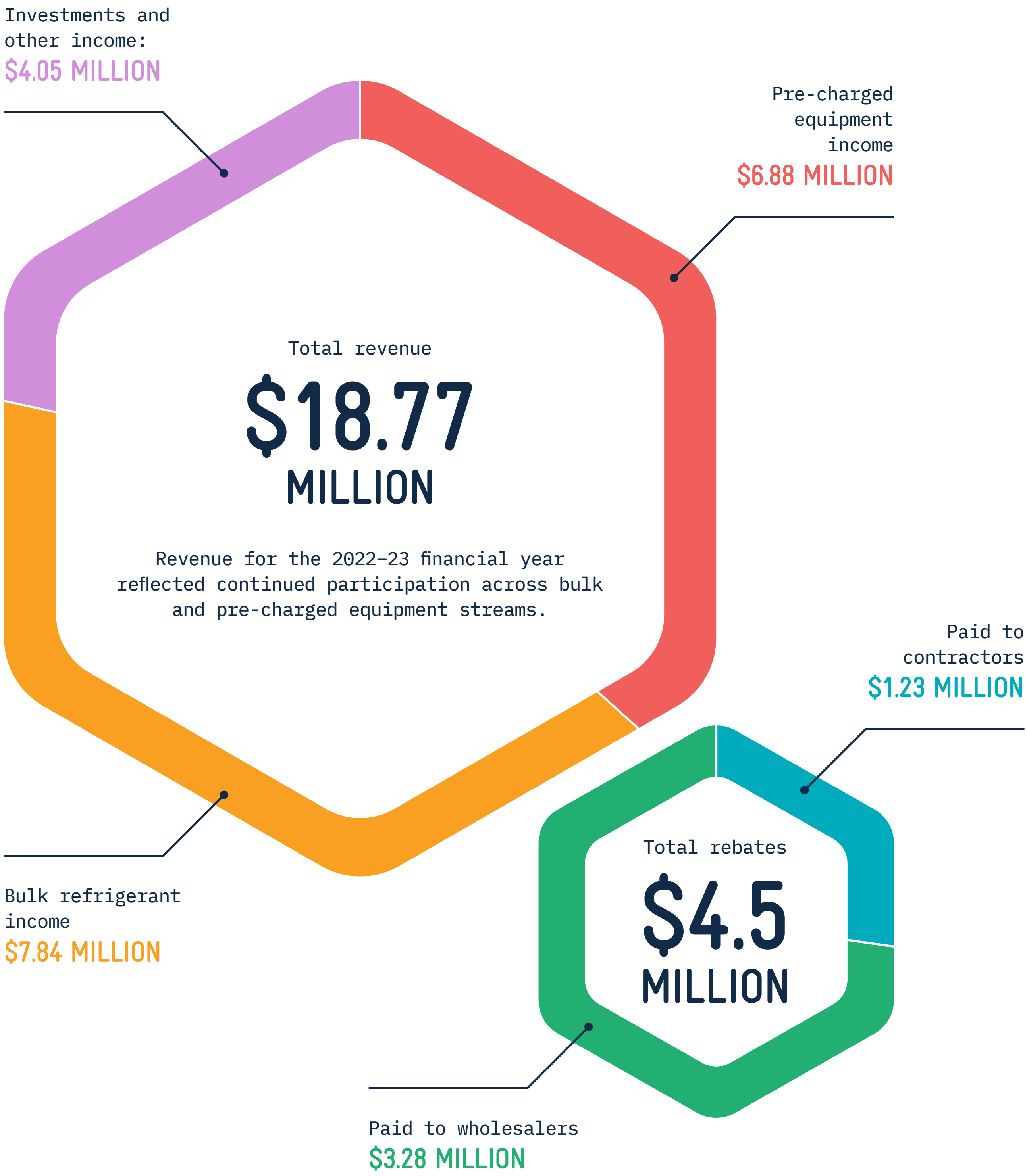
Recovered refrigerants during FY22–23 included a mix of legacy and current generation gases, reflecting equipment lifecycles across the sector.

CFC	1.05%
HCFC	27.52%
HFCs	71.02%
Other	0.41%

Recovery activity continued to reflect the ageing of legacy equipment and changing refrigerant profiles

FINANCES

FINANCIAL YEAR 2022-23

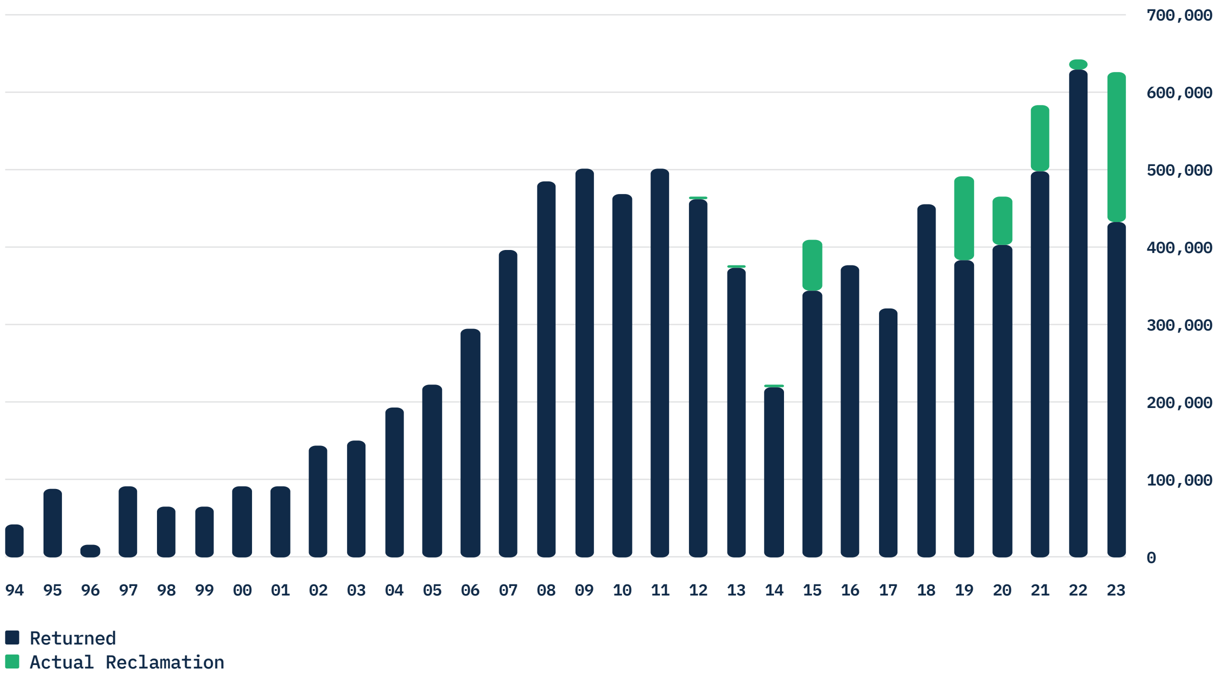


PERFORMANCE TRENDS

Recovery rates have continued to rise, reflecting increased end-of-life equipment turnover and improved industry engagement. Reclamation volumes have fluctuated as demand for legacy refrigerants softens and capacity shifts towards newer refrigerant types.

The growing recovery of HFC blends such as 410A highlights the importance of managing high-GWP refrigerants through Australia's stewardship program. Sustained participation and collaboration across the sector remain essential.

Performance trends



INTERNATIONAL ENGAGEMENT AND POLICY LEADERSHIP

In November 2022, Kylie Farrelley represented RRA as a key participant in the United Nations high-level round table held during the 34th Meeting of the Parties to the Montreal Protocol, convened as part of the 77th session of the United Nations General Assembly. The round table, moderated by Dr Mona Nemer, Chief Science Adviser to the Prime Minister of Canada, focused on the implementation of the Kigali Amendment and its implications for global climate outcomes.

As a panellist, Kylie contributed industry and stewardship perspectives on the achievements of the Montreal Protocol and emphasised the importance of public-private cooperation to strengthen alignment between multilateral environmental agreements and related climate programmes. The discussion highlighted the critical role of practical implementation, technical expertise and industry engagement in achieving sustained emissions reductions.

In June 2023, Kylie was appointed to the United Nations Environment Programme Refrigeration, Air Conditioning and Heat Pumps Technical Options Committee. This appointment recognises her technical expertise and positions RRA within a global advisory network that supports evidence-based policy development, emerging technology assessment, and international climate mitigation efforts.

Together, these engagements reinforce RRA's active contribution to international refrigerant policy discussions and strengthen Australia's role in advancing responsible refrigerant lifecycle management within the global climate framework.

Thirty-Fourth Meeting of the Parties — Ozone Secretariat

PARTNERSHIPS AND COLLABORATIONS

TAFE SUPPLY AND TRAINING SUPPORT ACTIVITIES

RRA continued its support of TAFE institutions across Australia, recognising the critical role education plays in strengthening industry capability and environmental stewardship. Through the provision of refrigerants and technical engagement with educators, RRA has helped ensure apprentices are trained using products and practices aligned with current regulatory and environmental settings

In line with the national HFC phase-down and the transition away from high-global-warming-potential legacy refrigerants, RRA ceased supplying R404A and R507 to TAFE from 1 January 2023. This strategic decision supports the shift to lower global warming potential alternatives and ensures that apprentices develop practical skills relevant to the technologies they will encounter in modern refrigeration and air conditioning systems

As refrigerant technologies evolve, RRA will continue to adapt its support to reflect emerging products, regulatory changes and industry best practice, reinforcing responsible refrigerant lifecycle management.

WORLDSKILLS AUSTRALIA SPONSORSHIP AND ENGAGEMENT

RRA continued its sponsorship of WorldSkills Australia, reinforcing our commitment to developing the next generation of skilled refrigeration and air conditioning professionals.

By engaging with WorldSkills, RRA helps elevate the profile of vocational education, strengthen industry capability, and align with our broader objective of supporting responsible refrigerant management and future workforce readiness.

RACCA

RRA continued its collaboration with the Refrigeration and Air Conditioning Contractors Association (RACCA), recognising the importance of strong contractor representation in advancing responsible refrigerant management.

Through ongoing engagement and industry forums, RRA and RACCA have supported improved understanding of refrigerant recovery obligations, emerging technologies, and best-practice service standards. This partnership helps ensure frontline contractors are equipped to meet regulatory requirements while contributing to Australia’s broader environmental objectives.

CSIRO

RRA continued to support CSIRO's research into atmospheric concentrations and emissions of ozone-depleting substances and synthetic greenhouse gases. This included ongoing work associated with the Kennaook/Cape Grim atmospheric monitoring program.

The research contributes to a stronger understanding of refrigerant emissions both in Australia and the southern hemisphere which supports the comparison of atmospheric measurements with national emissions estimates. RRA's partnership with CSIRO provides valuable scientific evidence to inform government reporting, policy development and the continued improvement of refrigerant management practices.

VASA

RRA continued its longstanding partnership with VASA, an important industry association representing automotive air-conditioning, electrical and cooling technicians across Australasia. The partnership provides RRA with a valuable connection to the automotive sector and the technicians responsible for the safe handling and recovery of refrigerants.

Through continued collaboration and knowledge sharing, RRA and VASA supported greater awareness of responsible refrigerant management and environmental stewardship across the industry. RRA values VASA's technical expertise, industry reach and ongoing contribution to strengthening refrigerant recovery practices within the automotive sector.

OPERATIONAL IMPROVEMENTS AND INVESTMENT

During the 2022–23 financial year, RRA maintained a strong focus on the effective delivery of core scheme operations, while continuing to invest in systems, processes and infrastructure that enhance performance and long-term sustainability.

Targeted operational refinements strengthened efficiency, improved responsiveness across the supply chain and supported more streamlined service delivery for industry participants.

These improvements reflect RRA's commitment to maintaining a stable, well-governed product stewardship framework that adapts to evolving regulatory, environmental and market conditions.

ENVIRONMENTAL IMPACTS

Data from CSIRO's Kennaook/Cape Grim Monitoring Station continues to demonstrate the environmental benefits of reducing emissions of ozone-depleting substances. During 2022–23, atmospheric measurements showed further declines across key ODS categories, reflecting the long-term impact of action under the Montreal Protocol.

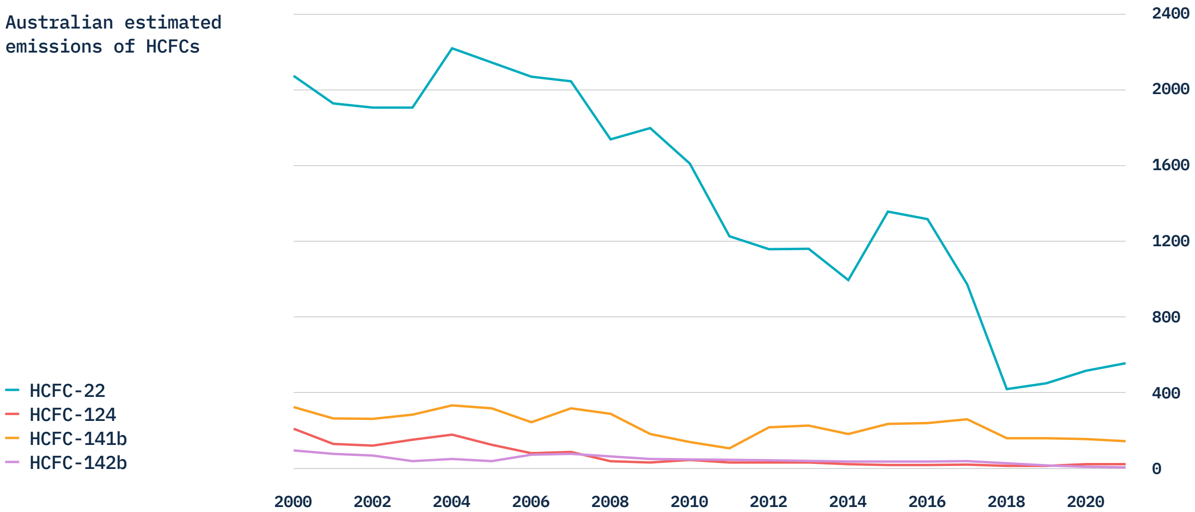
ODS TREND – LEGACY REFRIGERANTS, CONTINUING DECLINE

CSIRO estimates show that Australian HCFC emissions have fallen substantially over the longer term, from 1,363 tonnes in 2001 to 786 tonnes in 2022. Ozone-depletion-potential-weighted HCFC emissions also declined from 79 tonnes to 46 tonnes over the same period.

Atmospheric measurements during 2022–23 provide further evidence of this transition. Total HCFC concentrations at Kennaook/Cape Grim decreased by 0.34 per cent between 2022 and 2023. HCFC-22, historically a widely used refrigerant in refrigeration and air conditioning equipment, declined in atmospheric concentration for the first time since measurements began. HCFC-141b declined for the second consecutive year, while HCFC-142b also continued to fall.

These results demonstrate continued progress in reducing the atmospheric burden of ozone-depleting substances. However, legacy refrigerants remain in existing equipment and continue to reach end of life, reinforcing the importance of effective recovery and responsible refrigerant management.

Australian estimated emissions of HCFCs



HFC TREND – CURRENT GENERATION REFRIGERANTS

While significant progress has been made in reducing ozone-depleting substances, the refrigerant transition has also increased the importance of managing HFCs. Unlike HCFCs, HFCs do not deplete the ozone layer, but many have high global warming potentials and can contribute significantly to climate change when released to the atmosphere.

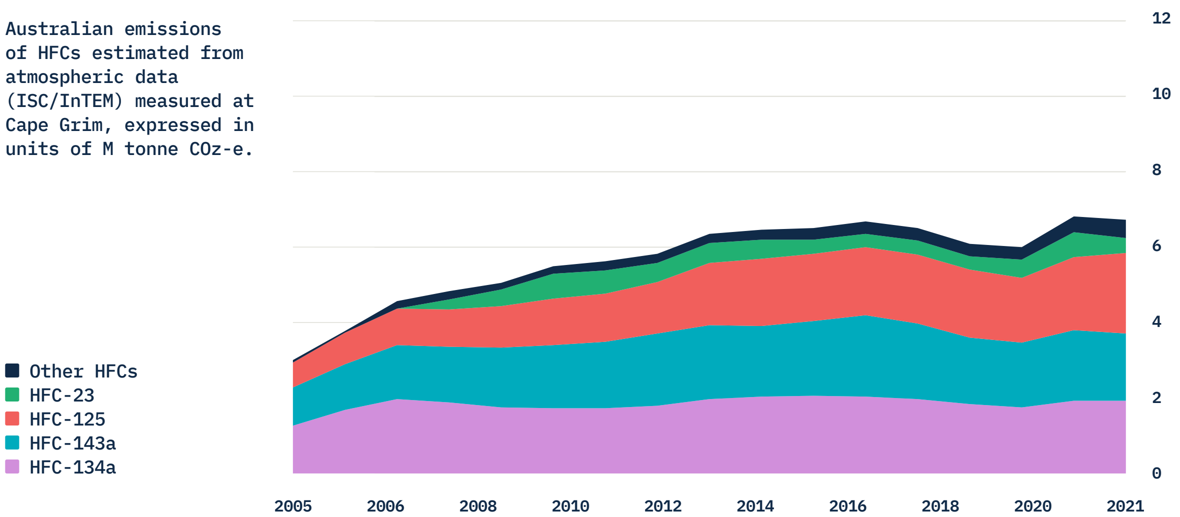
CSIRO reported increasing concentrations of key HFCs used in air conditioning and refrigeration from 2021 to 2022, including HFC-134a, HFC-125, HFC-143a, HFC-32 and HFC-23. Total HFC concentrations in the background atmosphere increased by approximately 6.7 per cent over this period.

Australia's HFC phase-down is progressively reducing the amount of HFC refrigerant entering the market. CSIRO noted that Australian bulk HFC imports were lower in 2022 than in 2021, largely due to quota reductions and importer choices, while background atmospheric concentrations continued to rise. This reflects emissions from the substantial refrigerant bank contained in refrigeration and air-conditioning equipment already in use, rather than simply the volume of refrigerant imported or sold in a single year.

As this existing equipment reaches end of life, the installed HFC bank will continue to drive demand for effective recovery pathways. Recovered refrigerants during 2022–23 already reflected this changing refrigerant profile, with HFCs accounting for 71.02 per cent of refrigerant recovered through the RRA program, compared with 27.52 per cent HCFCs and 1.05 per cent CFCs.

The coexistence of legacy ozone-depleting and newer high-global-warming-potential refrigerants underscores the importance of managing multiple generations of refrigerants simultaneously. As attention increasingly turns to managing HFCs and supporting the transition to lower-impact alternatives, RRA provides an important pathway for the recovery and destruction of refrigerants, helping prevent their unnecessary release to the atmosphere.

Australian emissions of HFCs estimated from atmospheric data (ISC/InTEM) measured at Cape Grim, expressed in units of M tonne CO_2-e.



LOOKING AHEAD

This year reinforces that effective refrigerant recovery relies on collective effort across industry, government and the community. The strength of Australia's product stewardship framework lies in shared responsibility, practical collaboration, and a clear understanding of the environmental stakes.

As Australia progresses through the HFC phase down, RRA will continue to maintain strong recovery participation across the supply chain, support industry capability through education and engagement, and refine operational systems and data to strengthen transparency and performance. Ongoing constructive engagement with policy makers, regulators and research partners will remain central to ensuring the scheme evolves in step with regulatory, technological and market developments.

International policy settings and technical developments continue to shape the refrigerant transition. Maintaining close alignment with global best practice and multilateral environmental commitments remains important to ensuring Australia's stewardship approach is informed, credible and future focused.

The future of refrigerant stewardship depends on sustained commitment, adaptive leadership and collaboration across the sector. RRA remains focused on delivering a stable, credible and innovative program that supports environmental protection while providing practical value to industry.

FINANCIAL REPORT

REFRIGERANT RECLAIM AUSTRALIA GROUP

Special Purpose Financial Statements

Year Ended 30 June 2023

Refrigerant Reclaim Australia Group
Compilation Report
For the Year Ended 30 June 2023

Compilation Report
to the Refrigerant Reclaim Australia Group

We have compiled the accompanying special purpose financial statements of Refrigerant Reclaim Australia Group, which comprise the balance sheet as at 30 June 2023, the income statement 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 Directors

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

Our Responsibility

On the basis of information provided by the directors, 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 directors of Refrigerant Reclaim Australia Group 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**

Michelle Hartman

16/01/2024

Michelle Hartman
Partner

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Refrigerant Reclaim Australia Group
Income Statement
For the year ended 30 June 2023

	2023 $	2022 $
Income		
Levies		
- Bulk importers	7,839,450	6,325,962
- Charged equipment importers	6,882,820	6,295,636
Total Income	14,722,270	12,621,598
Operational Costs		
Cost of destruction	10,887,455	14,331,438
Total Operational Costs	10,887,455	14,331,438
Gross Surplus/(Deficit) from Trading	3,834,815	(1,709,840)
Other Income		
Interest income	3,503,371	1,569,219
Other income	542,945	226,712
Total Other Income	4,046,316	1,795,931
Total Trading Overheads	(576,134)	2,842,913
Operating Surplus	**8,457,265**	**(2,756,823)**
Other comprehensive income		
Changes in the fair value of equity investments at fair value through other comprehensive income	(1,952,282)	1,596,653
Net Surplus/(Deficit)	**6,504,983**	**(1,160,170)**

Refrigerant Reclaim Australia Group
Balance Sheet
As at 30 June 2023

	2023 $	2022 $
ASSETS		
Current Assets		
Funds		
Petty Cash	200	200
Cash at bank	18,402,389	2,229,712
Term Deposits	15,989	2,515,989
Investments	18,190,556	11,319,820
Listed exchange traded fund (EFT)	19,752,970	19,752,970
	56,362,104	35,818,691
Debtors		
Trade Debtors	2,952,575	2,326,253
	2,952,575	2,326,253
Other		
Prepayments	7,009	12,876
GST/FBT receivables	2,293	-
Accrued Interest	392,148	168,998
	401,450	181,874
Total Current Assets	59,716,129	38,326,818
Non-Current Assets		
Funds		
Investments	42,162,949	57,631,560
Right of use asset	101,838	146,870
Cylinders	1,043,470	1,043,470
Less Accumulated Depreciation	(1,043,470)	(1,006,027)
	42,264,787	57,815,873
Total Non-Current Assets	42,264,787	57,815,873
Total Assets	**101,980,916**	**96,142,691**
LIABILITIES		
Current Liabilities		
Creditors		
Trade Creditors	1,283,829	1,923,613
Accrued Expenses	54,114	50,841
Lease liabilities	62,252	58,616
Other Payables	-	1,114
	1,400,195	2,034,184
Provisions		
Provision for annual leave	30,559	51,215
Provision for long service leave	50,555	157,000
Provision for destruction costs	703,172	526,487
	784,286	734,702
Total Current Liabilities	2,184,481	2,768,886
Non-Current Liabilities		
Creditors		
Lease liabilities	48,771	114,416
	48,771	114,416
Provisions		
Provision for annual leave	18,652	37,300
Provision for long service leave	6,068	4,128
	24,720	41,428
Total Non-Current Liabilities	73,491	155,844
Total Liabilities	**2,257,972**	**2,924,730**
Net Assets	**99,722,944**	**93,217,961**
EQUITY		
Settled Sum	10	10
Financial assets at FVOCI reserve	(355,629)	1,596,653
Retained Earnings	91,621,298	94,378,121
Current Year Earnings	8,457,265	(2,756,823)
Total Equity	**99,722,944**	**93,217,961**

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 2023 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 - Simplified Disclosure Requirements

The financial statements of The R.R.A. Environment Trust comply with Australian Accounting Standards - Simplified Disclosures as issued by the Australian Accounting Standards Board (AASB).

(ii) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2022:

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141].*

The amendment listed above also did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention except for investment in equities that are measured 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 directors conclude that the Group is a going concern based on:

- the current assets exceeds current liabilities by $57,531,648 (2022: $35,557,932).
- the Group has no significant capital commitments and has the ability to schedule projects / activities over and above business as usual operations only where necessary;
- significant current investments maturing across 2022-23 to fund short and medium term expenditures irrespective of cash inflows;
- significant non-current investments with varying maturities to fund longer term operations; and
- at the date of these financial statements, the ability to destroy refrigerants is categorised by Australian Governments as services supporting an essential service.

1 Summary of significant accounting policies (continued)

(b) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below.

(i) Levy revenue

Levy revenue is recognised when imports are reported to the entity and there are no unfulfilled obligations that could affect the Grust's right to levy the import. A receivable is recognised when the imports are reported as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Government revenue

Revenue from the government is recognised at fair value where there is a reasonable assurance that the income will be received and the group will comply with all attached conditions.

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(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

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*.

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.

1 Summary of significant accounting policies (continued)

(d) Leases (continued)

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
- 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.

1 Summary of significant accounting policies (continued)

(d) Leases (continued)

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.

(g) Investments and other financial assets

(i) 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 fair value through profit or loss (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.

1 Summary of significant accounting policies (continued)

(g) Investments and other financial assets (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (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.

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.

1 Summary of significant accounting policies (continued)

(g) Investments and other financial assets (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses

Financials 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 assets at fair value through other comprehensive income (OCI):

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are taken through OCI. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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.

(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.

1 Summary of significant accounting policies (continued)

(g) Investments and other financial assets (continued)

(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

(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 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.

(iii) Post-employment obligations

The Group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(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.

1 Summary of significant accounting policies (continued)

(k) Goods and Services Tax (GST) (continued)

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

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

The Group is required to facilitate the destruction of all recovered gas through the recovery scheme in line with Government legislation at the end of its life. A provision has been recognised for the present value of the estimated expenditure required to facilitate this destruction. The provision is reviewed monthly with respect to the quantity of recovered gas transferred to the Group.

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