TOTALCARE INDUSTRIES LIMITED

Objectives

Totalcare Industries Limited is a provider of integrated solutions and services in the areas of asset and infrastructure management and maintenance, and health services.

2002-03 Highlights

Strategic and operational issues to be pursued in 2002-03 include:

- increasing return on investment and revenue and decreasing risk for the Government as shareholder;
- building long term relationships with customers based on integrity, service excellence, and value for money;
- relocating Totalcare Roads and Facilities Management business units to the Mitchell site;
- continuing arrangements with Stericorp for the management and operation of Totalcare’s medical waste business; and
- seeking opportunities for business growth in existing markets and regional markets.

Totalcare
Statement of Financial Performance

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	Revenue						
16 268	User Charges - Non ACT Government	12 665	13 445	6	13 348	13 734	14 131
36 242	User Charges - ACT Government	45 040	38 864	-14	43 909	49 991	56 282
290	Interest	216	92	-57	94	97	99
0	Revenue of Associates and Joint Ventures	768	0	-100	0	0	0
0	Other Revenue	328	0	-100	0	0	0
52 800	**Total Ordinary Revenue**	**59 017**	**52 401**	**-11**	**57 351**	**63 822**	**70 512**
	Expenses						
16 631	Employee Expenses	18 046	17 631	-2	17 847	18 193	18 652
1 847	Superannuation Expenses	1 908	1 732	-9	1 767	1 812	1 859
6 324	Administrative Expenses	7 456	5 203	-30	4 797	4 869	4 941
3 298	Depreciation and Amortisation	3 334	5 107	53	5 644	5 772	5 912
384	Borrowing Costs	500	64	-87	0	0	0
21 846	Cost of Goods Sold	26 270	19 994	-24	24 099	29 371	34 818
1 841	Other Expenses	2 409	1 887	-22	1 929	1 974	2 019
0	Expenses of Associates and Joint Ventures	3 187	0	-100	0	0	0
52 171	**Total Ordinary Expenses**	**63 110**	**51 618**	**-18**	**56 083**	**61 991**	**68 201**
629	**Operating Result From Ordinary Activities**	**-4 093**	**783**	**119**	**1 268**	**1 831**	**2 311**
200	Income Tax Equivalent	0	0	-	0	0	0
429	**Operating Result**	**-4 093**	**783**	**119**	**1 268**	**1 831**	**2 311**
-3 611	Increase/(Decrease) in asset revaluation reserve	705	0	-100	0	0	0
0	Increase/(Decrease) in other reserves	5 000	0	-100	0	0	0
0	Transfer to/from Reserves	-5 000	0	100	0	0	0
-3 611	**Change In Equity Other Than Those Resulting From Transactions With Owners As Owners**	**705**	**0**	**-100**	**0**	**0**	**0**
34 905	**Total Equity From Start of Period**	**23 445**	**25 057**	**7**	**25 840**	**27 108**	**28 939**
0	Capital Injections	5 000	0	-100	0	0	0
31 723	**Total Equity At The End of Period**	**25 057**	**25 840**	**3**	**27 108**	**28 939**	**31 250**

Totalcare
Statement of Financial Position

Budget as at 30/6/02 $'000		Est.Outcome as at 30/6/02 $'000	Planned as at 30/6/03 $'000	Var %	Planned as at 30/6/04 $'000	Planned as at 30/6/05 $'000	Planned as at 30/6/06 $'000
	Current Assets						
4 690	Cash	4 287	4 528	6	3 494	4 640	5 600
15 317	Receivables	12 124	12 176	..	13 560	14 560	15 963
0	Investments	0	0	-	1 500	2 000	2 500
1 265	Inventories	1 311	1 350	3	1 639	1 839	2 039
1 832	Other	1 832	1 333	-27	1 833	2 082	2 032
23 104	**Total Current Assets**	**19 554**	**19 387**	**-1**	**22 026**	**25 121**	**28 134**
	Non Current Assets						
4 615	Investments	1	1 000	#	3 500	5 000	6 500
20 110	Property, Plant and Equipment	22 507	20 368	-10	20 474	20 697	21 030
0	Intangibles	1	0	-100	0	0	0
2 203	Tax Assets	0	0	-	0	0	0
1 474	Other	2 216	250	-89	300	300	300
28 402	**Total Non Current Assets**	**24 725**	**21 618**	**-13**	**24 274**	**25 997**	**27 830**
51 506	**TOTAL ASSETS**	**44 279**	**41 005**	**-7**	**46 300**	**51 118**	**55 964**
	Current Liabilities						
9 505	Payables	8 074	5 365	-34	6 800	7 550	8 200
882	Finance Leases	688	1 048	52	1 548	2 048	2 550
2 100	Employee Entitlements	2 791	2 791	-	2 791	2 791	2 791
170	Other Provisions	0	0	-	0	0	0
12 657	**Total Current Liabilities**	**11 553**	**9 204**	**-20**	**11 139**	**12 389**	**13 541**
	Non Current Liabilities						
3 552	Finance Leases	5 933	4 225	-29	6 317	8 054	9 437
2 023	Employee Entitlements	1 736	1 736	-	1 736	1 736	1 736
1 551	Other Provisions	0	0	-	0	0	0
7 126	**Total Non Current Liabilities**	**7 669**	**5 961**	**-22**	**8 053**	**9 790**	**11 173**
19 783	**TOTAL LIABILITIES**	**19 222**	**15 165**	**-21**	**19 192**	**22 179**	**24 714**
31 723	**NET ASSETS**	**25 057**	**25 840**	**3**	**27 108**	**28 939**	**31 250**
	REPRESENTED BY FUNDS EMPLOYED						
-3 049	Accumulated Funds	-16 429	-15 646	5	-14 378	-12 547	-10 236
34 772	Reserves	41 486	41 486	-	41 486	41 486	41 486
31 723	**TOTAL FUNDS EMPLOYED**	**25 057**	**25 840**	**3**	**27 108**	**28 939**	**31 250**

Totalcare
Cashflow Statement

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
62 510	User Charges	71 512	58 955	-18	61 057	67 524	74 013
290	Interest Received	250	92	-63	94	97	99
0	Other Revenue	8 343	5 810	-30	6 285	6 953	7 624
62 800	**Operating Receipts**	**80 105**	**64 857**	**-19**	**67 436**	**74 574**	**81 736**
	Payments						
18 478	Related to Employees	21 818	20 260	-7	20 211	20 602	21 108
6 324	Related to Administration	11 016	4 871	-56	4 078	3 910	3 982
384	Borrowing Costs	653	64	-90	0	0	0
34 604	Other	42 932	34 105	-21	37 023	43 158	49 326
59 790	**Operating Payments**	**76 419**	**59 300**	**-22**	**61 312**	**67 670**	**74 416**
3 010	**NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**	**3 686**	**5 557**	**51**	**6 124**	**6 904**	**7 320**
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
2 800	Proceeds from Sale of Property, Plant & Equipment	2 068	119	-94	90	90	90
5 800	Proceeds of Sale of Land and Intangibles	3 900	0	-100	0	0	0
8 600	**Investing Receipts**	**5 968**	**119**	**-98**	**90**	**90**	**90**
	Payments						
500	Purchase of Property, Plant and Equipment	2 307	3 387	47	1 700	1 800	1 900
0	Purchase of Investments	900	1 000	11	4 000	2 000	2 000
500	**Investing Payments**	**3 207**	**4 387**	**37**	**5 700**	**3 800**	**3 900**
8 100	**NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES**	**2 761**	**-4 268**	**-255**	**-5 610**	**-3 710**	**-3 810**
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
0	Capital Injection from Government	5 000	0	-100	0	0	0
0	Finance Lease	1 800	0	-100	0	0	0
0	**Financing Receipts**	**6 800**	**0**	**-100**	**0**	**0**	**0**

Totalcare
Cashflow Statement

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	Payments						
6 500	Repayment of Borrowings	7 500	0	-100	0	0	0
268	Repayment of Finance Lease	2 575	1 048	-59	1 548	2 048	2 550
0	Payments of Transferred Cash Balances	83	0	-100	0	0	0
6 768	**Financing Payments**	**10 158**	**1 048**	**-90**	**1 548**	**2 048**	**2 550**
-6 768	**NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES**	**-3 358**	**-1 048**	**69**	**-1 548**	**-2 048**	**-2 550**
4 342	**NET INCREASE/(DECREASE) IN CASH HELD**	**3 089**	**241**	**-92**	**-1 034**	**1 146**	**960**
348	**CASH AT BEGINNING OF REPORTING PERIOD**	**1 198**	**4 287**	**258**	**4 528**	**3 494**	**4 640**
4 690	**CASH AT THE END OF THE REPORTING PERIOD**	**4 287**	**4 528**	**6**	**3 494**	**4 640**	**5 600**

Notes to the Budget Statements

Totalcare has focused on maintaining contracts in Health and Fleet Services in 2001-02, with the potential for further contract gains in the 2002-03 Budget and forward years. Fleet current contracts with ActewAGL have been renegotiated to continue in 2002-03 and forward years. Linen and Sterilisation contracts are assumed to continue with attention being given to extended client bases. Totalcare Roads and Facilities Management are budgeting for current contracts to extend.

Significant variations are as follows:

Statement of Financial Performance

- user charges – non ACT Government: the decrease of $3.603m in 2001-02 from the original budget is mainly due to a market decline in commercial linen production as a result of the Ansett collapse and general downturn since the 11 September 2001 events. The increase of $0.780m in the the 2002-03 Budget from the 2001-02 estimated outcome is due to the an expected increase in commercial linen contracts in the forward years;
- user charges – ACT Government: the increase of $8.798m in 2001-02 from the original budget reflects additional Facilities Management contracts. The decrease of $6.176m in the 2002-03 Budget from the 2001-02 estimated outcome relates to change in Fleet operations, whereby operating leases have declined and novated leases have increased. This change in Fleet relieves Totalcare of residual risk and changes the mix of revenue

and cost of goods sold, this has a nil effect on the operating result. Growth has been projected to increase in the out years for the Fleet business;

- revenue from associates and joint ventures: the increase of $0.768m in 2001-02 from the original budget is due to the exclusion of an original budget estimate for Totalcare's investment in the Williamsdale Quarry Joint Venture. Totalcare decided to withdraw from the Joint Venture in February 2002, as a consequence revenue for 2002-03 has not been budgeted;
- other revenue: the increase of $0.328m in 2001-02 from the original budget is due to the disposal of fixed assets in Totalcare's operations;
- employee expenses: the increase of $1.415m in 2001-02 from the original budget is due to additional officers required for the Facilities Management contract. The decrease of $0.415m in the 2002-03 Budget from the 2001-02 estimated outcome is the result of efficiency gains;
- administrative expenses: the increase of $1.132m in 2001-02 from the original budget is primarily due to relocation costs as a result of company accommodation restructuring, which is estimated to be finalised in 2002-03. It is forecasted that administrative expenses will reduce in forward years;
- depreciation and amortisation: the increase $1.773m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the purchase of additional major software assets, Linen business reinvestment and amortisation of increased fleet leases;
- borrowing costs: the decrease of $0.436m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the repayment of the CFU loan in June 2002, as a result of the proposed disposal of the Fyshwick property;
- cost of goods sold: the increase of $4.424m in 2001-02 from the original budget is a result of the change in the mix of revenue and cost of goods sold in the Fleet operations which has no impact on the operating result. The decrease of $6.276m in the 2002-03 Budget from the 2001-02 estimated outcome reflects a decrease in Fleet contract revenue for 2002-03, however, with efficiency savings, growth has been projected in the forward years; and
- expenses from associates and joint ventures: the increase of $3.187m in 2001-02 from the original budget is due to the exclusion of an original budget estimate for Totalcare's investment in the Williamsdale Quarry Joint Venture. The decrease of $3.187m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the withdrawal of Totalcare's investment in the Williamsdale Quarry.

Statement of Financial Position

- cash, current and non current investments: the decrease of $5.017m in 2001-02 from the original budget reflects the assumed disposal of the Williamsdale Quarry interest by the end of 2001-02. The increase of $1.240m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the increase in net cashflows from the Joint Venture withdrawal and company efficiency savings resulting in additional investments being made in 2003-04 and forward years;

- receivables: the decrease of $3.193m in 2001-02 from the original budget is due to the proposed sale of the Williamsdale Quarry Joint Venture and clearance of associated receivables by the end of 2001-02;
- other current and non current assets: the increase of $0.742m in 2001-02 from the original budget is due to non current Fleet lease receivables. The decrease of $2.465m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the proposed sale of the Williamsdale Quarry Joint Venture;
- property, plant and equipment: the increase of $2.397m in 2001-02 from the original budget is due to relocation improvements to the Mitchell site and a favourable revaluation of the property;
- tax assets: the decrease of $2.203m in 2001-02 from the original budget reflects the offset of carried forward tax losses incurred in 2000-01;
- payables: the decrease of $1.431m in 2001-02 from the original budget is due to the proposed sale of the Williamsdale Quarry Joint Venture. The decrease of $2.709m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the finalisation of the Joint Venture;
- current and non current finance leases: the increase of $2.187m in 2001-02 from the original budget is due to a change from Fleet operating leases to Fleet finance leases. The decrease of $1.348m in the 2002-03 Budget from the 2001-02 estimated outcome is due to an overall decrease in Fleet finance leases. However, finance leases are forecasted to increase again in forward years;
- current and non current other provisions: the decrease of $1.721m in 2001-02 from the original budget is due to the offset of carried forward tax losses incurred in 2000-01; and
- reserves: the increase of $6.714m in 2001-02 from the original budget is largely due to a $5m capital injection and a favourable revaluation of the Mitchell property.