

# **Totalcare Industries Limited**

## **Financial Report**

### **30 June 2005**

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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 9.

**Totalcare Industries Limited**  
**Statement of Financial Performance**  
**For the year ended 30 June 2005**

	Note	<b>2005</b> \$'000	2004 \$'000
Revenue from ordinary activities	4	<u>9,653</u>	<u>48,970</u>
<b>Total revenue</b>		9,653	48,970
Direct cost of providing services		2,319	20,593
Employee expenses		1,713	14,265
Depreciation and amortisation expenses		1,642	4,257
Operating lease expenses		1,078	2,435
Carrying amount of non-current assets disposed of		747	1,609
Other expenses from ordinary activities		1,031	4,193
Borrowing expenses		1,406	1,652
Information Technology expenses		<u>234</u>	<u>809</u>
<b>Total expenses</b>		10,170	49,813
<b>Loss from ordinary activities before income tax equivalents</b>		(517)	(843)
Income tax equivalents	6(a)	<u>-</u>	<u>-</u>
<b>Loss from ordinary activities after income tax equivalents</b>		(517)	(843)
<b>Total change in equity</b>	20	<u>(517)</u>	<u>(843)</u>

**The Statement of Financial Performance should be read in conjunction with the accompanying notes.**

**Totalcare Industries Limited**  
**Statement of Financial Position**

As at 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>Current assets</b>			
Cash	7	212	6,225
Receivables	8	15	3,000
Other financial assets	9	-	6,639
Other	9	186	1,590
<i>Total current assets</i>		<u>413</u>	<u>17,454</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	-	13,087
Other financial assets	11	17,280	34,434
<i>Total non-current assets</i>		<u>17,280</u>	<u>47,521</u>
<b>Total assets</b>		<u>17,693</u>	<u>64,975</u>
<b>Current liabilities</b>			
Payables	12	81	4,586
Interest bearing liabilities	13	-	10,892
Provisions	14	90	198
Other	15	-	665
<i>Total current liabilities</i>		<u>171</u>	<u>16,341</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities	16	-	26,247
Provisions	17	17,280	17,369
<i>Total non-current liabilities</i>		<u>17,280</u>	<u>43,616</u>
<b>Total liabilities</b>		<u>17,451</u>	<u>59,957</u>
<b>Net assets</b>		<u>242</u>	<u>5,018</u>
<b>Equity</b>			
Reserves	19(b)	21,617	27,590
Accumulated losses	19(c)	(21,375)	(22,572)
<i>Total equity</i>	20	<u>242</u>	<u>5,018</u>

**The Statement of Financial Position should be read in conjunction with the accompanying notes.**

**Totalcare Industries Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2005**

	Note	<b>2005</b>	2004
		<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		8,341	60,964
Cash payments in the course of operations		(8,188)	(54,412)
Interest received		136	250
Borrowing costs		(1,406)	(1,652)
<i>Net cash provided by / (used in) operating activities</i>	28	<u>(1,117)</u>	<u>5,150</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangibles		(352)	(10,439)
Proceeds from sale of property, plant and equipment		927	1,836
Cash transferred to ACT Government		-	(401)
<i>Net cash used in investing activities</i>		<u>575</u>	<u>(9,004)</u>
<b>Cash flows from financing activities</b>			
Fleet financing inflows		10,069	39,653
Fleet financing outflows		(11,515)	(33,926)
<i>Net cash provided by / (used in) financing activities</i>		<u>(1,446)</u>	<u>5,727</u>
<b>Cash flows from Rhodium Asset Solutions</b>			
Cash received on behalf of Rhodium Asset Solutions		4,171	-
Cash paid out to Rhodium Asset Solutions		(8,196)	-
<i>Net cash paid to Rhodium Asset Solutions</i>		<u>(4,025)</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>		(6,013)	1,873
Cash at the beginning of the financial year		6,225	4,352
<b>Cash at the end of the financial year</b>	7	<u>212</u>	<u>6,225</u>

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

# Notes to the Financial Statements

## 1 Statement of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to ensure comparability with the current reporting period.

### (a) Revenue recognition

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). Sales revenue comprises revenue earned from the provision of services to entities outside of the Company.

#### *Rendering of services*

Revenue from rendering services is recognised as the services are provided or on the percentage of completion method where an appropriate contract is in place and the stage of completion can be reliably determined. Totalcare supplied fleet management services.

#### *Interest income*

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

#### *Asset sales*

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

### (b) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (c) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include interest on short-term and long-term borrowings and the interest component of finance lease charges.

## **1 Statement of significant accounting policies (continued)**

### **(d) Income tax equivalents**

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.

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to timing differences and tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Income tax balances have not been brought to account at 30 June 2005, as they will not be realised. These are disclosed in note 6.

### **(e) Acquisition of assets**

All assets acquired during the course of the year which includes property, plant and equipment and intangible assets other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration received or receivable plus incidental costs directly attributable to the acquisition.

The cost of assets constructed or internally generated by the Company includes the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

### **(f) Receivables**

All trade debtors 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.

### **(g) Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

## 1 Statement of significant accounting policies (continued)

### (h) Depreciation and amortisation

Depreciation and amortisation are calculated on a straight line basis to write off the net cost or revalued carrying amount of each item of property, plant and equipment (excluding land) over its estimated useful life.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The expected useful lives are as follows:

	2005	2004
<b>Plant and equipment</b>	1 - 15 years	1 - 15 years
-Furniture and fittings	1 - 15 years	1 - 15 years
-Motor vehicles	6 - 10 years	6 - 10 years
-Computer equipment & software	3 - 5 years	3 - 5 years
<b>Leased Assets</b>	nominal term of lease	nominal term of lease

Where items of plant and equipment have separately identifiable components that are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

### (i) Trade and other creditors

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.

### (j) Interest bearing liabilities

Loans and borrowings are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

### (k) Employee benefits

Liabilities for employee benefits for wages, salaries and annual leave are expected to be fully settled within 12 months of the year-end and represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at the reporting date including on-costs.

The provision for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. The provision is calculated using expected future increases in salary rates, including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

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. Contributions are charged against the income as they are incurred. The Company has no legal or constructive obligation to fund any deficit. Further information is set out in notes 2 and 26.

## **1 Statement of significant accounting policies (continued)**

### **(l) Provisions**

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

### **(m) Leased Assets**

Leases under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

#### **Finance leases**

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by the repayments of principal. The interest component of the lease payments is expensed.

#### **Operating Leases**

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

### **(n) 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.

### **(o) Cash**

For purposes of the Statement of Cash Flows, cash includes deposits at call that are readily convertible to cash on hand.

### **(p) Rounding of amounts**

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## **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 1991 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.

## **2 Superannuation contributions (continued)**

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 are now reviewing each eligible employee file to extract the data required and then calculate the amount of contributions owing. This process has been under way for a number of months and it is ongoing. It is expected to take 8-12 months to complete gathering the data and complete the calculations.

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 statements for the estimated amount of superannuation contributions outstanding. As the individual data collection process is incomplete and will still take some months, the amount of the provision has been estimated 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.

## **3 Economic dependency and going concern**

### **(a) Economic dependency**

The Company derived the majority of its revenue from the provision of services to ACT Government agencies on normal commercial terms during the first half of the year. The last remaining business unit of the Company, its Fleet division was transferred to another Territory Owned Corporation effective 31 December 2004. This completes the transfer of all the company's activities, assets and liabilities (other than contingent liabilities) to other ACT Government agencies and owned entities, following a decision by the shareholders so to do in June 2003. The Company's assets and liabilities at 30 June 2004 and 2005 are mainly attributable to the Fleet management activity, which remained in the Company for the full 2003-04 financial year and until 31 December 2004.

### **3 Economic dependency and going concern (continued)**

Consequent upon the transfers reported this year and in the last financial year, 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 overarching 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 Government has agreed in writing that the ACT 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 and these agreements are being met by the Government on an ongoing basis.

	Note	2005 \$'000	2004 \$'000
<b>4 Revenue from ordinary activities</b>			
Revenue from operating activities:			
Fleet management services	7a	8,559	46,893
Other		31	-
Revenue from outside the operating activities: other revenue			
Interest		136	241
Sale of non-current assets (gross proceeds)		927	1,836
<i>Revenue from ordinary activities</i>		<u>9,653</u>	<u>48,970</u>
<b>5 Loss from ordinary activities</b>			
<b>(a) Individually significant items included in the loss from ordinary activities before income tax equivalents</b>			
<b>Expenses</b>			
Expense recognised for superannuation contributions not paid in prior years		-	17,280
Financial contribution expected from the Territory		-	(17,280)
Voluntary redundancy expenses		233	136
Costs associated with the transfer of activities and winding up of the company		-	644
Settlement of legal action		8	807
Write down in the value of leased assets		-	477
<b>The loss from ordinary activities before income tax equivalents has been arrived at after charging the following items;</b>			
Depreciation			
Buildings		-	121
Plant and equipment		36	1,808
		<u>36</u>	<u>1,929</u>
Amortisation			
Plant and equipment under finance lease		1,598	2,323
Other intangibles		8	5
		<u>1,606</u>	<u>2,328</u>
Total depreciation and amortisation		<u>1,642</u>	<u>4,257</u>
Borrowing costs			
Other parties		-	78
Finance charges paid		1,406	1,574
		<u>1,406</u>	<u>1,652</u>
Net bad and doubtful debts expense including movements in provision for doubtful debts		<u>72</u>	<u>(48)</u>
<b>Net gain / (loss) on sale of non-current assets</b>			
Proceeds from sale of non-current assets		927	1,836
Written down value of non-current assets sold		(747)	(1,609)
Net gain / (loss) on sale of non-current assets		<u>180</u>	<u>227</u>

<b>6</b>	<b>Income tax equivalents</b>	<b>2005</b>	2004
		<b>\$'000</b>	\$'000

Income tax equivalent balances have not been brought to account as they are not expected to be realised (note 1 (d)).

**(a) Income tax equivalent expense**

The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:

Prima facie income tax calculated at 30% (2004 - 30%) on the operating loss from ordinary activities	-	(253)
Increase in income tax expense due to:		
Other	-	1,192
Current year tax losses not carried forward as a future income tax benefit	-	360
Abnormal income tax items:		
Income tax expense attributable to operating loss not brought to account	-	(1,299)
Income tax expense attributable to operating loss	<u>-</u>	<u>-</u>
Income tax expense comprises:		
Deferred income tax provision	-	(290)
Future income tax benefit	-	(1,009)
Balance not brought to account	-	1,299
	<u>-</u>	<u>-</u>
Income tax expense for 30 June 2004 is made up of:		
Provision for current income tax	-	-
Provision for deferred income tax	-	-
Future income tax benefit	-	-
	<u>-</u>	<u>-</u>

## 6 Income tax equivalents (continued)

	Note	2005 \$'000	2004 \$'000
<b>(b) Provision for deferred income tax equivalents</b>			
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:			
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes		-	2,606
Expenditure currently deductible for tax but deferred and amortised for accounting purposes		-	209
Balance not brought to account		-	(2,815)
		<u>-</u>	<u>-</u>
<b>(c) Future income tax equivalent benefit</b>			
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:			
Provisions and employee entitlements not currently deductible		-	293
Balance not brought to account		-	(293)
		<u>-</u>	<u>-</u>
<b>(d) Future income tax equivalent benefit relating to tax losses</b>			
The potential future income tax benefit arising from tax losses has not been recognised as an asset as recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:			
Tax losses carried forward at 30%		<u>-</u>	<u>10,049</u>

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
<b>7 Current assets – Cash assets</b>		
Cash at bank and on hand	212	6,225
<b>8 Current assets – Receivables</b>		
Trade debtors	18	1,708
Other debtors	53	1,276
Less provision for doubtful debts	(56)	(94)
	<u>15</u>	<u>2,890</u>
Accrued revenue	-	110
	<u>15</u>	<u>3,000</u>
<b>9 Current assets – Other</b>		
<b>Other Current Financial Assets</b>		
Finance lease receivable	-	6,639
<b>Other Current Assets</b>		
Prepayments	186	1,590
<b>10 Non-current assets – Property, plant and equipment</b>		
<b>Plant and equipment</b>		
At cost	-	768
Accumulated depreciation	-	(373)
	<u>-</u>	<u>395</u>
	10a	
<b>Leased plant and equipment</b>		
At capitalised cost	-	16,010
Accumulated amortisation	-	(3,318)
	<u>-</u>	<u>12,692</u>
	10a	
<b>Net book value</b>	<u>-</u>	<u>13,087</u>

## 10. Non-current assets – Property, plant and equipment (continued)

### (a) Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Plant and equipment \$'000	Leased plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2004			
Additions	395	12,692	13,087
Disposals	352	10,069	10,421
Assets transferred to ACT Government	(747)	(11,515)	(12,262)
Depreciation/amortisation expense	-	(9,604)	(9,604)
Carrying amount at 30 June 2005		(1,642)	(1,642)
	-	-	-
		Note	2005 \$'000
			2004 \$'000
<b>11 Non-current assets – Other Financial Assets</b>			
Superannuation contribution receivable from the Territory		2	17,280
Finance lease receivable			-
			17,280
			34,434
<b>12 Current liabilities – Payables</b>			
Trade creditors and accruals			81
			4,586
<b>13 Current liabilities – Interest bearing liabilities</b>			
Lease liability			-
			10,892
<b>14 Current liabilities – Provisions</b>			
Annual leave and associated costs			-
Long service leave			-
Other			90
			90
			198
<b>15 Current liabilities – Other</b>			
Payments received in advance			-
			665
<b>16 Non-current liabilities – Interest bearing liabilities</b>			
Lease liability			-
			26,247

	Note	<b>2005</b>	2004
		<b>\$'000</b>	\$'000
<b>17 Non-current liabilities – Provisions</b>			
Superannuation contributions not paid in previous years	2	17,280	17,280
Long service leave		-	89
		<u>17,280</u>	<u>17,369</u>
<b>18 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>19 Reserves and accumulated losses</b>			
<b>(a) Reserves</b>			
Capital contribution reserve		21,617	25,876
Asset revaluation reserve		-	1,714
		<u>21,617</u>	<u>27,590</u>
<b>(b) Nature and purpose of reserves</b>			
<b>Capital contribution reserve</b>			
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.			
Opening balance		25,876	39,772
Net book value of assets and liabilities transferred to ACT Government		(5,973)	(13,896)
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to ACT Government		1,714	-
		<u>21,617</u>	<u>25,876</u>
<b>Asset revaluation reserve</b>			
The asset revaluation reserve is 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 relate to were disposed of prior to June 2004, thus we are derecognising the reserve.			
<b>(c) Accumulated losses</b>			
Corrected balance at beginning of year		22,572	21,729
Transfer of loss after income tax equivalents		517	843
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to ACT Government		(1,714)	-
Balance at end of year		<u>21,375</u>	<u>22,572</u>
<b>20 Equity</b>			
Total equity at the beginning of the financial year		5,018	19,757
Total changes recognised in the Statement of Financial Performance		(517)	(843)
Net book value of assets and liabilities transferred to ACT Government		(5,973)	(13,896)
Write-back of Asset revaluation reserve on assets disposed of in previous years transferred to ACT Government		1,714	-
Total equity at the end of the financial year		<u>242</u>	<u>5,018</u>

## 21 Financial instruments

### (a) Interest rate risk exposure

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

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	7	212	-	-	-	-	212	3.9%
Receivables	8	-	15	-	-	-	15	4.4%
Other assets	11	-	-	-	-	17,280	17,280	-
<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	12	-	-	-	-	81	81	-
Finance lease liability	-	-	-	-	-	-	-	-
Superannuation Liability	17	-	-	-	-	17,280	17,280	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,361</b>	<b>17,361</b>	
<b>2004</b>								
	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	7	6,225	-	-	-	-	6,225	5.17%
Receivables	8	-	-	-	-	3,000	3,000	-
Other assets	9, 11	-	6,639	17,154	-	17,280	41,073	8.21%
<b>Total financial assets</b>		<b>6,225</b>	<b>6,639</b>	<b>17,154</b>	<b>-</b>	<b>20,280</b>	<b>50,298</b>	
<b>Financial liabilities</b>								
Payables	12	-	-	-	-	4,586	4,586	-
Finance lease liability	13,19	-	10,892	25,840	407	-	37,139	6.73%
Superannuation Liability	17	-	-	-	-	17,280	17,280	-
<b>Total financial liabilities</b>		<b>-</b>	<b>10,892</b>	<b>25,840</b>	<b>407</b>	<b>21,866</b>	<b>59,005</b>	

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

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities at reporting date approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

## 21 Financial instruments (continued)

### (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 Statement of Financial Position.

The Company minimises concentration of credit risk in relation to accounts receivable by undertaking transactions with a wide number of customers within the government and private sector.

## 22 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 (2004 - \$28,068).

No retirement benefits were paid to directors during the year.

The numbers of Directors whose total income from the Company or related parties was within the specified bands are as follows:

	2005	2004
\$ 0 to \$ 9 999	-	-
\$ 10 000 to \$ 19 999	-	-
\$ 20 000 to \$ 29 999	1	1
\$ 30 000 to \$ 39 999	-	-
\$ 40 000 to \$ 49 999	-	-

## 23 Remuneration of Auditors

	2005	2004
	\$	\$
Amount provided for auditing the financial statements of Totalcare.	<u>40,000</u>	<u>170,000</u>

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

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## 24 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.

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 will relieve Totalcare of this contingent liability.

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.

## 25 Commitments for expenditure

	Note	2005 \$'000	2004 \$'000
<b>Finance leases</b>			
Commitments in relation to finance leases are payable as follows:			
Within one year		-	13,049
Later than one year but not later than five years		-	28,393
Later than five years		-	487
		<u>-</u>	<u>41,929</u>
Less: future finance charges		-	(4,790)
		<u>-</u>	<u>37,139</u>
Lease liabilities provided for in the financial statements:			
Current	13	-	10,892
Non-current	16	-	26,247
		<u>-</u>	<u>37,139</u>
Under the terms of particular leases, the entity has the option to acquire the leased assets at the agreed fair value on expiry of the leases.			
<b>Operating leases</b>			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year		-	1,888
Later than one year but not later than five years		-	1,135
Later than five years		-	104
		<u>-</u>	<u>3,127</u>
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases – Fleet business		-	<u>3,152</u>

## **26 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.

## **27 Related parties**

### **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  
Ms Sandra Lambert  
Mr Tom McDonald  
Mr Jeremy Pyner  
Mr Mike Zissler

All of these persons were Directors as at 30 June 2004 and Directors, Harris, McDonald and Pyner were Directors as at 30 June 2005.

### **Remuneration benefits**

Details of directors' remuneration are set out in note 22.

### **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. The Company provided fleet services to the Chief Minister's Department in the ordinary course of business until 31 December 2004.

A director of the Company, Mr Mike Zissler, is Chief Executive Officer of the ACT Department of Urban Services. The Company provided fleet services to the Department of Urban Services in the ordinary course of business until 31 December 2004.

A director of the Company, Mr Tom McDonald, is an executive of the ACT Department of Treasury. The Company provided fleet services to the ACT Department of Treasury in the ordinary course of business.

A director of the Company, Ms Sandra Lambert, is Chief Executive Officer of the ACT Department of Disability, Housing and Community Services. The Company provided fleet and facilities management services to the ACT Department of Disability, Housing and Community Services in the ordinary course of business.

## 27 Related parties (continued)

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.

### *Other related parties*

The Company provided vehicles on a lease basis to the ACT Government and Territory Owned Corporations until 31 December 2004. These transactions are in the normal course of business and on normal terms and conditions.

The Company purchased water and sewerage services from ACTEW Corporation, a Territory Owned Corporation, and gas and electricity from ActewAGL, an associate of ACTEW Corporation, in the normal course of business and on normal terms and conditions.

### *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:

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Trade debtors	4	595
Trade creditors	78	160

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

The Company has a loan facility with the ACT Government. Interest is charged and paid on normal commercial terms (note 29).

## 28 Reconciliation of operating loss after income tax equivalents to net cash flow provided by operating activities

	Note	2005 \$'000	2004 \$'000
Loss from ordinary activities after income tax equivalents		(517)	(843)
(Profit)/Loss on sale of non-current assets		(180)	(227)
Depreciation and amortisation		1,642	4,257
Change in operating assets and liabilities:			
Amounts transferred to/(from) provisions		(1,946)	16,500
Decrease/(increase) in receivables		2,985	(12,962)
Decrease/(increase) in inventories		-	656
Decrease in prepayments		1,404	154
(Decrease) in payables		(4,505)	(1,237)
(Decrease)/increase in advances held		-	(1,148)
Net cash flow provided by operating activities		<u>(1,117)</u>	<u>5,150</u>

For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand as per Note 7.

## 29 Financing arrangements

The Company has access to the following lines of credit:

Loan facility – ACT Government	-	5,000
Facility utilised at reporting date	-	-
Facility not utilised at reporting date	-	5,000

Interest is charged and payable on the facility on normal commercial terms.

## 30 Non-cash financing and investing activities

Acquisition of plant and equipment by means of finance leases			
– Fleet Management		<u>2,354</u>	<u>9,121</u>

## **31 Impact of adopting Australian Equivalents to International Financial Reporting Standards**

For reporting periods beginning on or after 1 January 2005, the entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

The financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

The company has not prepared a transitional balance sheet as at 1 July 2004 or a statement of financial performance for the financial year ended 30 June 2005 showing the adjustments to achieve full compliance with AIFRS had the AIFRS accounting standards been applied from 1 July 2004, as there are no material transitional differences to adjust.

### **Non-current Assets**

No impairment adjustments of non-current assets were necessary as asset-carrying values were confirmed by disposal on 31 December 2004.

### **Other items**

The impact (if any) on any other items in the financial statements are immaterial and no adjustments are required.

The expected impact of adopting AIFRS disclosed in this note is based on the current choices of accounting policies and elections under AIFRS. The impacts disclosed may vary if any further impacts of transition are identified or with any future changes in accounting policies. Accordingly, the impacts disclosed should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS. There can be no assurance that all significant impacts of the transition to AIFRS have been identified.

## **32 Events subsequent to reporting date**

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.

## Directors' Declaration

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

- (a) the financial statements and notes set out on pages 22 to 46, 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 2005 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:

M L Harris  
Chairman

September 2005

T McDonald  
Director

September 2005