

» General Purpose Financial Statements

for the year ended 30 June 2004

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This report covers CITEC as the parent entity as well as the economic entity which includes the consolidated financial statements of CSI Holdings Pty Ltd and Aurion Corporation Pty Ltd.

CITEC is a fully commercialised business unit of the Queensland Government and is gazetted as a Significant Business Activity (SBA) under the *Queensland Competition Authority Act 1997*. CITEC provides information technology services to other public sector agencies and private sector businesses on a fully commercial basis.

Its principal place of business is:

CITEC
317 Edward Street
Brisbane QLD 4000

» Statements of Financial Performance

for the year ended 30 June 2004

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenues from ordinary activities					
User charges	3	124,544,616	124,765,230	119,039,001	119,998,804
Grants and other contributions	4	13	1,773	13	1,773
Other	5	2,339,880	1,979,486	2,453,199	1,924,278
Total revenues from ordinary activities		126,884,509	126,746,489	121,492,213	121,924,855
Expenses from ordinary activities					
Employee expenses	6	41,135,397	43,389,947	38,383,653	41,087,927
Supplies and services	7	66,610,245	66,922,191	65,371,404	65,896,384
Depreciation and amortisation	8	5,532,573	6,215,726	5,292,825	5,942,874
Other	9	10,679,885	10,555,468	10,395,588	10,293,031
Total expenses from ordinary activities excluding borrowing costs		123,958,100	127,083,332	119,443,470	123,220,216
Borrowing costs	10	179,515	267,221	178,083	146,010
Surplus (deficit) from ordinary activities before income tax (expense) revenue		2,746,894	(604,064)	1,870,660	(1,441,371)
Income tax expense (revenue) relating to ordinary activities	30	787,068	(440,463)	584,879	(439,265)
Surplus (deficit) from ordinary activities after related income tax (expense) revenue		1,959,826	(163,601)	1,285,781	(1,002,106)
Net surplus (deficit) attributable to outside equity interests	24	(534,040)	(222,208)	-	-
Net surplus (deficit)		1,425,786	(385,809)	1,285,781	(1,002,106)
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity	24	(142,115)	(325,934)	-	(104,022)
Total revenues, expenses and valuation adjustments recognised directly in equity		(142,115)	(325,934)	-	(104,022)
Total changes in equity other than those resulting from transactions with owners as owners		1,283,671	(711,743)	1,285,781	(1,106,128)

These Statements of Financial Performance should be read in conjunction with the accompanying notes.

» Statements of Financial Position

as at 30 June 2004

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2004 \$	2003 \$	2004 \$	2003 \$
Current assets					
Cash assets	11	10,925,314	9,004,586	7,096,094	5,816,109
Receivables	12	15,666,601	14,031,573	13,534,853	13,153,816
Inventories	13	95,567	31,007	95,567	31,007
Other	16	2,450,826	2,285,815	2,370,997	1,995,330
Total current assets		29,138,308	25,352,981	23,097,511	20,996,262
Non-current assets					
Other financial assets	14	-	255,121	2,820,002	2,820,002
Tax assets	15	1,434,024	1,792,928	1,250,996	1,541,608
Other	16	9,491	7,691	-	-
Intangibles	17	9,663,780	7,042,775	7,493,277	4,856,976
Property, plant and equipment	18	9,004,685	10,105,948	8,845,089	9,931,640
Total non-current assets		20,111,980	19,204,463	20,409,364	19,150,226
Total assets		49,250,288	44,557,444	43,506,875	40,146,488
Current liabilities					
Payables	19	9,500,496	9,221,940	8,727,565	8,629,330
Interest-bearing liabilities	20	535,494	19,924	350,074	-
Provisions	21	4,451,232	3,878,426	4,273,038	3,718,956
Tax liabilities	22	579,857	-	446,005	-
Other	23	4,327,676	3,291,008	2,060,460	1,549,718
Total current liabilities		19,394,755	16,411,298	15,857,142	13,898,004
Non-current liabilities					
Payables	19	-	-	-	-
Interest-bearing liabilities	20	2,620,400	3,513,895	2,620,400	2,220,000
Provisions	21	111,202	102,490	-	-
Tax liabilities	22	615,389	767,082	615,222	766,960
Other	23	523,446	283,400	523,446	283,400
Total non-current liabilities		3,870,437	4,666,867	3,759,068	3,270,360
Total liabilities		23,265,192	21,078,165	19,616,210	17,168,364
Net assets (liabilities)		25,985,096	23,479,279	23,890,665	22,978,124
Equity					
Contributed equity	24	11,013,195	10,958,699	11,013,195	10,958,699
Retained surpluses (Accumulated deficits)	24	13,783,471	12,399,862	12,877,470	12,019,425
Parent entity interest		24,796,666	23,358,561	23,890,665	22,978,124
Outside equity interest	24	1,188,430	120,718	-	-
Total equity		25,985,096	23,479,279	23,890,665	22,978,124

These Statements of Financial Position should be read in conjunction with the accompanying notes.

» Statements of Cash Flows

for the year ended 30 June 2004

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2004 \$	2003 \$	2004 \$	2003 \$
Cash flows from operating activities					
<i>Inflows:</i>					
User charges		123,798,156	125,425,027	118,827,256	120,134,136
GST collected from customers		8,902,388	8,850,896	8,279,726	8,849,229
GST input tax credits from ATO		4,983,371	4,943,679	4,817,802	4,913,508
Interest receipts		1,301,184	1,276,891	1,486,078	1,180,031
Income tax received		2,961	-	-	-
Other		664,092	831,574	709,087	820,632
<i>Outflows:</i>					
Employee expenses		(40,535,040)	(42,925,737)	(37,805,419)	(40,820,293)
Supplies and services		(65,446,384)	(65,613,980)	(64,497,676)	(64,562,318)
Borrowing costs		(179,410)	(262,170)	(178,022)	(141,474)
Insurance premiums		(291,847)	(224,966)	(229,057)	(162,120)
Income tax paid		-	(616,421)	-	(606,557)
GST paid to suppliers		(4,577,296)	(4,967,397)	(4,398,404)	(4,967,397)
GST remitted to ATO		(9,037,377)	(8,927,679)	(8,523,184)	(8,772,296)
Other		(10,289,578)	(10,723,046)	(9,886,729)	(10,518,365)
Net cash provided by (used in) operating activities	25	9,295,220	7,066,671	8,601,458	5,346,716
Cash flows from investing activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		689,277	405,443	689,277	402,210
<i>Outflows:</i>					
Payments for property, plant and equipment		(4,601,285)	(4,540,926)	(4,498,898)	(4,446,317)
Payments for intangibles		(3,206,581)	(2,875,112)	(3,206,581)	(2,875,112)
Payments for investments		-	(100,000)	-	-
Net cash provided by (used in) investing activities		(7,118,589)	(7,110,595)	(7,016,202)	(6,919,219)
Cash flows from financing activities					
<i>Outflows:</i>					
Dividends paid		(116,128)	(388,140)	-	(388,140)
Finance lease payments (excluding interest component)		(325,195)	(56,807)	(305,271)	-
Net cash provided by (used in) financing activities		(441,323)	(444,947)	(305,271)	(388,140)
Net increase (decrease) in cash held		1,735,308	(488,871)	1,279,985	(1,960,643)
Cash at beginning of the financial year		9,004,586	9,493,457	5,816,109	7,776,752
Cash at end of the financial year	25	10,739,894	9,004,586	7,096,094	5,816,109

These Statements of Cash Flows should be read in conjunction with the accompanying notes.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

1. Objectives of CITEC

CITEC is a fully commercialised business unit of the Queensland Government, operating under the Government's Commercialisation Policy, 1994.

The key objectives of CITEC are to:

- Ensure the retention of key infrastructure, knowledge and capabilities for the future delivery of IT services to Queensland.
- Provide the capacity to deliver continuity of service at a whole-of-Government level for functions that are strategically important or critical to the operation of Government or where there are over-riding considerations concerning security and/or integrity of information.
- Contribute to employment opportunities and the development of IT skills in Queensland.
- Act as a catalyst for the local Communication and Information industry through business arrangements involving the local operations of Communication and Information businesses.
- Provide acceptable commercial returns to the Crown as owner of CITEC.

2. Summary of significant accounting policies

a) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, *Financial Administration and Audit Act 1977*, the *Financial Management Standard 1997*, the Treasurer's Minimum Reporting requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies are consistent with those of the previous year.

b) The reporting entity

The financial statements include all assets, liabilities, equities, revenues and expenses of CITEC and the entities it controls. Details of the controlled entities are disclosed in Note 28. A controlled entity is any entity controlled by CITEC. Control exists where CITEC has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with CITEC to achieve the objectives of CITEC. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation (outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report).

The outputs/major activities undertaken by the parent entity are disclosed in paragraph (u).

c) Agency transactions and balances

CITEC has commercial arrangements with various state and federal government agencies to perform certain agency transactions on their behalf.

As CITEC acts only in a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed in Note 31.

d) Revenue

User charges and fees are recognised as revenues when invoices for the related services are issued net of the amount of goods and services tax (GST) payable to the Australian Tax Office. User charges and fees are deployed to cover the costs of operating the business and provide a commercial return to the Queensland Government.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statements of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statements of Financial Position. Refer also Note 19.

Cash flows are included in the Statements of Cash Flows on a segregated basis adopting a four-line approach to disclosure. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows. Refer also Note 25.

f) Grants and other contributions

Grants, donations and gifts, which are non-reciprocal in nature, are recognised as revenue in the year in which CITEC obtains control over them. Contributions of assets are recognised at their fair value.

g) Cash

For the purpose of the Statements of Financial Position and the Statements of Cash Flows, cash includes all cash and cheques received but not banked at 30 June as well as deposits at call with financial institutions.

h) Receivables

Trade Debtors are recognised at the amount due at the time of sale or service delivery. Settlement on trade debtors is generally required within 30 days from invoice date.

The collectability of receivables is periodically assessed with adequate provision made for doubtful debts. All known bad debts were written-off as at 30 June.

Other debtors generally arise from transactions outside the usual operating activities and are recognised at their assessed values. Terms are a maximum of three (3) months, no interest is charged and no security is obtained.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

i) Inventories

Work-in-progress is carried at cost to date based on the value of work completed less progress billings. Third Party Re-Sales are valued at cost and represents purchases made on behalf of clients for which the full cost is recoverable from clients.

j) Acquisitions of assets

Actual cost is used for the initial recording of all asset acquisitions. Cost is determined as the value of the assets given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from another Queensland department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost, or for nominal consideration, other than from an involuntary transfer from another Queensland department, are recognised at their fair value at date of acquisition in accordance with AAS 21 – Acquisitions of Assets.

Costs incurred on assets subsequent to acquisition are capitalised when it is probable that the costs incurred will extend the originally assessed useful life of the asset, otherwise, expensed as incurred.

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

k) Property, plant and equipment

All items of property, plant and equipment, except intangibles, with a cost or other value in excess of \$1,000 are recognised for financial reporting purposes in the year of acquisition. All other such items with a cost, or other value, less than \$1,000 are expensed in the year of acquisition.

All non-current physical assets are measured on the cost basis.

The carrying amount of non-current physical assets are reviewed annually to ensure they are not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount.

l) Amortisation and depreciation of intangibles, property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to the parent entity. The straight-line basis is not applied in the controlled entities.

Internally developed systems (capital work-in-progress) are not amortised until they have reached their service delivery capacity.

Any expenditure subsequent to acquisition that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount, consisting of the original asset base plus the additional expenditure, is depreciated over the revised remaining useful life of the asset.

The depreciable amount of improvements to or on a leasehold property is progressively allocated over the estimated useful life of the improvements or the unexpired period of the lease, whichever is shorter.

For each class of depreciable asset the following useful lives were estimated:

CLASS OF ASSET	2003/04 USEFUL LIFE
Computer equipment up to \$10,000	3 – 10 years
Plant and equipment	
• Leasehold improvements	Term of lease/ estimated useful life
• Furniture and fittings up to \$10,000	4 years
• Office equipment up to \$10,000	5 – 6 years
All assets \$10,000 or greater (except Leasehold Improvements)	Determined on an individual case basis

The profit or loss on disposal of all non-current assets is determined as the difference between the current book value at the time of sale and proceeds of disposal. The profit or loss has been brought to account in the period in which the disposal of the asset occurred.

m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are amortised on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

Lease incentives received on entering into operating leases are recognised as liabilities.

n) Other financial assets

Other financial assets are brought to account at the lower of cost or recoverable amount.

o) Intangibles

Internal use software

Costs associated with the development of computer software are capitalised and amortised on a straight-line basis over the period of expected benefit to CITEC.

In the case of items in excess of \$10,000 the period is determined on an individual case basis.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

o) Intangibles (continued)

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight-line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written-off.

Trademarks

Trademarks are valued in the accounts at cost of acquisition.

p) Foreign currency transactions and balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

q) Payables

Trade creditors are recognised upon receipt of the goods and services and are measured at the agreed amount to be paid for goods and services received. Amounts owing are unsecured and are generally settled on 30 day terms.

r) Interest-bearing liabilities

Borrowings represent a long term funding facility with Queensland Treasury Corporation (QTC) valued at the amount outstanding and is disclosed at Note 20. Interest is expensed or otherwise recognised as it accrues. The fair value of these loans is disclosed at Note 29.

s) Convertible notes

Convertible notes are brought to account on issue at the value of net proceeds received. The convertible notes are compound financial instruments where the interest is at a fixed rate with scheduled dates of payments and the number of ordinary shares to be issued on conversion is on a one for one basis.

The present value of the principal payable on redemption is discounted at the market rate of interest at issue date and is brought to account as borrowings. The difference between the net proceeds received and the borrowings component is brought to account as equity. Interest paid on the convertible notes is recognised as interest expense in the profit from ordinary activities.

t) Employee entitlements

Wages, salaries, annual leave and sick leave

Wages, salaries and annual leave due but unpaid at reporting date are recognised in the Statements of Financial Position at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, Workcover premiums, long service leave levies and employer superannuation contributions.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long service leave

Under the Queensland Government's long service leave scheme, a levy is made on CITEC parent entity to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the parent entity financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – Financial Reporting by Governments.

Superannuation

Employer superannuation contributions for the parent entity are paid to QSuper, the superannuation plan for Queensland Government employees at rates determined by the State Actuary.

No liability is recognised for accruing superannuation benefits in these financial statements as this liability is held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – Financial Reporting by Governments.

u) Outputs/major activities of CITEC

The identity and purpose of each service undertaken by the parent entity during the year is summarised below:

- Electronic Service delivery for Government, and its commercial e-commerce counterpart;
- Electronic information brokerage and service provision;
- Information Technology outsourcing services;
- Network Management services; and
- Application Service Provision.

v) Insurance

CITEC's non-current physical assets and other risks are insured. In addition, CITEC pays premiums to cover its workers' compensation obligations for employee compensation.

w) Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest \$1.00 or, where the amount is 50 cents or less, to zero.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

x) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes, are adjusted to 'Contributed Equity' in accordance with UIG Abstract 38 *Contributions by Owners Made to Wholly Owned Public Sector Entities*.

y) Borrowing costs

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

Borrowing costs include:

- Interest on bank overdrafts and short-term and long-term borrowings;
- Ancillary administration charges;
- Finance lease charges; and
- Performance dividend on Queensland Treasury Corporation borrowings.

z) Taxation

CITEC pays an Income Tax Equivalent in accordance with the requirements of the National Tax Equivalents Regime.

As CITEC is subject to the Income Tax Equivalents Regime, the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences. Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

aa) Adoption of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

CITEC has established an IFRS Steering Committee and Work Group to assist in the implementation of the new reporting requirements. CITEC and its controlled entities have been identified as 'for profit' for the purposes of implementing IFRSs. All Pending Australian Equivalents to IFRSs are being progressively reviewed for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the following key differences identified in accounting policies which will arise from the adoption of Australian Equivalents to IFRSs are:

Inventories

- The valuation of inventories will change from the lower of cost and net realisable value as stated in paragraph (i) to the lower of cost and current replacement cost under pending AASB 102 – Inventories. This may lead to an increase in the valuation shown for inventories.

Impairment of assets

- The introduction of pending AASB – 136 Impairment of Assets will require an annual impairment test to be performed on all non-current physical and intangible assets. This may result in a write-down of the value of plant and equipment and intangible assets.

Goodwill on consolidation

- Under AASB 3 – Business Combinations, the goodwill is to be capitalised to the Statements of Financial Position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight-line basis over 20 years.

Income tax

- Currently, CITEC adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS – 12, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent difference between taxable income and accounting profit.

Research and development expenditure

- Pending standard AASB – 138 Intangible Assets further requires that costs associated with research be expensed in the period in which they are incurred. In terms of current policy, research costs are capitalised to the Statements of Financial Position where it is expected beyond reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

The dollar value of the above changes cannot be reliably estimated at the date of this report.

Policy decisions made at a whole-of-Government level in relation to the profit status of CITEC may have additional impacts on the financial reports prepared using Australian Equivalents to IFRSs.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
3. User charges				
Sales of goods and services	124,544,616	124,765,230	119,039,001	119,998,804
Total	124,544,616	124,765,230	119,039,001	119,998,804
4. Grants and other contributions				
Other	13	1,773	13	1,773
Total	13	1,773	13	1,773
5. Other revenues				
Interest	1,375,907	1,191,099	1,560,651	1,093,832
Gain on sale of property, plant and equipment	10,739	31,809	10,739	28,868
Miscellaneous revenue	953,234	756,578	881,809	801,578
Total	2,339,880	1,979,486	2,453,199	1,924,278
Gain on sale of property, plant and equipment:				
Proceeds from sale	10,739	404,799	10,739	401,858
Less: Written-down value of assets disposed of	-	(372,990)	-	(372,990)
	10,739	31,809	10,739	28,868
6. Employee expenses/number of employees				
Employee expenses:				
Wages and salaries	36,108,072	36,105,590	33,717,218	34,126,684
Employer superannuation contributions	4,083,358	4,025,194	3,883,555	3,834,773
Long service leave	481,989	457,432	473,276	455,618
Workers' compensation	154,417	24,911	147,080	25,803
Other	307,561	2,776,820	162,524	2,645,049
Total	41,135,397	43,389,947	38,383,653	41,087,927
Number of employees:	586	591	555	565
The number of employees includes both full-time employees and part-time employees measured on a full-time equivalent basis.				
7. Supplies and services				
Supplies and services - general	60,049,783	59,601,540	59,345,607	58,973,254
Contractors	4,226,414	4,918,522	4,161,386	4,917,210
Consultants	1,719,031	1,798,827	1,362,054	1,491,470
Travel expenses	615,017	603,302	502,357	514,450
Total	66,610,245	66,922,191	65,371,404	65,896,384

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
8. Depreciation and amortisation				
Depreciation and amortisation incurred in respect of:				
Plant and equipment	143,985	189,890	136,814	181,997
Computer equipment	3,085,038	3,875,391	2,996,094	3,788,248
Leased plant and equipment	15,217	63,500	-	-
Leasehold improvements	299,568	491,994	299,454	491,889
Goodwill arising on consolidation	128,302	114,211	-	-
Internal-use software	1,860,463	1,480,740	1,860,463	1,480,740
Total	5,532,573	6,215,726	5,292,825	5,942,874
The approximate decrease in depreciation and amortisation expense, as a result of the re-assessment of estimated useful lives of depreciable assets during the reporting period, was:				
Computer equipment	216,079	447,869	216,079	447,869
Intangibles	51,461	-	51,461	-
9. Other expenses				
Insurance premiums - other	291,847	224,966	229,057	162,120
External audit fees	150,632	138,443	126,327	97,309
Bank charges/merchant fees	499,309	348,933	491,001	344,682
Losses from disposal of property, plant and equipment	190,032	48,219	184,379	48,219
Operating lease rentals	9,231,619	9,617,067	9,103,556	9,467,462
Bad and doubtful debts	58,303	21,993	8,303	36,493
Losses:				
Public monies	-	380	-	380
Foreign currency transaction	-	304	-	-
Special payments:				
Performance penalties	178,625	98,181	178,625	98,181
Fees and stamp duty	-	11,773	-	-
Other	79,518	45,209	74,340	38,185
Total	10,679,885	10,555,468	10,395,588	10,293,031
Loss on disposal of property, plant and equipment:				
Proceeds from sale	678,525	352	678,525	352
Less: written-down value of assets disposed of	(868,557)	(48,571)	(862,904)	(48,571)
	(190,032)	(48,219)	(184,379)	(48,219)
10. Borrowing costs				
Interest	129,766	259,500	129,525	143,080
Finance charges relating to finance leases	44,610	4,276	43,935	-
Borrowing administration charges	5,139	3,445	4,623	2,930
Total	179,515	267,221	178,083	146,010
11. Cash assets				
<i>Current</i>				
Cash at bank and on hand	10,925,314	9,004,586	7,096,094	5,816,109
Total	10,925,314	9,004,586	7,096,094	5,816,109

Cash deposited with the Queensland Treasury Corporation, Commonwealth Bank of Australia and the National Australia Bank earned interest at rates of 5.57%, 4.25% and 4.8% (2003: 5.09%, 3.75%, 4.3%) respectively.

» **Notes to and forming part of the financial statements**

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
12. Receivables				
<i>Current</i>				
Trade debtors	15,099,072	13,708,745	12,940,229	12,593,861
Less: Provision for doubtful debts	(56,020)	(21,455)	(6,020)	(21,455)
	15,043,052	13,687,290	12,934,209	12,572,406
Long service leave reimbursements	45,928	33,305	45,928	33,305
Interest receivable	332,228	257,505	331,671	257,098
Other	245,393	53,473	223,045	291,007
Total	15,666,601	14,031,573	13,534,853	13,153,816
13. Inventories				
<i>Current</i>				
Supplies and consumables - at cost	95,567	31,007	95,567	31,007
Total	95,567	31,007	95,567	31,007
14. Other financial assets				
<i>Non-current</i>				
Unlisted investments - at cost:				
Shares in controlled entity	-	-	500,002	500,002
Loans to controlled entity	-	-	2,320,000	2,320,000
Establishment costs on acquisition of controlled entity	-	255,121	-	-
Total	-	255,121	2,820,002	2,820,002
15. Tax assets				
<i>Non-current</i>				
Future income tax benefit	1,434,024	1,792,928	1,250,996	1,541,608
Total	1,434,024	1,792,928	1,250,996	1,541,608
The future income tax benefit is made up of the following estimated tax benefits:				
Tax losses	-	463,735	-	284,204
Timing differences	1,434,024	1,329,193	1,250,996	1,257,404
16. Other assets				
<i>Current</i>				
Prepayments	2,448,476	2,263,565	2,368,647	1,993,080
Other	2,350	22,250	2,350	2,250
Total	2,450,826	2,285,815	2,370,997	1,995,330
<i>Non-current</i>				
Other	9,491	7,691	-	-
Total	9,491	7,691	-	-

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
17. Intangibles				
<i>Non-current</i>				
<i>Internal use software</i>				
At cost	14,351,237	12,799,053	14,351,237	12,799,053
Accumulated amortisation	(8,617,733)	(8,866,857)	(8,617,733)	(8,866,857)
	5,733,504	3,932,196	5,733,504	3,932,196
<i>Goodwill arising on consolidation</i>				
At cost	2,434,209	2,321,203	-	-
Accumulated amortisation	(263,706)	(135,404)	-	-
	2,170,503	2,185,799	-	-
<i>Intangibles in course of construction</i>				
At cost	1,759,773	924,780	1,759,773	924,780
Total	9,663,780	7,042,775	7,493,277	4,856,976
18. Property, plant and equipment				
<i>Non-current</i>				
<i>Leasehold improvements</i>				
At cost	2,537,518	4,448,582	2,532,956	4,444,020
Accumulated depreciation	(1,174,254)	(2,756,919)	(1,173,673)	(2,756,452)
	1,363,264	1,691,663	1,359,283	1,687,568
<i>Plant and equipment</i>				
At cost	1,504,079	1,754,184	1,355,008	1,609,115
Accumulated depreciation	(1,091,271)	(1,283,989)	(975,839)	(1,173,909)
	412,808	470,195	379,169	435,206
<i>Plant and equipment under finance lease</i>				
At capitalised cost	187,033	187,033	-	-
Accumulated depreciation	(187,033)	(171,816)	-	-
	-	15,217	-	-
<i>Computer equipment</i>				
At cost	26,789,081	49,600,095	26,342,955	49,160,304
Accumulated depreciation	(20,847,171)	(42,566,530)	(20,523,021)	(42,246,746)
	5,941,910	7,033,565	5,819,934	6,913,558
<i>Property, plant and equipment in course of construction</i>				
At cost	1,286,703	895,308	1,286,703	895,308
Total	9,004,685	10,105,948	8,845,089	9,931,640

Leasehold improvements, plant and equipment, computer equipment and property, plant and equipment in course of construction are valued at cost in accordance with Queensland Treasury Non-Current Asset Accounting Guidelines for the Queensland Public Sector (May 2001).

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
18. Property, plant and equipment (continued)				
Asset reconciliation				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
<i>Leasehold improvements</i>				
Carrying amount at the beginning of the year	1,691,663	2,140,857	1,687,568	2,136,657
Acquisitions	-	50,654	-	50,654
Disposals	(128,320)	(7,854)	(128,320)	(7,854)
Transfers between classes	99,489	-	99,489	-
Depreciation/amortisation	(299,568)	(491,994)	(299,454)	(491,889)
Carrying amount at the end of the year	1,363,264	1,691,663	1,359,283	1,687,568
<i>Plant and equipment</i>				
Carrying amount at the beginning of the year	470,196	508,278	435,206	465,396
Acquisitions	128,087	154,825	120,927	154,825
Disposals	(41,490)	(3,018)	(40,150)	(3,018)
Depreciation/amortisation	(143,985)	(189,890)	(136,814)	(181,997)
Carrying amount at the end of the year	412,808	470,195	379,169	435,206
<i>Plant and equipment under finance lease</i>				
Carrying amount at the beginning of the year	15,217	81,492	-	-
Transfers between classes	-	(2,775)	-	-
Depreciation/amortisation	(15,217)	(63,500)	-	-
Carrying amount at the end of the year	-	15,217	-	-
<i>Computer equipment</i>				
Carrying amount at the beginning of the year	7,033,565	7,392,258	6,913,558	7,279,425
Acquisitions	2,689,997	3,924,904	2,594,770	3,833,070
Disposals	(696,614)	(410,981)	(692,300)	(410,689)
Transfers between classes	-	2,775	-	-
Depreciation/amortisation	(3,085,038)	(3,875,391)	(2,996,094)	(3,788,248)
Carrying amount at the end of the year	5,941,910	7,033,565	5,819,934	6,913,558
<i>Property, plant and equipment in course of construction</i>				
Carrying amount at the beginning of the year	895,308	45,802	895,308	45,802
Acquisitions	490,884	849,506	490,884	849,506
Transfers between classes	(99,489)	-	(99,489)	-
Carrying amount at the end of the year	1,286,703	895,308	1,286,703	895,308
Total	9,004,685	10,105,948	8,845,089	9,931,640

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

Note	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
19. Payables				
<i>Current</i>				
Long service leave	125,903	122,216	125,903	122,216
Trade creditors	2,965,449	3,888,715	2,565,668	3,455,245
Other	5,980,834	5,053,785	5,702,830	4,894,645
	9,072,186	9,064,716	8,394,401	8,472,106
GST payable	949,889	775,153	841,420	775,153
GST receivable	(521,579)	(617,929)	(508,256)	(617,929)
Net payable	428,310	157,224	333,164	157,224
Total	9,500,496	9,221,940	8,727,565	8,629,330
<i>Non-current</i>				
Other	-	-	-	-
Total	-	-	-	-
20. Interest-bearing liabilities				
<i>Current</i>				
Finance lease liability	26	350,074	19,924	350,074
Bank overdraft	20(b)	185,420	-	-
		535,494	19,924	350,074
<i>Non-current</i>				
Finance lease liability	26	400,400	-	400,400
Queensland Treasury Corporation borrowings	20(a)	2,220,000	2,220,000	2,220,000
Convertible notes	20(c)	-	1,293,895	-
		2,620,400	3,513,895	2,620,400
Total		3,155,894	3,533,819	2,970,474
				2,220,000

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

No assets have been pledged as security for any liabilities.

Interest on finance leases is recognised as an expense as it accrues (no interest has been capitalised during the current or comparative reporting periods).

The average lease term is three (3) years and the average implicit interest rate is between 5.22% and 7.9% (2003: 7.9%).

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

20. Interest-bearing liabilities (continued)

- (a)** CITEC has an approved at call funding facility to draw on through the Queensland Treasury Corporation to the limit of \$3,000,000.

This facility is drawn upon and repaid according to the day to day cash requirements of CITEC. At 30 June 2004 this facility had a nil balance (2003: nil).

During the reporting period this facility has been drawn upon and repaid in full. An amount of \$14.79 (2003: \$11,627.65) being interest on funds utilised under this facility has been recognised as interest expense for the reporting period. The current overdraft interest rate is 8.52% (2003: 8.02%).

On 26 April 2002, the controlled entity CSI Holdings Pty Ltd acquired 76.58% equity of Aurion Corporation Pty Ltd.

In order to fund this acquisition a Loan Agreement was entered into with the State of Queensland in the sum of \$2,220,000.

This loan has a three (3) year term with the principal repayable on 26 April 2005. It is the intention of CITEC to hold the debt for its full term.

For the duration of its term this is an interest only loan with interest payable quarterly in arrears at a rate of 5.83% (2003: 5.83%).

There is no requirement to make any provision in these accounts for the variation between market value and book value. An amount of \$129,510.64 (2003: \$131,452.64) has been recognised as interest expense in respect of this loan for the reporting period.

The market value of the economic entity's borrowings at 30 June, as notified by the Queensland Treasury Corporation was \$2,233,917.94 (2003: \$2,282,950.58).

- (b)** CSI Holdings Pty Ltd, a controlled entity of CITEC has an approved overdraft facility with the Commonwealth Bank of Australia.

As at 30 June 2004 this facility has a balance of \$185,420 (2003: nil). An amount of \$79.51 (2003: nil) being interest on funds utilised under this facility has been recognised as interest expense in respect of this loan for the reporting period.

The current overdraft interest rate is 8.85% (2003: 8.35%)

- (c)** Convertible notes were issued by Aurion Corporation Pty Ltd, a controlled entity of CSI Holdings Pty Ltd.

The notes are redeemable, have a term of five years, an 8% interest rate, and hold share conversion options.

The disclosure of these notes is in accordance with AASB 1033 – Presentation and Disclosure of Financial Instruments, paragraph 4.3.3.

They have a financial liability component of \$1,293,895 and an equity component of \$161,353.

The equity component has been derived through determining the net present value using an equivalent market rate of a similar financial instrument being 11% pa.

On 5 August 2003, Business Management Limited exercised its option with Aurion Corporation Pty Ltd to convert to shares the 341 convertible notes, having a face value of \$1,455,248.19 into 341 fully paid Aurion ordinary shares.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
21. Provisions				
<i>Current</i>				
Employee benefits - annual leave	4,001,572	3,869,259	3,823,378	3,709,789
Dividends	427,736	-	427,736	-
Other	21,924	9,167	21,924	9,167
Total	4,451,232	3,878,426	4,273,038	3,718,956
<i>Non-current</i>				
Employee benefits - long service leave	111,202	102,490	-	-
Total	111,202	102,490	-	-
Movements in provisions				
<i>Employee benefits</i>				
Carrying amount at the beginning of the year	3,971,749	3,732,926	3,709,789	3,467,396
Initial application of AASB 1028 – Employee Benefits	-	125,452	-	125,452
Additional provision recognised	3,679,363	3,896,176	3,506,643	3,737,163
Reduction in provision as a result of payments	(3,538,338)	(3,782,805)	(3,393,054)	(3,620,222)
Carrying amount at the end of the year	4,112,774	3,971,749	3,823,378	3,709,789
<i>Dividend</i>				
Carrying amount at the beginning of the year	-	391,345	-	391,345
Additional provision recognised	427,736	-	427,736	-
Reduction in provision resulting from re-measurement	-	(3,205)	-	(3,205)
Reduction in provision as a result of payments	-	(388,140)	-	(388,140)
Carrying amount at the end of the year	427,736	-	427,736	-
<i>Other</i>				
Carrying amount at the beginning of the year	9,167	-	9,167	-
Additional provision recognised	48,964	9,167	48,964	9,167
Reduction in provision as a result of payments	(36,207)	-	(36,207)	-
Carrying amount at the end of the year	21,924	9,167	21,924	9,167
CITEC recognises a provision for dividends declared or determined on or before reporting date, for the entire amount remaining undistributed at that date.				
22. Tax liabilities				
<i>Current</i>				
Provision for income tax expense	579,857	-	446,005	-
Total	579,857	-	446,005	-
<i>Non-current</i>				
Provision for deferred income tax expense	615,389	767,082	615,222	766,960
Total	615,389	767,082	615,222	766,960

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
23. Other liabilities				
<i>Current</i>				
Unearned revenue	2,919,223	2,233,995	652,007	492,705
Lease incentive liability	141,700	141,700	141,700	141,700
Non interest-bearing loan agreement	352,381	-	352,381	-
Other	914,372	915,313	914,372	915,313
Total	4,327,676	3,291,008	2,060,460	1,549,718
<i>Non-current</i>				
Lease incentive liability	141,700	283,400	141,700	283,400
Non interest-bearing loan agreement	381,746	-	381,746	-
Total	523,446	283,400	523,446	283,400
24. Changes in equity				
Contributed equity				
Balance at the beginning of the financial year	10,958,699	10,934,948	10,958,699	10,934,948
<i>Transaction with owners as owners:</i>				
Owners:				
Net leave liabilities transferred	54,496	23,751	54,496	23,751
Balance at the end of the financial year	11,013,195	10,958,699	11,013,195	10,958,699
Retained surpluses				
Balance at the beginning of the financial year	12,399,862	13,108,400	12,019,425	13,122,348
Net surplus (deficit)	1,425,786	(385,809)	1,285,781	(1,002,106)
Adjustment to retained profits on conversion of convertible note	659,628	-	-	-
Adjustment to retained profits in respect of change in outside equity interest's share of controlled entity opening retained profit	(131,954)	-	-	-
Retrospective adjustment to employee entitlements upon application of AASB1028 – Employee Benefits	-	(104,022)	-	(104,022)
Retrospective adjustment to goodwill arising on consolidation upon application of AASB 1013 – Accounting for Goodwill	(142,115)	(221,912)	-	-
Dividends paid or declared	(427,736)	3,205	(427,736)	3,205
Balance at the end of the financial year	13,783,471	12,399,862	12,877,470	12,019,425
Outside equity interests in controlled entities				
Outside equity interests comprises:				
Share capital	1,018,683	183,660	-	-
Reserves	(549,235)	(262,405)	-	-
Retained profits	718,982	199,463	-	-
Balance at the end of the financial year	1,188,430	120,718	-	-

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

Note	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
25. Reconciliation of net surplus (deficit) to net cash provided by (used in) operating activities				
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:				
Cash at bank and on hand	11	10,925,314	9,004,586	7,096,094
Bank overdrafts	20	(185,420)	-	-
		10,739,894	9,004,586	7,096,094
				5,816,109
Surplus (deficit) from ordinary activities before income tax (expense) revenue		2,746,894	(604,064)	1,870,660
Less: Income tax expense		(787,068)	440,463	(584,879)
				439,265
Net surplus (deficit)		1,959,826	(163,601)	1,285,781
<i>Non-cash items</i>				(1,002,106)
Depreciation and amortisation expense		3,543,808	4,620,776	3,432,362
Amortisation expense		1,988,765	1,594,951	1,860,463
Profit (loss) on sale or disposal of non-current assets		179,293	16,410	173,640
Transactions processed through related entity current account		14,727	26,250	-
Reclassification of finance lease item to computer equipment		-	2,775	-
Forgiveness of dividend liability		(116,420)	-	-
Intangible assets written-off		-	16,636	-
Grants and other contributions		(13)	(1,773)	(13)
<i>Change in assets and liabilities</i>				
(Increase) decrease in receivables		(1,276,730)	163,706	(291,029)
(Increase) decrease in income tax receivables		2,960	(2,960)	-
(Increase) decrease in GST receivable		96,350	30,171	109,673
(Increase) decrease in inventories		(64,560)	159,130	(64,560)
(Increase) decrease in interest receivable		(74,724)	-	(74,574)
(Increase) decrease in prepayments		(185,011)	(377,741)	(375,667)
(Increase) decrease in other assets		18,200	-	-
(Increase) decrease in future income tax benefit		358,904	(262,442)	290,612
Increase (decrease) in unearned revenue		684,287	609,707	158,361
Increase (decrease) in employee provisions		618,291	143,552	590,856
Increase (decrease) in payables		(1,102,137)	2,009,698	(901,440)
Increase (decrease) in provisions		(15,435)	(49,897)	(15,435)
Increase (decrease) in provision for tax expense		579,857	(613,462)	446,005
Increase (decrease) in GST payable		174,736	(216,583)	66,267
Increase (decrease) in interest payable		107	4,536	62
Increase (decrease) in other liabilities		2,061,831	(465,148)	2,061,831
Increase (decrease) in provision for deferred tax expense		(151,692)	(178,020)	(151,737)
Net cash provided by (used in) operating activities		9,295,220	7,066,671	8,601,458
				5,346,716

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
26. Commitments for expenditure				
(a) Finance lease liabilities				
Lease liabilities recognised in the Statements of Financial Position:				
Current	350,074	19,924	350,074	-
Non-current	400,400	-	400,400	-
Total	750,474	19,924	750,474	-
Commitments under finance leases at the reporting date are inclusive of anticipated GST and are payable as follows:				
Not later than one year	380,952	22,527	380,952	-
Later than one year and not later than five years	412,698	-	412,698	-
Total commitments	793,650	22,527	793,650	-
Less: anticipated input tax credits	-	(2,049)	-	-
Less: future finance charges recognised in the Statements of Financial Position	(43,176)	(554)	(43,176)	-
Total finance lease liability	750,474	19,924	750,474	-
(b) Non-cancellable operating lease commitments				
Commitments under non-cancellable operating leases at reporting date are inclusive of anticipated GST and are payable as follows:				
Not later than one year	6,158,629	7,916,386	6,066,873	7,800,747
Later than one year and not later than five years	8,199,601	26,023,982	7,873,600	25,516,946
Later than five years	97,639	6,594,897	97,639	6,594,897
Total	14,455,869	40,535,265	14,038,112	39,912,590

These lease commitments are classed into two categories:

Supply of computer hardware

In all computer hardware leases there exists an option for CITEC to instigate one of the following options prior to termination:

- Extend the term of the lease at renegotiated rates and equipment upgrades.
- Terminate the lease and return the equipment to the lessor.
- Purchase the equipment at a price negotiated between the lessor and CITEC.

Supply of office accommodation

- Sydney
- Canberra
- Melbourne
- Brisbane

The arrangements for the supply of office accommodation are stated in current dollar values, however, the future commitments have rent reviews which are tied to increases based on market value, set percentage and/or CPI.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
26. Commitments for expenditure (continued)				
(c) Capital expenditure commitments				
Material capital expenditure commitments inclusive of anticipated GST contracted for but not recognised as payable are as follows:				
Computer equipment and other capital items	137,670	155,596	137,670	155,596
Total expenditure commitments	137,670	155,596	137,670	155,596
Not later than one year	137,670	155,596	137,670	155,596
Total	137,670	155,596	137,670	155,596

27. Contingencies

(a) Guarantees and undertakings

Guarantees and undertakings have been provided as detailed below, but are not required to be recognised as liabilities in the Statements of Financial Position.

CITEC has arranged seven (7) bank guarantees in relation to business opportunities pursued by its controlled entity CSI Holdings Pty Ltd.

	PARENT ENTITY	
	2004 \$	2003 \$
Commonwealth of Australia	80,000	80,000
Australian Securities and Investment Commission	295,000	295,000
State of Victoria	7,000	7,000
State of New South Wales	500,000	500,000
Sydney Water Corporation	25,000	25,000
State of Western Australia	27,500	27,500
Insolvency and Trustee Service Australia	127,000	-
Total	1,061,500	934,500

28. Controlled entities

Set out below are the entities controlled by CITEC and whose revenue, expenses, assets, liabilities and equity have been included within these financial statements.

	Country of Incorporation	2004 % Owned	2003 % Owned
Parent entity:			
CITEC	Australia	-	-
Controlled entities of CITEC:			
CSI Holdings Pty Ltd	Australia	100%	100%
Aurion Corporation Pty Ltd	Australia	50.98%	76.58%

On 5 August 2003, Business Management Limited exercised its option with Aurion Corporation Pty Ltd to convert to shares the 341 convertible notes having a face value of \$1,455,248.19. The issue of these shares has reduced CSI Holdings Pty Ltd interest in Aurion Corporation Pty Ltd from 76.58% to 50.98%. Business Management Limited now has a 33.4% interest in Aurion Corporation Pty Ltd.

The Queensland Auditor-General audits both CSI Holdings Pty Ltd and Aurion Corporation Pty Ltd.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
29. Financial instruments				
(a) Interest rate risk exposure				
The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows.				
All other assets and liabilities have no interest rate risk exposure.				
<i>Cash</i>				
Floating interest Rate	10,925,314	9,004,586	7,096,094	5,816,109
Total	10,925,314	9,004,586	7,096,094	5,816,109
Weighted average rate	4.48%	3.98%	4.25%	3.75%
<i>Receivables</i>				
Non interest-bearing	15,666,601	14,031,573	13,534,853	13,153,816
Total	15,666,601	14,031,573	13,534,853	13,153,816
Weighted average rate	n/a	n/a	n/a	n/a
<i>Payables</i>				
Non interest-bearing	9,500,496	9,221,940	8,727,565	8,629,330
Total	9,500,496	9,221,940	8,727,565	8,629,330
Weighted average rate	n/a	n/a	n/a	n/a
<i>Cash overdraft</i>				
Floating interest Rate	185,420	-	-	-
Total	185,420	-	-	-
Weighted average rate	8.85%	n/a	n/a	n/a
<i>Convertible notes</i>				
Between 1-5 years	-	1,293,895	-	-
Total	-	1,293,895	-	-
Weighted average rate	n/a	8.00%	n/a	n/a
<i>Finance lease principal commitments</i>				
Less than one year	350,074	19,924	350,074	-
Between 1-5 years	400,400	-	400,400	-
Total	750,474	19,924	750,474	-
Weighted average rate	5.22%	7.90%	5.22%	n/a
<i>Queensland Treasury Corporation borrowings</i>				
Between 1-5 years	2,220,000	2,220,000	2,220,000	2,220,000
Total	2,220,000	2,220,000	2,220,000	2,220,000
Weighted average rate	5.83%	5.83%	5.83%	5.83%

Floating interest rate represents the most recently administered market rate applicable to the instrument as at 30 June 2004.
The fixed rate represents weighted average market interest rate.

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

29. Financial instruments (continued)

(b) Credit risk exposure

Credit risk exposure represents the extent of credit related losses that CITEC may be subject to on amounts to be exchanged under loans and accounts receivable from financial assets. Where appropriate, collateral is obtained in the form of security over property.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for doubtful debts as indicated in the Statement of Financial Position.

(c) Net fair value

The net fair value is determined as follows:

The net fair value of cash and cash equivalents and non interest-bearing monetary financial assets and financial liabilities approximate their carrying value.

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

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below:

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
Financial assets				
<i>Cash</i>				
Total carrying amount	10,925,314	9,004,586	7,096,094	5,816,109
Net fair value	10,925,314	9,004,586	7,096,094	5,816,109
<i>Receivables</i>				
Total carrying amount	15,666,601	14,031,573	13,534,853	13,153,816
Net fair value	15,666,601	14,031,573	13,534,853	13,153,816
Financial liabilities				
<i>Payables</i>				
Total carrying amount	9,500,496	9,221,940	8,727,565	8,629,330
Net fair value	9,500,496	9,221,940	8,727,565	8,629,330
<i>Cash overdraft</i>				
Total carrying amount	185,420	-	-	-
Net fair value	185,420	-	-	-
<i>Convertible notes</i>				
Total carrying amount	-	1,293,895	-	-
Net fair value	-	1,293,895	-	-
<i>Finance lease liabilities</i>				
Total carrying amount	750,474	19,924	750,474	-
Net fair value	750,474	19,924	750,474	-
<i>Queensland Treasury Corporation borrowings</i>				
Total carrying amount	2,220,000	2,220,000	2,220,000	2,220,000
Net fair value	2,220,000	2,220,000	2,220,000	2,220,000
<i>Other borrowings - non-interest bearing</i>				
Total carrying amount	734,127	-	734,127	-
Net fair value	734,127	-	734,127	-

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
30. Taxation				
Information in respect of income tax expense incurred by those activities of the economic entity				
Surplus (deficit) from ordinary activities	2,746,894	(604,064)	1,870,660	(1,441,371)
Indicative tax expense at 30%	824,068	(181,219)	561,198	(432,412)
Tax effect of permanent and other differences:				
Non-deductible expenses	112,767	39,402	-	-
Non-deductible entertainment	23,681	5,501	23,681	5,501
Legal fees	347	-	-	-
Management consultancy	-	(733)	-	(733)
Professional/technical consultancy	-	2,414	-	2,414
Research and development concession	-	(16,050)	-	(16,050)
Over provision of previous year	(31,680)	-	-	-
Adjustment for 2003 R&D concessions	(27,728)	-	-	-
Recoupment of prior year tax losses not previously brought to account	(114,387)	(289,778)	-	-
Tax losses transferred to group entity	-	-	-	2,015
Total income tax expense	787,068	(440,463)	584,879	(439,265)
Total income tax expense comprises movements in:				
Provision for income tax expense	579,857	311,873	446,005	(1)
Future income tax benefit	358,902	(565,798)	290,611	(261,122)
Provision for deferred income tax	(151,692)	(186,538)	(151,737)	(178,142)
Total income tax expense	787,067	(440,463)	584,879	(439,265)
Provision for deferred income tax:				
Attributable to timing differences:				
Additional tax depreciation	167,637	125,077	167,637	125,077
Australian source interest income	(22,418)	25,738	(22,373)	25,860
Increase in prepayment less than 13 months	(16,178)	-	-	-
Offset against future income tax benefit	16,178	-	-	-
Depreciation recovered on asset sales	13,297	5,888	13,297	5,888
Pooled assets	(6,823)	21,317	(6,823)	21,317
Total timing differences movement for the reporting period	151,693	178,020	151,738	178,142
Attributable to balance of provisions at 1 July	(767,082)	(945,102)	(766,960)	(945,102)
Total provision for deferred income tax	(615,389)	(767,082)	(615,222)	(766,960)
Future income tax benefit:				
Attributable to timing differences:				
Movements in provisions	52,677	56,733	29,446	62,099
Audit fee accrual	6,638	(3,311)	6,638	(3,311)
Recognition of lease incentive and amortisation	(42,510)	(83,231)	(42,510)	(83,231)
Movement in accrued interest payable	18	1,361	18	1,361
Finance lease amortisation	4,565	19,050	-	-
Finance lease interest	202	1,231	-	-
Finance lease payments	(5,977)	(15,509)	-	-
Unrealised foreign exchange loss	-	91	-	-
Recognition of tax losses carried forward	19,409	-	-	-
Movement in other accrued expenses	13,434	23,919	-	-
	48,456	334	(6,408)	(23,082)

» Notes to and forming part of the financial statements

for the year ended 30 June 2004

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
30. Taxation (continued)				
Attributable to balance at 1 July	1,792,928	1,521,968	1,541,608	1,280,486
Attributable to prior period tax losses of controlled entity	(198,741)	289,778	-	-
Attributable to income tax expense of controlled entity	-	(303,356)	-	-
Attributable to provision for deferred income tax at balance date against future income tax benefit	16,178	-	-	-
Attributable to over provision from prior year	31,678	-	-	-
Attributable to adjustment to prior year income tax return	27,728	-	-	-
Attributable to current period tax losses	(284,203)	284,204	(284,203)	284,204
	1,385,568	1,792,594	1,257,405	1,564,690
Total future income tax benefit	1,434,024	1,792,928	1,250,997	1,541,608
Future income tax benefit not taken to account:				
Attributable to prior period tax losses of controlled entity	-	114,387	-	-

31. Agency transactions

CITEC has commercial arrangements with various government agencies for the provision of disbursement services to third parties. Separate bank accounts are utilised for Brisbane and Canberra clients to facilitate the receiving and disbursement of funds according to client instructions. At any time, funds received from clients may be held within these bank accounts awaiting disbursement.

A reconciliation of amounts collected and disbursed follows:

	PARENT ENTITY	
	2004 \$	2003 \$
<i>Brisbane</i>		
Balance at beginning of year	18,835,897	13,780,764
Collections during reporting period	2,596,253,557	2,616,089,086
Disbursements according to clients' instructions during reporting period	(2,582,809,284)	(2,611,033,953)
Balance at end of year	32,280,170	18,835,897
<i>Canberra</i>		
Balance at beginning of year	942,083	1,269,684
Collections during reporting period	615,269,614	1,222,294,216
Disbursements according to clients' instructions during reporting period	(615,603,928)	(1,222,621,817)
Balance at end of year	607,769	942,083
Fees of \$6,056,375 (2003: \$5,477,202) received by CITEC for providing these disbursement services are recognised in user charges - see Note 3. Under the terms of the commercial arrangements interest earned on these balances is retained by CITEC and disclosed as interest revenue. These activities are audited by the Queensland Auditor-General.		
32. Board and committee remuneration		
The following is a total of the remuneration paid or payable or otherwise made available to the members of CITEC's Business Enterprise Board	113,045	117,395

» **Certificate of CITEC**

The foregoing financial statements have been prepared pursuant to section 40(1) of the *Financial Administration and Audit Act 1977* and other prescribed requirements.

In accordance with section 40(3) of the Act we certify that in our opinion:

- (a) the prescribed requirements for the establishment and keeping of accounts have been complied with in all material respects; and
- (b) the statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of CITEC for the financial year ended 30 June 2004 and of the financial position of CITEC as at the end of that year.

A. J. Skippington
General Manager
Finance and Corporate Services – CITEC
17 September, 2004

Mal Grierson
Director-General
Department of Public Works
17 September, 2004

INDEPENDENT AUDIT REPORT

To the Director-General of the Department of Public Works

Matters Relating to the Electronic Presentation of the Audited Financial Statements

The audit report relates to the financial statements of CITEC for the financial year ended 30 June 2004 included on CITEC's web site. The Accountable Officer is responsible for the integrity of CITEC's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from CITEC, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

Scope

The Financial Statements

The financial statements of CITEC include the consolidated financial statements of the consolidated entity comprising CITEC and the entities it controlled at the end of the year or from time to time during the year. The financial statements consist of the statement of financial position, statement of financial performance, statement of cash flows, notes to and forming part of the financial statements and certificates given by the Accountable Officer and Officer responsible for the financial administration of CITEC, for the year ended 30 June 2004.

Accountable Officer's Responsibility

The Accountable Officer is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial statements.

Audit Approach

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included :

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Accountable Officer;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial statements.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has, for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

In accordance with s.40 of the *Financial Administration and Audit Act 1977*:

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion:
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of CITEC and the consolidated entity for the financial year 1 July 2003 to 30 June 2004 and of the financial position as at the end of that year.

B P WORRALL, FCA
Assistant Auditor-General
(As Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane