



# **ANNUAL REPORT**

**2006**

# **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 Sanford Street  
MITCHELL ACT 2911

## **Solicitors**

Totalcare uses a number of law firms, including  
Moray and Agnew: external general counsel  
Australian Government Solicitor: external special counsel for superannuation issues

## **Bankers**

Westpac Banking Corporation

## **ABN**

70 054 435 746

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## Chairman's Report

Three 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 were all achieved during the financial year 2004/05.

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 While Totalcare Industries Limited is no longer active as a business; the company still exists as a corporation and will continue to do so until all of its outstanding liabilities are acquitted.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.



**Jeremy Pyner**  
Deputy Chairman

# Company Profile

## **Who we are**

Totalcare was incorporated under Commonwealth company law in November 1991. It commenced 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 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 decided to transfer the majority of Totalcare's business units to ACT Government departments as follows:

- Facilities Management to the then Department of Urban Services on 1 March 2004;
- Road Maintenance to the then Department of Urban Services on 1 March 2004;
- Linen Services to the then 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 company, Rhodium Asset Solutions Limited (Rhodium) to take over and conduct the business operated by Totalcare's Fleet division. Rhodium is a Territory Owned Corporation. The Totalcare 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*.

## **Summary of our strategic objectives for 2006 to 2007**

The company's objectives for 2006-07 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 as such until all of its outstanding liabilities are acquitted. Then, Totalcare Industries limited will be wound up in accordance with the *Corporations Act 2001*.

## **Board of Directors**

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.

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

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

# Director's Report

## **Directors**

The term of appointment and remuneration of Directors is determined by Totalcare's voting shareholders. The voting shareholders are the Chief Minister, Mr Jon Stanhope, MLA and the Deputy Chief Minister, Ms Katy Gallagher MLA. Mr Stanhope and the former Deputy Chief Minister Mr Ted Quinlan, MLA appointed Totalcare's present directors. There are currently three directors on the Totalcare Board, as required by *the Corporations Act 2001*.

In 2005-06 the Board met on five occasions. The Annual General Meeting was held on 11 November 2005.

The following persons were Directors of Totalcare Industries Limited at the commencement of the 2005/06 financial year:

M L Harris  
J Pyner  
T McDonald

## **Directors' meetings**

The number of meetings of the company's Board of Directors held during the year ended 30 June 2006 and the number of Director's meetings attended by each Director is shown in the following table.

	meetings attended	eligible to attend
M L Harris	5	5
J Pyner	5	5
T McDonald	5	5

## **Principal activities**

The principal activities of the company during the year were the continued work on the company's superannuation issues, and ongoing identification of assets and liabilities.

Totalcare is no longer actively engaged as a commercial business, but it will continue to exist for the medium term. It will be wound up once all assets have been identified, assessed and accumulated where possible and practicable, and its liabilities have been assessed and met.

Accordingly, the main emphasis throughout the year involved the continued assessment and consolidation of the company's overall assets and liabilities, with an emphasis on the company's extensive superannuation liabilities (see Note 2 to the Accounts).

A number of debtors were contacted and funds recovered over the course of 2005/06. These accounts dated from previous administrations at Totalcare. Some debts had lain uncollected for a number of years. The company also identified prior overpayments of GST and FBT and these were refunded by the ATO. In addition, having provided effective proof of debt with respect to a claim arising out of the HIH Insurance Limited collapse, the company has now

received its first distribution from the HHH liquidation. A second distribution is anticipated during 2006/07.

The Board has continued to investigate issues arising from Totalcare's previous corporate administration, following the outcome of the forensic audit it commissioned that identified the superannuation liabilities. Against this background, the Board is understandably concerned to ensure that assets, liabilities and compliance matters are properly identified and resolved prior to windup of the company.

With regard to superannuation, the first two settlements have been effected and progress is accelerating with regard to the bulk of the cases. A settlement template was approved by the Board during the year, and agreement has been reached with AGEST and ARIA, formerly ComSuper as to funds recovery, reallocation and settlement of issues. Further information is provided at Note 2 to the Accounts.

Securing the company's tax position with respect to the superannuation liabilities in particular, and generally, as a company will be another focus of activity during 2006/07. While Totalcare was a government owned entity ostensibly subject to various iterations of national tax equivalent regimes from its inception until 2005, the voting Shareholders have instructed the Board to ensure that the large accumulated losses incurred by the company (in excess of \$21million) receive detailed examination and the most effective available tax treatment.

### ***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 windup of the Company. The Board maintains a corporate governance framework that defines the roles and responsibilities of the Board. The company has no employees.

### ***The Role of the Board***

The Board has governance over the residual issues and the eventual wind up of the company. The Board's functions include:

- setting over-riding 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 bi-monthly basis until January 2006, and again from May 2006. The Board requires a quorum of at least two of the three Directors. To meet operational needs, the Board may convene special meetings or use a circular resolution approach.

## ***Board Committees***

Given the size of the Board and the fact that the company has ceased active business, no separate Board committees exist.

## ***Conflict of Interest***

The Board has in place a process that ensures the interests of all directors are disclosed to the Board upon appointment, at each Board meeting and they are 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 company is no longer engaged in business. Nonetheless, 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.

## **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 judgment 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 1989*.

## **Commissioner for the Environment**

During the year, no obligation arose under the *Commissioner for the environment Act 1993*.

## **Records Management**


As part of the windup process, Totalcare has implemented and maintains a records management structure that complies with the *Territory Records Management Act 2002*.

## **Community Consultation**

During the reporting year, there was no specific community consultation undertaken, given that there were no company operations that attracted any such impact or necessity.

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

  
Jeremy Pyner  
Deputy Chairman

  
Tom McDonald  
Director

Canberra (City) 22 September 2006      CANBERRA (City) 22 September 2006

**Independent Audit Report**  
**Totalcare Industries Limited**  
**Financial Report**  
**30 June 2006**

# Totalcare Industries Limited

## Financial Report

### 30 June 2006

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This financial report covers Totalcare Industries Limited as an individual entity.

Totalcare Industries Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report on page 7.

# Totalcare Industries Limited

## Income Statement

For the year ended 30 June 2006

	Note	2006 \$'000	2005 \$'000
Revenue from Continuing Operations	4(a)	8	8,292
Other Income	4(b)	523	614
<b>Total Revenue</b>		<u>531</u>	<u>8,906</u>
Direct cost of providing services		-	2,319
Employee expenses		1	1,713
Depreciation and amortisation expenses	5(a)	-	1,642
Operating lease expenses		-	1,078
Other Expenses from Continuing Operations	5(b)	395	1,031
Borrowing expenses		-	1,406
Information technology expenses		1	234
<b>Total expenses</b>		<u>397</u>	<u>9,423</u>
<b>Profit (Deficit) from Continuing Operations before Income Tax Expense</b>		<u>134</u>	<u>(517)</u>
Income Tax Expense relating to Continuing Operations	1(d)	-	-
<b>Profit (Deficit) from Continuing Operations after Income Tax Expense</b>		<u>134</u>	<u>(517)</u>
<b>Net Deficit attributable to members of Totalcare Industries Limited</b>		<u>134</u>	<u>(517)</u>

The Income Statement should be read in conjunction with the accompanying notes.

# Totalcare Industries Limited

## Balance Sheet

As at 30 June 2006

	Note	2006 \$'000	2005 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6(a)	263	212
Receivables	7	16	15
Prepayments	8	179	186
<i>Total current assets</i>		<u>458</u>	<u>413</u>
<b>Non-current assets</b>			
Other financial assets	9	17,280	17,280
<i>Total non-current assets</i>		<u>17,280</u>	<u>17,280</u>
<b>Total assets</b>		<u>17,738</u>	<u>17,693</u>
<b>Current liabilities</b>			
Payables	10	82	171
<i>Total current liabilities</i>		<u>82</u>	<u>171</u>
<b>Non-current liabilities</b>			
Provisions	11	17,280	17,280
<i>Total non-current liabilities</i>		<u>17,280</u>	<u>17,280</u>
<b>Total liabilities</b>		<u>17,362</u>	<u>17,451</u>
<b>Net assets</b>		<u>376</u>	<u>242</u>
<b>Equity</b>			
<b>Equity attributable to members of Totalcare Industries Limited</b>			
Reserves	13(a)	21,617	21,617
Accumulated losses	13(c)	(21,241)	(21,375)
<i>Total Equity</i>	14	<u>376</u>	<u>242</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

# Totalcare Industries Limited

## Statement of Cash Flows

**For the year ended 30 June 2006**

	Note	2006 \$'000	2005 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts in the course of operations		522	8,341
Payments to suppliers and employees		(479)	(8,188)
Interest received		8	136
Borrowing costs		-	(1,406)
<i>Net cash flows provided by / (used in) operating activities</i>	6(b)	51	(1,117)
 <b>Cash flows from Rhodium Asset Solutions</b>			
Cash received on behalf of Rhodium Asset Solutions Limited		-	4,171
Cash paid out to Rhodium Asset Solutions Limited		-	(8,196)
<i>Net cash flows paid to Rhodium Asset Solutions Limited</i>		-	(4,025)
 <b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangibles		-	(352)
Proceeds from sale of property, plant and equipment		-	927
<i>Net cash flows provided by investing activities</i>		-	575
 <b>Cash flows from financing activities</b>			
Fleet financing inflows		-	10,069
Fleet financing outflows		-	(11,515)
<i>Net cash flows used in financing activities</i>		-	(1,446)
		51	(6,013)
 <b>Net (Decrease) / Increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		212	6,225
<b>Cash and cash equivalents at end of period</b>	6(a)	263	212

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Totalcare Industries Limited**  
**Statement of Changes in Equity**

**For the year ended 30 June 2006**

	<b>Capital Contribution Reserve \$'000</b>	<b>Revaluation Reserve \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Total Equity \$'000</b>
<b>As at 1 July 2004</b>	25,876	1,714	(22,572)	5,018
Loss for the year	-		(517)	(517)
Net book value of assets and liabilities transferred to the ACT Government	(5,973)		-	(5,973)
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to the ACT Government	1,714	(1,714)	1,714	1,714
<b>As at 30 June 2005</b>	21,617	-	(21,375)	242
Profit for the year			134	134
<b>As at 30 June 2006</b>	21,617	-	(21,241)	376

**The Statement of Changes in Equity should be read in conjunction with the accompanying notes.**

# Totalcare Industries Limited

## Notes to the Financial Statements

For the year ended 30 June 2006

### 1. Summary of significant accounting policies

#### (a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The financial report has also been prepared on a historical cost basis and except where stated, does not take into account changing money values or fair values of assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

#### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB132 Financial Instruments: Disclosure and Presentation of AASB 139 Financial Instruments: Recognition and Measurement. The company has adopted the exemption under AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2006 to the balances reported in the 30 June 2005 financial report and transition to AIFRS are detailed in note 1 (k).

AASB Amend-ment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard
2004-3	AASB 1 First-time adoption of AIFRS AASB 101 Presentation of Financial Statements AASB 124 Related Party Disclosures	No change to accounting policy required. Therefore no impact.	1 January 2006
2005-1	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006
2005-4	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2006
2005-5	AASB 1 <i>First-time adoption of AIFRS</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006
2005-6	AASB 3 <i>Business Combinations</i>	No change to accounting policy required. Therefore no impact.	1 January 2006

**Totalcare Industries Limited**

**Notes to the Financial Statements (continued)**

**For the year ended 30 June 2006**

**1. Summary of significant accounting policies (continued)**

<b>AASB Amend-ment</b>	<b>Affected Standard (s)</b>	<b>Nature of change to accounting policy</b>	<b>Application date of standard</b>
2005-9	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>	No change to accounting policy required. Therefore no impact.	1 January 2006
2005-10	AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per Share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2007

<b>New Standard/ UIG Affected Standard (s)</b>	<b>Nature of change to accounting policy</b>	<b>Application date of standard</b>
AASB 7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact.	1 January 2006
UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No change to accounting policy required. Therefore no impact.	1 January 2007
UIG 5 <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	No change to accounting policy required. Therefore no impact.	1 January 2006
UIG 7 <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>	No change to accounting policy required. Therefore no impact.	1 March 2006
UIG 8 <i>Scope of AASB 2</i>	No change to accounting policy required. Therefore no impact.	1 May 2006
UIG 9 <i>Reassessment of Embedded Derivatives</i>	No change to accounting policy required. Therefore no impact.	1 June 2006

**(c) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

### 1. Summary of significant accounting policies (continued)

#### *Rendering of Services*

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured.

#### *Interest*

Control of the right to receive the interest payment.

#### *Other*

Other revenue is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority (ATO).

### (d) Taxes

#### *Income Tax*

The Company has been granted an exemption from the payment of income tax under Section 24AM of the *Income Tax Assessment Act 1936*. The Company was required to make an equivalent payment to the Commissioner of ACT Revenue by virtue of the *Territory Owned Corporations Act 1990*. This obligation ceased on 12 January 2005.

#### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (e) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are de-recognised and as well as through the amortisation process.

### (f) Trade and other receivables

The company elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ended 30 June 2006 and 30 June 2005.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

### 1. Summary of significant accounting policies (continued)

#### *Accounting policies applicable for the year ended 30 June 2006*

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

#### *Accounting policies applicable for the year ended 30 June 2005*

Trade receivables, are recognised at the amounts receivable, as they are due for settlement no more than 30 days from the date of recognition. The collectibility of debts is assessed on an ongoing basis and general provision is made for any doubtful amounts. Debts known to be uncollectible are written off when identified.

#### (g) Cash and cash equivalents

Cash in the balance sheet comprise cash at bank and in hand.

For the purposes of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (h) Trade and other payables

The company has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ended 30 June 2006 and 30 June 2005.

#### *Accounting policies applicable for the year ended 30 June 2006*

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

#### *Accounting policies applicable for the year ended 30 June 2005*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The amounts are usually settled within 30 days of recognition.

#### (i) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (j) Capital contribution reserve

The capital contribution reserve forms part of the capital base of the Company and is not intended to be available for the distribution of dividends. The reserve includes net assets transferred to, and from, the Company by its shareholders (ACT Government). The net book value of the assets and liabilities transferred to ACT agencies during the year has been booked against this reserve.

#### (k) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

### 1. Summary of significant accounting policies (continued)

#### Reconciliation of total equity as presented under previous AGAAP to that under IFRS

There are no material differences between the income statement presented under AIFRSs and the income statement presented under previous AGAAP.

#### Reconciliation of profit/loss before tax under previous AGAAP to that under AIFRS

There are no material differences between the income statement presented under AIFRSs and the income statement presented under previous AGAAP.

#### Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

#### (1) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

### 2. Superannuation contributions

Totalcare Industries Limited was incorporated in January 1991 with the intention that it would operate in a commercial manner, including having commercial superannuation arrangements for its staff. During the first 12 years of the company's existence, staff were permitted to join superannuation funds of their choice.

The shareholders announced in June 2003 that the activities of the company would be returned to the ACT government. A new Board was appointed to oversee this process. During the Board's review of Totalcare's activities, which was undertaken as part of the return to government process, it was discovered that Totalcare had not carried out the legal processes required to exempt the Company from contributing to the Commonwealth Superannuation Scheme (CSS or PSS).

Consequently, many staff employed by the Company between 1992 and 2004 were either eligible or deemed as a matter of law to be members of the CSS or PSS Schemes, but they were not advised of this right. Totalcare has a legal obligation to make superannuation contributions to the Schemes on behalf of all the eligible employees.

A national advertising campaign in the press and on radio was run in early 2004 to alert previous employees to the issue, and to provide an information hotline. Then current employees were made aware of the issue by Company management. The Board advised the shareholders and the Trustees of the Commonwealth Superannuation Schemes (CSS and PSS) of the issue and discussions were initiated (and are still under way) with ComSuper (the Scheme's administrators) about the best way to rectify the situation.

In July 2004, an action team consisting of staff from the ACT Department of Treasury was established to carry out a two-part program. Firstly, to identify all past and present staff who were eligible to be a member of either the CSS or PSS, and secondly, to calculate the amount of superannuation contributions owing to the Schemes for each eligible employee.

The Australian Government Solicitor's (AGS) Office was retained as external special counsel. Lawyers from that office have completed reviewing nearly 2,000 employee files to determine which employees were eligible for CSS or PSS membership. They have identified approximately 1,200 employees that will require further action. The Treasury team has completed the task of reviewing individual employee files. Work by external bodies (AGEST/ComSuper/Russell Employee Benefits) is under way. The work has not progressed as quickly as we would like. For instance, AGEST has experienced unavoidable delays (system

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

### 2. Superannuation contributions (continued)

integration) in relation to certain essential calculations, and there have been unrelated but consequential timing issues at ComSuper and AGS. However, AGEST and ComSuper advise that better progress can be expected in the next few months.

A method of calculating the amount of superannuation contributions owing to the Schemes for each eligible employee has been established and applied. The calculation method was most recently applied by the Chief Justice of the ACT Supreme Court in a non-Totalcare but factually analogous decision: *Cornwell v the Commonwealth of Australia* (5 March 2005).

A provision has been raised in the financial report for the estimated amount of superannuation contributions outstanding. The amount of the provision was estimated in 2003/04. It was based on a number of averages such as average salary and average length of service. This is a management estimate based on the best information available at the time. The final liability may vary significantly from the estimated amount.

The Company does not have the resources available to meet this liability. The shareholders have provided a written assurance and the ACT Government has reinforced this undertaking by written agreement that the ACT Government will meet any of the Company's financial obligations that are in excess of its financial resources. Consequently, a receivable from the Territory has also been recognised in these financial statements.

There has been significant progress throughout the year in relation to the superannuation issue, but for reasons set out below, the company is, as yet unable to quantify its liabilities beyond the original estimate.

Two cash settlements have been made, totalling \$16,219.75 and a further 260 former employees (out of a cohort of approximately 2,200) have been notified that the company carries no legal liability in relation to them.

A majority of those former employees have agreed with the company's position. However, there has been no response from 35% of those approached. Two of this group of former employees have furnished evidence demonstrating that Totalcare is in fact liable to them and calculation of liabilities is now under way.

Further, with regard to the cohort of approximately 320 former Totalcare employees who are now working with the ACT Government (to whom the company is liable), the company has obtained preliminary actuarial information in respect of those employees. ComSuper is presently working on the preliminary actuarial data in order to validate it. AGEST, the default superannuation fund that received employer contributions has yet to provide any substantive information.

Totalcare's settlement template requires that actuarial information, ComSuper data and third party superannuation fund data must coincide before any settlement offer is made. Once Totalcare receives the required information from AGEST, it will, progressively, make offers to this cohort of employees and once those settlements are effected, the Board will take necessary advice on the efficacy of revising its liability estimate.

Finally, Totalcare's special counsel for superannuation matters, the Australian Government Solicitor recently advised that the High Court has granted the Commonwealth special leave to appeal the *Cornwell* decision on the limitations issue. That appeal is expected to be heard in late 2006. Depending upon the High Court's decision, Totalcare may be able to limit its legal liability with respect to some former employees. The extent of this is, as yet unknown.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

### 3. Economic dependency and going concern

#### (a) Economic dependency

The shareholders announced, in June 2003, that the activities of the company would be returned to the ACT Government. A new Board was appointed to oversee this process. The transfer of all the company's activities, assets and liabilities (other than contingent liabilities) to other ACT Government agencies and owned entities, has been completed. The Board has commenced the actions necessary to secure the Company's outstanding receivables and any outstanding assets, identify and discharge its liabilities and wind up the Company. Pursuant to a series of agreements with the ACT Government, concluded at the date of transfer of each business unit and pursuant to an over-arching Deed, any liabilities remaining at the time of the Company wind up will be transferred to the ACT Government.

#### (b) Going Concern

The shareholders have provided written assurances, and the ACT Government has agreed in writing that the Government will provide such support as necessary for Totalcare to meet its financial obligations, including meeting the outstanding superannuation contributions outlined in Note 2. The obligations assumed by this assurance are being met by the Government on an ongoing basis.

	2006 \$'000	2005 \$'000
<b>4. Revenue</b>		
<b>(a) Revenue from continuing operations</b>		
Fleet management services	-	8,156
Bank Interest	8	136
	<u>8</u>	<u>8,292</u>
<b>(b) Other income</b>		
Reimbursements from ACT Government	424	372
Reimbursements from Rhodium Asset Solutions Limited	35	-
Write back of provision for doubtful debts	10	31
Reimbursement of 2003/04 payroll tax	15	-
Established Scheme Claims - HIH Casualty and General Insurance liquidation	39	-
Fringe Benefits Tax refund	-	17
Sundry	-	14
Net gain on disposal of non-current assets	-	180
<b>Total revenue</b>	<u>523</u>	<u>614</u>

### 5. Expenses

#### (a) Depreciation and Amortization

Depreciation		
Plant and equipment	-	36
	<u>-</u>	<u>36</u>
Amortisation		
Plant and equipment under finance lease	-	1,598
Other intangibles	-	8
	<u>-</u>	<u>1,606</u>
Total depreciation and amortisation	<u>-</u>	<u>1,642</u>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

5. Expenses (continued)	Note	2006 \$'000	2005 \$'000
(b) Other expenses from continuing activities			
Insurance		214	132
Litigation Settlements		25	9
Consultancy Fees		34	11
Legal Fees		54	9
Board Fees		25	13
Audit Fees		18	65
Marketing & Commerce		-	278
Bad Debts Expense		-	110
Other		25	404
		<u>395</u>	<u>1,031</u>
<b>6. Cash &amp; Cash equivalents</b>			
(a) Reconciliation of cash			
Cash at bank and on hand		<u>263</u>	<u>212</u>
Cash at bank earns interest at floating rates based on daily bank deposit rates.			
(b) Reconciliation of net profit (deficit) to net cash flows from operations:			
Net profit (deficit)		134	(517)
<i>Adjustments for:</i>			
Profit on sale of non-current assets		-	(180)
Depreciation and amortisation		-	1,642
<i>Change in assets and liabilities:</i>			
Decrease/(increase) in receivables		(1)	2,985
Decrease in prepayments		7	1,404
Decrease in payables		(89)	(4,505)
Amounts transferred from provisions		-	(1,946)
<b>Net cash flows provided by / (used in) operating activities</b>		<u>51</u>	<u>(1,117)</u>
(c) Non-cash financing and investing activities			
Acquisition of plant and equipment by means of finance leases - Fleet Management		<u>-</u>	<u>2,354</u>
<b>7. Current assets – Receivables</b>			
Trade debtors		6	18
Other debtors		33	53
Less provision for doubtful debts		(23)	(56)
		<u>16</u>	<u>15</u>

Trade receivables are non-interest bearing and are generally on 30-day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

	Note	2006	2005
		\$'000	\$'000
<b>8. Current assets - Other</b>			
Prepayments		<u>179</u>	<u>186</u>
<b>9. Non-current assets – Other Financial Assets</b>			
Superannuation contribution receivable from the Territory	2	<u>17,280</u>	<u>17,280</u>
<b>10. Current liabilities – Payables</b>			
Trade creditors and accruals		<u>82</u>	<u>171</u>
		Trade payables are non-interest bearing and are normally settled on 30-day terms.	
<b>11. Non-current liabilities – Provisions</b>			
Superannuation contribution	2	<u>17,280</u>	<u>17,280</u>
<b>12. Contributed equity</b>			
		The paid-up capital of the company is \$5 comprising five fully paid ordinary shares of \$1 each (two voting, three non-voting).	
<b>13. Reserves and accumulated losses</b>			
<b>(a) Capital Contribution Reserve</b>			
<b>At 1 July</b>		21,617	25,876
Net book value of assets and liabilities transferred to ACT Government		-	(5,973)
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to ACT Government		<u>-</u>	<u>1,714</u>
<b>At 30 June</b>		<u>21,617</u>	<u>21,617</u>
		The capital contribution reserve includes the equity contributed by the ACT Government in the form of assets and liabilities on the creation and transfer of business units to Totalcare Industries Limited less the net book value of the assets and liabilities transferred from the Company back to the ACT Government.	
<b>(b) Asset Revaluation Reserve</b>			
<b>At 1 July</b>		-	1,714
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to ACT Government		<u>-</u>	<u>(1,714)</u>
<b>At 30 June</b>		<u>-</u>	<u>-</u>

The asset revaluation reserve was used to record increments and decrements on the revaluation of non-current assets measured at fair value in accordance with AASB 1041. All assets to which the assets revaluation reserve related to were disposed of prior to June 2004, thus this reserve was derecognised in 2005.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

## 13. Reserves and accumulated losses (continued)

	2006 \$'000	2005 \$'000
(c) <b>Accumulated losses</b>		
<b>At 1 July</b>	(21,375)	(22,572)
Net profit (loss)	134	(517)
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to ACT Government	-	1,714
<b>At 30 June</b>	<u>(21,241)</u>	<u>(21,375)</u>

## 14. Equity

<b>At 1 July</b>	242	5,018
Net profit (loss)	134	(517)
Net book value of assets and liabilities transferred to ACT Government	-	(5,973)
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to ACT Government	-	1,714
<b>At 30 June</b>	<u>376</u>	<u>242</u>

## 15. Financial instruments

## (a) Interest rate risk exposure

The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date are as follows:

2006	Note	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non – interest bearing	Total	Weighted average effective interest rate
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>								
Cash	6	263	-	-	-	-	263	5.16%
Receivables	7	-	-	-	-	16	16	n/a
Other assets	9	-	-	-	-	17,280	17,280	n/a
<b>Total financial assets</b>		<b>263</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,296</b>	<b>17,559</b>	
<b>Financial liabilities</b>								
Payables	10	-	-	-	-	82	82	n/a
Superannuation Liability	11	-	-	-	-	17,280	17,280	n/a
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,362</b>	<b>17,362</b>	

n/a – not applicable for non-interest bearing financial instruments

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

## 15. Financial instruments (continued)

2005	Note	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non – interest bearing	Total	Weighted average effective interest rate
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>								
Cash	6	212	-	-	-	-	212	3.9%
Receivables	7	-	15	-	-	-	15	4.4%
Other assets	9	-	-	-	-	17,280	17,280	n/a
<b>Total financial assets</b>		<b>212</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>17,280</b>	<b>17,507</b>	
<b>Financial liabilities</b>								
Payables	10	-	-	-	-	171	171	n/a
Superannuation Liability	11	-	-	-	-	17,280	17,280	n/a
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,451</b>	<b>17,451</b>	

n/a – not applicable for non-interest bearing financial instruments

## (b) Net fair value of financial assets and liabilities

The carrying amounts of the company's financial assets and financial liabilities are the same as their net fair value and have been disclosed in note 15 (a). There are no unrecognised financial instruments.

## (c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The Company's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the Balance Sheet.

The Company conducts no business activity, and consequently, has zero concentration of credit risk in relation to accounts receivable.

## 16. Related Parties Disclosure

## Controlling entity

The immediate parent entity and ultimate parent entity of Totalcare Industries Limited is the ACT Government. All dealings with the ultimate parent entity are in the ordinary course of business and on normal terms and conditions.

The amounts receivable from and payable to the ultimate parent entity are:

	2006 \$'000	2005 \$'000
Trade debtors	-	4
Trade creditors	-	78

No dividends were paid to the ACT Government during the financial year.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

### 17. Events after the Balance Sheet date

There have been no significant events that have occurred subsequent to 30 June 2006.

### 18. Auditors Remuneration

	2006	2005
	\$	\$
Amounts received or due and receivable by the ACT Auditor-General's Office for audit services	17,500	64,765

No other amounts were received or are receivable by the auditor.

### 19. Contingent liabilities

The details of contingent liabilities that may become payable are set out below. Provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The Company has provided a number of bank guarantees in the past, these have now all been extinguished.

There are several legal claims pending against the Company, which, to the best of the Board's knowledge and belief, all relate to motor vehicle accidents, or alleged workplace injuries by third party contracted casual or day workers. While the Company's liability position is yet to be determined by the Courts, the Company is confident that it will successfully defend these cases. Potential liability emerging from all of these cases is, to the best of the Board's knowledge and belief, covered by insurance. Accordingly, the Company's expectation is that our insurers would reimburse damages awards or any settlements arising from these remaining legal cases.

### 20. Employee Benefits - Superannuation

In accordance with the *Superannuation Act 1976*, until 31 December 2004 when its last business unit was transferred, the Company contributed to PSS and CSS superannuation schemes on behalf of employees, with contributions ranging between 10.4% and 21.4% of employees salaries.

The Company's liability was calculated each pay period and paid on a monthly basis to the ACT Superannuation Unit.

In compliance with the *Superannuation Guarantee (Administration) Act 1992* the Company also contributed 9% (2004 - 9%) on behalf of all employees who were not members of the CSS or PSS Superannuation Schemes to their elected superannuation fund. See also Note 2 in this regard.

### 21. Director and Executive Disclosures

#### Directors

The names of persons who were directors of Totalcare Industries Limited at any time during the financial year are as follows:

Mr Michael Harris  
Mr Tom McDonald  
Mr Jeremy Pyner

All of these persons were Directors as at 30 June 2005.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2006

### 21. Director and Executive Disclosures (continued)

#### Executive Appointments

There are no executive appointments.

#### Remuneration of Directors

The total remuneration paid or payable, or otherwise made available, to all Directors of the Company or their nominated entities as consideration for their duties as directors, was \$25,000 as at 30 June 2006 and as at 30 June 2005.

	2006	2005
	\$	\$
Short term	<u>25,000</u>	<u>25,000</u>

No retirement benefits were paid to directors during the year.

#### Loans to directors and director related entities

No loans have been made by the Company to any director or director related entity.

#### Other transactions with directors and director related entities

A director of the Company, Mr Mike Harris, is Chief Executive Officer of the Chief Minister's Department.

A director of the Company, Mr Tom McDonald, is an Executive of the ACT Department of Treasury.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

## Notes to the Financial Statements (continued)

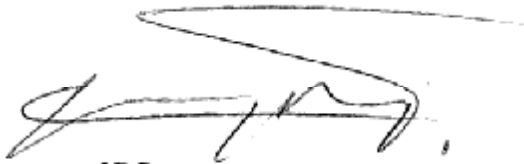
For the year ended 30 June 2006

### Directors' Declaration

In the opinion of the directors of Totalcare Industries Limited (the Company);

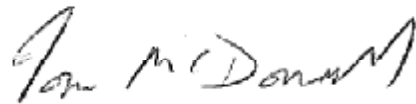
- (a) the financial statements and notes set out on pages 14 to 29, are in accordance with the Corporations Act 2001, including;
  - (i) giving a true and fair view of the financial position of the Company as at 30 June 2006 and of its performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with the Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable as outlined in Note 3.

Signed in accordance with a resolution of the directors:



J D Pyner  
Deputy Chairman

22 September 2006



T McDonald  
Director

22 September 2006