

# Managing Director's Report



**Mark Rainbird**  
Managing Director

The previous financial year (2002/03) was challenging for staff and management at CITEC. As an organisation we faced a significant loss financially, legacy systems and toolsets in desperate need of improvement, and a limited sales pipeline through which to deliver the year's budget.

For the management team, it has been rewarding to see the key strategies we have implemented over the past year deliver a solid turnaround for CITEC. Our improved position has been made possible through the strong relationships we have built with key clients and partners. These relationships have been fundamental to our success.

While it has been a tough year in many ways, it has also been one that proved an organisation's people are its greatest asset, as demonstrated by the CITEC employees who rose to the challenges time and time again. Without the commitment and perseverance of our 600-strong work force, CITEC would not be as well positioned for growth as we are now.

## » Enabling change

During the past year the Executive Management Team (EMT) reviewed CITEC's corporate strategy, reaffirming our vision, mission and values and identifying the roadmap to delivering future growth. These strategies centred around seven fundamental priorities:

- » mitigating our risk;
- » improving our competitiveness;
- » delivering market-driven products;
- » focusing on service improvement;
- » adhering to sound financial management and corporate governance principles;
- » developing a high-performance organisation; and
- » enabling our operations.

While it has been a tough year in many ways, it has also been one that proved an organisation's people are its greatest asset, as demonstrated by the CITEC employees who rose to the challenges time and time again.

Skills, intellectual capital, business processes, brand value, collaboration, partnerships and alliances were all key performance-driving assets that needed to be managed proactively as part of corporate performance strategy. This was essential during a period of slow growth in the ICT services industry, and has helped CITEC return a profitable position at June 30, 2004.

## » Enabling results

A turnaround of approximately \$8m for the past 18 months delivered the company a net profit after tax of \$1.2m and marked a significant achievement for CITEC, positioning us well for growth in the next year. After undergoing a period of consolidation and internal review, CITEC implemented cost saving measures that delivered an impressive reduction in expenditure of over \$4m. Our improved return on investment can be attributed to improved sales, our commitment to skilling and investing in our people, while providing them with improved toolsets to enable them to do their jobs more effectively.

Human resources and payroll software developer Aurion Corporation, of which CITEC owns a majority share, also reported an excellent trading result with operating revenue of \$5.52m, a 15% increase over the previous year. This is a pleasing result and testimony to the support and effort CITEC has provided to Aurion since committing as majority shareholder.

Our two business divisions of ICT Services and Information Brokerage (CITEC Confirm) engage with two distinct markets, with the star performer in 2003/04 being CITEC Confirm. This area of the business benefited from the strength of the Australian housing market, outperforming market expectations and delivering an increase in revenue of \$4.2m to deliver over \$47m.

The launch of the Victorian Magistrates Court's e-filing system through CITEC Confirm also added momentum to the product's growth,



**At CITEC, we are proud of the important role that we play in enabling our clients to achieve competitive advantage**

and with substantial opportunity to grow its content and expand its footprint nationally, CITEC Confirm is expected to continue its contribution to future growth.

As expected, CITEC's ICT Services performance matched the market as it transitioned from a period of exponential growth to a time of market slow-down. While the slow growth phase for the ICT industry globally has impacted new business growth for CITEC, significant renewal business ensured a stable period for the company over the past 12 months. In fact, our sales performance increased by 76% over last year, with sales in infrastructure and applications management outperforming other areas of the ICT Services business.

Across the industry, consolidation through mergers and acquisitions, organisational downsizing and slower purchasing cycles have posed challenges for ICT companies' revenue enhancement and growth strategies. Our Queensland Government sales were also affected by machinery-of-Government changes as agencies held off on new business from late 2003, pending the Queensland state election in February 2004.



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To win new business, CITEC will focus on enhancing its presence and reputation as both a high quality supplier to government and one who understands the culture of its clients.

With the expected upturn in the ICT Services market, CITEC's core competency in the provision of ICT Services places us in an excellent position to capitalise on our strengths and grow, especially in our key vertical markets outside Queensland.

## » Enabling efficiency

While cost reduction was a major focus throughout the year, CITEC also refocused its resources on business improvement strategies by investing more than \$15m in projects. These projects addressed issues such as increased efficiency for internal systems, streamlining business processes, improvement to service delivery and included adherence to the ITIL framework and implementation of our Integrated Service Management (ISM) toolset.

CITEC became the first end-to-end ICT services provider in Australia to achieve certification to the standard AS/NZS 7799.2:2003 for Information Security Management Systems. This certification provides third party assurance for our clients and business partners that CITEC has taken all necessary steps to ensure the security of its own and its clients' information.

We also refined our go-to-market strategy and in doing so, sharpened our customer focus through vertical industry segmentation and business line specialisation. Products and services were bundled into common service solutions and tailored to meet clients' business problems. Our commitment to customer service and partnering with clients is testimony to the fact that we successfully retained 100% of our major Sydney-based network clients including Sydney Water, Rabobank, ORIX Australia and Star Track Express.

## » Enabling a strong future

The machinery-of-Government changes following the Queensland state election saw CITEC's shareholding ownership transitioned from the Department of Innovation, Information Economy, Sport and Recreation Queensland to the Department of Public Works. We welcomed Tony Waters, Department of Public Works' Deputy Director-General, to the CITEC Business Enterprise Board and look forward to his contribution to CITEC's future.

We have seen a renewed focus by the Queensland Government on revitalising the Whole-of-Government ICT strategy, and view this as a very positive impact on ICT in Queensland. CITEC's role in the overarching strategy may well mean that our current contribution to supporting Queensland Government agencies will expand and deliver further economies of scale within this vertical market.

As we approach our 40th year in business, CITEC is well on its way to achieving its vision to be the number one Australian-owned ICT outsourcing provider. It has proven its capability in managing enterprise technology systems by providing the IT behind some of Australia's most powerful organisations including major banks and financial institutions, governments in local, state and federal jurisdictions, national utilities and global mining corporations.

We will continue to invest in our people and in the community in which we do business. Our commitment to corporate responsibility is reflected in our support of the Queensland Theatre Company, corporate philanthropy activities and the provision of mentoring and training programs to university scholars and graduates.

By turning our core values of integrity, trust, community spirit, leadership and sustainable profit into concrete actions in our business, we build value for our shareholders and clients, trust with our partners and help improve the quality of life in the communities in which we operate.

## » Going forward

It is our intent to grow our current and new client base by building long-term mutually beneficial relationships based on high standards of service, which support our clients' business strategically. We will do this by anticipating our clients' ICT needs and proactively offering solutions as their businesses change and grow.

We know the market is no longer seeking pure technology providers but continues to look for technology partners who bring business value through cost saving and efficiencies in business strategy. Our utility computing offering is one of the ways we plan to meet this need in the market. Featuring the flexibility of a metered pay-as-you-use billing system, compatible with open systems Unix and Linux across the areas of data storage, operation system management, hosting and data centre services, this service can potentially reduce capital outlay, reduce operational expenditure and deliver a solution to an organisation's existing legacy systems.

I would like to thank our executive team and our employees for all their hard work throughout the year. Our people have become receptive to change because they know it is a necessary part of strong financial performance and job security.

Thank you also to all our dedicated Board members for their guidance and support, and to our clients, shareholders, suppliers and business partners for their continuing contribution to making CITEC a better business.

**Mark Rainbird**  
Managing Director