



ANNUAL REPORT

2005

Totalcare Industries Limited

ACN 054 435 746

Directors

Mr Michael Harris (Chairman)
Mr Jeremy Pyner (Deputy Chairman)
Mr Tom McDonald

Company Secretary
RSM Bird Cameron

Principal Registered Office
9 Sandford Street
MITCHELL ACT 2911

Solicitors

Totalcare uses a number of law firms, including

Hunt & Hunt: external general counsel

Australian Government Solicitor: external special counsel for superannuation issues

Mallesons Stephen Jacques: fleet matters until 31 December 2004

Minter Ellison: insurance defence

Bankers

Westpac Banking Corporation

ABN

70 054 435 746

CONTENTS

Chairman's Report	4
Company Profile	5
Who we are	5
Business Report	6
Totalcare Fleet	6
Our people	7
Occupational health & safety (OH&S)	7
Workers Compensation and rehabilitation.....	7
Board of Directors.....	8
Director's Report.....	9
Directors.....	9
Directors' meetings.....	9
Principal activities.....	9
Review of Results and Operations.....	10
Financial Performance	10
Matters Subsequent to the Financial Year	10
Forecast.....	10
Corporate Governance	10
The Role of the Board.....	10
The Composition of the Board.....	11
Access to Independent Legal Advice.....	11
Board Remuneration	11
Board Meetings	11
Board Committees	11
Conflict of Interest	11
Business Approach.....	11
Officers' Indemnity and Insurance	11
Public Interest Disclosure	12
Freedom of Information.....	12
Commissioner for the Environment.....	12
Records Management.....	12
Community Consultation.....	12
Independent Audit Report	13
Financial Report.....	14

Chairman's Report

Two years ago, a new Board, (including the current members) was convened to deliver a series of goals set by the company's voting shareholders. These goals have now all been achieved.

The final transfer task, to transfer the company's Fleet division to a separate company, Rhodium Asset Solutions Limited (Rhodium) was achieved on 31 December 2004. As was Totalcare, Rhodium is a corporation also regulated under the *Territory owned Corporations Act 1990*.

I am also pleased to report the Fleet division maintained satisfactory profitability in a difficult period of transition. This reflected the same ethos displayed by staff in the other divisions of the company that were transferred to Government in the previous financial year.

I extend my congratulations to management and staff for their commitment and dedication.

The company's objectives now are to meet all its outstanding liabilities, particularly superannuation, with the ultimate objective of winding up the company. While Totalcare Industries Limited is no longer active as a business; the company still exists as a corporation and will continue to do so until all of its outstanding liabilities are acquitted. While there are many challenges ahead, the Board is confident that the company will continue to achieve its objectives.

Mike Harris
Chairman

Company Profile

Who we are

Totalcare was established under Commonwealth Company law, then existing. It was incorporated in November 1991, commencing operations on 1 January 1992. Totalcare was also subject to a local layer of regulation under the *Territory Owned Corporations Act 1990* as a Territory Owned Corporation. Accordingly, Totalcare's voting shareholders are Cabinet Ministers of the ACT Government.

Totalcare previously provided integrated solutions and services in the areas of asset and infrastructure management and maintenance, fleet services to the Government and non-government sectors, and non-medical health services. In 2003 the company's voting shareholders (both of whom are Cabinet Ministers) decided to transfer the majority of Totalcare's business units to ACT Government departments as follows:

- Facilities Management to the Department of Urban Services on 1 March 2004;
- Road Maintenance to Department of Urban Services on 1 March 2004;
- Linen Services to Department of Urban Services on 1 April 2004; and
- Sterilisation Services to ACT Health on 1 April 2004.

The ACT Government decided in 2004 to create a new *Corporations Act 2001(Cwlth)* company, also designated under local legislation, the *Territory Owned Corporations Act 1990* to be a Territory Owned Corporation, to take over and conduct the business operated by Totalcare's Fleet division. The Fleet division was transferred to Rhodium on 31 December 2004.

Totalcare was removed from the schedule of corporations regulated under the *Territory Owned Corporations Act 1990* in January 2005. Of course, Totalcare continues its existence as an unlisted public company, regulated under the *Corporations Act 2001 (Cwlth)*.

Summary of our strategic objectives for 2005 to 2006

The company's objectives now are to meet all its outstanding liabilities, particularly superannuation, with the ultimate objective of winding up the company. While Totalcare Industries Limited is no longer active as a business; the company still exists as a corporation and will continue to do so until all of its outstanding liabilities are acquitted. Then, Totalcare Industries limited will be wound up in accordance with the *Corporations Act 2001*.

Business Report

Totalcare Fleet

Until its transfer to Rhodium, Totalcare Fleet provided complete leasing and fleet management services in the ACT to government and industry organisations. Totalcare Fleet's services were quality certified against AS/NZS ISO9001: 2000. At the time of transfer to Rhodium, Totalcare Fleet had over 3,000 assets under management with clients including the ACT Government and other state and federal agencies.

Key Achievements July 2004 – 31 December 2004

- Achieved the successful transition of Totalcare Fleet to Rhodium.
- Up to the date of transfer, Fleet maintained profitability, with above average budget results.
- Up to the date of transfer, Fleet achieved significant growth in expanding its client base into the private sector.
- Up to the date of transfer, expanded the supplier/dealership network nationally to meet demand for Fleet's Smartlease and operational leasing products.
- Up to the date of transfer, implemented a product growth strategy supported by a Fleet Management System that targeted all tiers of government and corporate organisations.
- Up to the date of transfer provided opportunities for staff development and growth aligned to Fleet's strategic business activities.

Our people

Totalcare continued to concentrate on consulting and supporting staff during the transfer of the Fleet division, as well as the wind down of its activities. Although working within an environment of change, employees remained focused on the performance of the business and continued to show a strong commitment to providing our clients with a quality service right up to the date of transfer.

Our employees came from a wide range of cultural and ethnic backgrounds, and with such diversity, Totalcare was and still is committed to promoting the strengths of this diversity and to encouraging the contribution of individuals. Employee numbers were made up of full-time, casual and temporary positions. The remaining 29 employees were all transferred to Rhodium on 31 December 2004. The staffing details over the period of this Board's tenure are as follows:

Employee numbers by Business Unit	2003	2004 June	2004 31 Dec
Corporate	16	4	0
Asset & Infrastructure management	2	0	0
Facilities Management	20	0	0
Fleet	20	29	29
Health Services Management	1	0	0
Linen	126	0	0
Roads	53	0	0
Sterilizing	49	0	0
Total	338	33	29

Occupational health & safety (OH&S)

Totalcare remains committed to ensuring that its OH&S obligations and responsibilities are understood and acted upon across the company. This commitment starts at the Board level with the Chairman a co-signatory to the company's OH&S Policy. OH&S Management Systems were maintained for the Totalcare Fleet business and despite having no employees the policy remains. Naturally, all safety systems have been reviewed as part of the post transfer activities.

Workers Compensation and rehabilitation

The 2004/05 workers compensation premium has reduced dramatically to 3.58%, which reflected the nature of the Fleet division.

Board of Directors

The voting shareholders, who are the Chief Minister, Mr Jon Stanhope, MLA and the Deputy Chief Minister Mr Ted Quinlan, MLA appointed Totalcare's directors. There are currently three directors on the Totalcare Board, as required by *the Corporations Act 2001*.

The Board continues to meet monthly. In 2004-05 the Board met on nine occasions.

The Board's only sub-committee during the year was the Audit committee.

The following persons were directors of Totalcare Industries Limited during all or part of the financial year:

Mr Michael L. Harris, B Ec

Michael Harris has been the Chairman of the Totalcare Board since his appointment on 27 June 2003.

Mr Jeremy Pyner, M A (Hons)

Jeremy Pyner is the Deputy Chairman of the Totalcare Board since his re-appointment as Board Director on 27 June 2003.

Ms Sandra Lambert BA, Dip. Teaching (Secondary)

Sandra Lambert was a Board Director since her appointment on 27 June 2003, until her resignation on 31 December 2004.

Mr Tom McDonald, LLB (Hons), LLM, JSSC

Tom McDonald was a member of the Board until September 9 2004. He was reappointed to the Board on 19 April 2005.

Mr Michael Zissler RN, RSCN (UK), BHA, MBA, FACHSE, CHE, AFAIM, MAICD

Michael Zissler was a Board Director since his appointment on 27 June 2003, until his resignation on 31 December 2004.

Director's Report

Directors

The term of appointment and remuneration of Directors is determined by Totalcare's voting shareholders.

The following persons were Directors of Totalcare Industries Limited at the commencement of the 2004/05 financial year:

M L Harris
J Pyner
S Lambert
T McDonald
M Zissler

T McDonald resigned on 9 September 2004 and was re-appointed on 19 April 2005.

Directors' meetings

The number of meetings of the company's Board of Directors and the Audit Committee held during the year ended 30 June 2005 and the number of meetings attended by each Director is shown in the following table.

	<u>Director's Meetings</u>		<u>Audit Committee Meetings</u>	
	meetings attended	eligible to attend	meetings attended	eligible to attend
M L Harris	9	9	-	-
J Pyner	9	9	-	-
S Lambert	6	7	2	2
T McDonald	5	5	1	1
M Zissler	7	7	2	2

Principal activities

The principal activities of the company during the year were:

Fleet management (transferred to a new *Territory Owned Corporation* - Rhodium Asset Solutions on 31 December 2004) – leasing services and fleet management for passenger and light commercial vehicles, plant & equipment.

Totalcare is no longer actively engaged as a commercial business, but it will continue to exist for the medium term. It will be wound down once all liabilities have been assessed and met.

Review of Results and Operations

During this financial year, the remaining business activity was transferred to a new entity (Rhodium Asset Solutions) in accordance with a direction from the shareholders.

Financial Performance

Due to Totalcare Fleet transferring out half way through the financial year, comparisons between the current and previous years financial statements are not informative.

Up to the point of transfer, Totalcare Fleet performed better than forecast.

Matters Subsequent to the Financial Year

The Deed of Transfer between Totalcare Industries Limited (Totalcare) and Rhodium Asset Solutions Limited (Rhodium) showed an amount of \$4.9 million in cash assets to be transferred to Rhodium on 31 December 2004. The cash assets available for transfer, effective 31 December 2004 was \$3.9million. The company noted this as a contingent liability. A Deed of Variation has now been executed between Totalcare Industries Limited and Rhodium Asset Solutions, which, effective 31 August 2005 relieves Totalcare of this contingent liability.

Forecast

The residual liabilities are still being assessed. The ACT Government has agreed to meet any outstanding liabilities. A Statement of Corporate Intent has not been formulated due to the inactivity of the business.

Corporate Governance

The Board believes that an effective corporate governance culture is critical to the success of the winding down of the Company. The Board maintains the Corporate Governance Framework that defines the roles and responsibilities of the Board and management.

The Role of the Board

The Board still sees itself as having governance over the residual issues and the eventual wind down of the company. The Board's functions include:

- setting overriding Company policy;
- approving major strategies, plans and budgets;
- approving significant expenditure;
- ensuring the Company acts legally and responsibly on all matters and that the highest ethical standards are maintained; and
- liaising and consulting with its shareholders.

All functions are carried out in line with the Australian Institute of Company Directors Code of Conduct.

The Composition of the Board

The Totalcare Board will not be less than three and not more than seven as determined by the voting shareholders in accordance with Totalcare's Constitution.

Access to Independent Legal Advice

Where a Director perceives an irregularity or matter of concern regarding a Totalcare related matter, he or she may seek independent advice at the company's expense. Directors must advise the Chairman before advice is sought and ensure that the costs are reasonable.

Board Remuneration

The Board remuneration is set by the ACT Remuneration Tribunal and is paid from company funds. Directors are paid for reasonable travel and expenses incurred in connection with the execution of their duties as directors.

Directors called upon to perform extra services for the company will be remunerated to a value determined by the Board. No such payments were made during the year under review.

Board Meetings

The Board met on a monthly basis until January 2005, and again from May 2005. The Board requires a quorum of at least half the number of Directors. To meet operational needs, the Board may convene special meetings or use a circular resolution approach.

Board Committees

As the need arises, the Board may elect to establish specific committees. There are Charters for all committees of, and reporting to, the Board. Each committee is governed by its Charter, and operationally these would be reviewed annually to keep it consistent with Totalcare's strategic direction.

Conflict of Interest

The Board has in place a process that ensures the interests of all directors are disclosed to the Board upon appointment and reviewed on an annual basis.

All directors formally agree to a process for resolving matters that may give rise to actual or potential conflicts of interest of a director, including the formal declaration of any possible conflict before the commencement of any Board meeting.

Business Approach

The Board has appropriate systems and controls in place to ensure Totalcare Industries Limited acts within the law at all times, avoids conflicts of interest and acts honestly and ethically in all business activities.

Officers' Indemnity and Insurance

Every person who is, or has been a director, secretary or executive officer of the Company is indemnified to the maximum extent permitted by law, out of the property of the Company against liabilities for costs and expenses, except where judgement is

given against the person or where the conduct arises out of a lack of good faith. This indemnity is pursuant to the Company's Constitution Clause 46. During the financial year there were no claims on the policy.

Public Interest Disclosure

During the reporting year, no obligations arose in relation to Public Interest Disclosure.

Freedom of Information

During the reporting year, there were no requests for information under the *Freedom of Information Act*.

Commissioner for the Environment

During the year, no obligation arose under the *Commissioner for the environment Act*.

Records Management

As part of the wind-down process, Totalcare has implemented and maintains a records management structure that complies with the *Territory Records Management Act*.

Community Consultation

During the reporting year, there was no specific community consultation undertaken in relation to the Company's operations.

Totalcare is of a kind referred to in ASIC Class Order 98/100 dated July 1998 and in accordance with the Class order, amounts in the financial report and director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed for and on behalf of the Directors in accordance with a resolution of the Board of Directors.

Michael L Harris
Chairman

Tom McDonald
Director

..... (City)September 2005 (City).....September 2005

Independent Audit Report

Totalcare Industries Limited
Financial Report
30 June 2005