

General purpose financial statements

for the year ended 30 June 2005

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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

Statement of Financial Performance

for the year ended 30 June 2005

	Notes	ECONOMIC ENTITY		PARENT ENTITY	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenues from ordinary activities					
User charges	3	132,363,878	124,544,616	125,994,721	119,039,001
Grants and other contributions	4	-	13	-	13
Other	5	1,860,499	2,339,881	1,892,176	2,453,199
Total revenues from ordinary activities		134,224,377	126,884,510	127,886,897	121,492,213
Expenses from ordinary activities					
Employee expenses	6	44,551,841	41,135,398	40,922,660	38,383,653
Supplies and services	7	70,697,317	66,610,244	69,187,086	65,371,404
Depreciation and amortisation	8	6,176,002	5,532,573	5,974,879	5,292,825
Other	9	10,929,112	10,679,885	10,672,269	10,395,588
Total expenses from ordinary activities excluding borrowing costs		132,354,272	123,958,100	126,756,894	119,443,470
Borrowing costs	10	259,665	179,515	255,491	178,083
Operating result from ordinary activities before income tax expense		1,610,440	2,746,895	874,512	1,870,660
Income tax expense relating to ordinary activities	30	568,837	787,067	266,984	584,879
Operating result from ordinary activities after income tax expense		1,041,603	1,959,828	607,528	1,285,781
Net surplus (deficit) attributable to outside equity interests		(357,858)	(534,040)	-	-
Net operating result	24	683,745	1,425,788	607,528	1,285,781
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity	24	-	(142,115)	-	-
Total revenues, expenses and valuation adjustments recognised directly in equity		-	(142,115)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		683,745	1,283,673	607,528	1,285,781

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

Statement of Financial Position

as at 30 June 2005

	Notes	ECONOMIC ENTITY		PARENT ENTITY	
		2005 \$	2004 \$	2005 \$	2004 \$
Current assets					
Cash assets	11	9,235,465	10,925,314	5,598,054	7,096,094
Receivables	12	17,189,564	15,666,603	14,423,012	13,534,853
Inventories	13	74,434	95,567	74,434	95,567
Prepayments	16	3,278,679	2,450,826	2,910,771	2,370,997
Total current assets		29,778,142	29,138,310	23,006,271	23,097,511
Non-current assets					
Other financial assets	14	-	-	2,720,002	2,820,002
Tax assets	15	1,308,742	1,434,024	1,127,487	1,250,996
Other	16	6,800	9,491	-	-
Intangibles	17	10,111,801	9,677,135	8,054,769	7,493,277
Property, plant and equipment	18	10,783,932	8,991,330	10,666,307	8,845,089
Total non-current assets		22,211,275	20,111,980	22,568,565	20,409,364
Total assets		51,989,417	49,250,290	45,574,836	43,506,875
Current liabilities					
Payables	19	9,949,161	9,500,497	8,691,336	8,727,565
Interest-bearing liabilities	20	3,666,214	535,494	3,542,238	350,074
Provisions	21	3,963,143	4,451,231	3,759,229	4,273,038
Tax liabilities	22	685,900	579,857	409,069	446,005
Unearned Revenue	23	2,391,466	2,919,223	166,768	652,008
Other	23	1,506,863	1,408,453	1,506,863	1,408,452
Total current liabilities		22,162,747	19,394,755	18,075,503	15,857,142
Non-current liabilities					
Interest-bearing liabilities	20	2,755,644	2,620,400	2,755,644	2,620,400
Provisions	21	119,187	111,202	-	-
Tax liabilities	22	349,694	615,389	349,629	615,222
Other	23	29,365	523,446	29,365	523,446
Total non-current liabilities		3,253,890	3,870,437	3,134,638	3,759,068
Total liabilities		25,416,637	23,265,192	21,210,141	19,616,210
Net assets (liabilities)		26,572,780	25,985,098	24,364,695	23,890,665
Equity					
Contributed equity	24	11,074,415	11,013,195	11,074,415	11,013,195
Retained surpluses/(accumulated deficits)	24	14,272,500	13,783,473	13,290,280	12,877,470
Parent entity interest		25,346,915	24,796,668	24,364,695	23,890,665
Outside equity interest	24	1,225,865	1,188,430	-	-
Total equity		26,572,780	25,985,098	24,364,695	23,890,665

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

Statement of Cash Flows

for the year ended 30 June 2005

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2005 \$	2004 \$	2005 \$	2004 \$
Cash flows from operating activities					
<i>Inflows:</i>					
User charges		131,765,004	123,610,227	125,071,741	118,639,326
GST collected from customers		11,175,195	8,902,388	10,490,863	8,279,726
GST input tax credits from ATO		5,462,355	4,983,371	5,184,445	4,817,802
Interest receipts		1,616,570	1,301,183	1,602,907	1,486,078
Income tax received		-	2,961	-	-
Other		245,242	855,832	287,253	900,827
<i>Outflows:</i>					
Employee expenses		(44,610,511)	(40,537,071)	(41,020,346)	(37,807,451)
Supplies and services		(73,038,719)	(65,460,027)	(70,616,995)	(64,511,319)
Borrowing costs		(257,672)	(179,410)	(253,657)	(178,022)
Income tax paid		(603,207)	-	(446,005)	-
GST paid to suppliers		(5,488,078)	(4,577,296)	(5,194,418)	(4,398,404)
GST remitted to ATO		(11,108,413)	(9,037,377)	(10,533,729)	(8,523,184)
Other		(10,904,368)	(10,569,561)	(10,664,923)	(10,103,922)
Net cash provided by (used in) operating activities	25	4,253,398	9,295,220	3,907,136	8,601,457
Cash flows from investing activities					
<i>Inflows:</i>					
Proceeds from sale of property, plant and equipment		3,939	689,277	2,821	689,277
Investments redeemed		-	-	100,000	-
<i>Outflows:</i>					
Payments for property, plant and equipment		(5,634,008)	(4,601,285)	(5,576,684)	(4,498,897)
Payments for intangibles		(2,860,857)	(3,206,581)	(2,860,858)	(3,206,581)
Net cash provided by (used in) investing activities		(8,490,926)	(7,118,589)	(8,334,721)	(7,016,201)
Cash flows from financing activities					
<i>Inflows:</i>					
Borrowings		3,990,873	-	3,990,873	-
<i>Outflows:</i>					
Dividends paid		(748,158)	(116,128)	(427,736)	-
Borrowing redemptions		(313,392)	-	(313,392)	-
Finance lease payments (excluding interest component)		(320,200)	(325,195)	(320,200)	(305,271)
Net cash provided by (used in) financing activities		2,609,123	(441,323)	2,929,545	(305,271)
Net increase (decrease) in cash held		(1,628,405)	1,735,308	(1,498,040)	1,279,985
Cash at beginning of the financial year		10,739,894	9,004,586	7,096,094	5,816,109
Cash at end of the financial year	25	9,111,489	10,739,894	5,598,054	7,096,094

This Statement 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 2005

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; and

Provide acceptable commercial returns to the Crown as owner of CITEC.

2. Statement of significant accounting policies

a) Basis of accounting

This financial report is a General Purpose Financial Report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, the *Corporations Act 2001*, *Financial Administration and Audit Act 1977*, the Financial Management Standard 1997, the Treasurer's Minimum Reporting Requirements and other authoritative pronouncements.

The directors of the controlled entity Aurion Corporation Pty Ltd have prepared the financial report of that controlled entity in accordance with Accounting Standards and other professional reporting requirements with the following exceptions.

AASB 1005 *Segment Reporting*

AASB 1017 *Related Party Disclosures*

AASB 1018 *Statement of Financial Performance*

In respect of the controlled entity, during the year under review revenue to the value of \$955,553 was not included in the Statement of Financial Performance. These transactions relate to a third party providing services to an Aurion customer as part of a project where Aurion Corporation is the prime contractor. It is not envisaged that this activity will be repeated to the same extent in future periods. Similarly, the corresponding cost of \$955,553 has not been included in expenditure. The net effect on the results for the year is nil. The cashflow from this transaction is included in the Statement of Cashflows in the User Charges and Supplies and Services.

This financial report has been prepared on an accruals 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 have been consistently applied, unless otherwise stated.

b) The reporting entity

The financial statements include all assets, liabilities, equities, revenues and expenses of CITEC and the entities it controls.

Details of controlled entities have been disclosed in Note 28.

(c) Principles of consolidation

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.

d) 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.

e) 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.

f) 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.

g) 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.

h) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and on deposit at call with banks or financial institutions, net of bank overdrafts.

Notes to and forming part of the financial statements for the year ended 30 June 2005

2. Statement of significant accounting policies (continued)

i) Receivables

Trade receivables are carried at nominal amounts due at the time of sale or service delivery. Settlement on trade receivables is generally required within 30 days from invoice date. A provision for doubtful debts is recognised when collection of the full amount is no longer probable. All known bad debts were written-off as at balance date.

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

j) Inventories

Inventories including third party re-sales are valued at the lower of cost and net realisable value and represents purchases made on behalf of clients for which the full cost is recoverable from clients.

k) 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 Government 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 Government department, are recognised at their fair value at date of acquisition.

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.

l) Property, plant and equipment

Property, plant and equipment assets are measured on the cost basis. 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.

The carrying amounts 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 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.

Work in progress is carried at cost to date based on the value of work completed less progress billings.

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

All items of property, plant and equipment are 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. The reducing balance method is applied to assets in the controlled entity.

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.

The depreciable amounts of these assets are depreciated over their effective lives as follows:

Class of fixed asset	Depreciation rate
Leasehold improvements	the lease term
Computer equipment	2 to 10 years
Plant and equipment	4 to 6 years

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.

n) Finance 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 depreciated 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 interest expense and reduction of the lease liability.

Notes to and forming part of the financial statements

for the year ended 30 June 2005

2. Statement of significant accounting policies (continued)

o) Operating leases

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 are allocated between rental expense and reduction of the liability.

Operating lease payments are representative of the pattern of benefit derived from the leased assets.

p) Other financial assets

Other financial assets are brought to account at the lower of cost or recoverable amount and are disclosed at the fair values indicated in Note 29.

q) Intangibles

Internal use software

All items of internal use software, with a cost or other value in excess of \$1 are recognised for financial reporting purposes in the year of acquisition. Assets with a value less than \$10,000 are fully amortised at the time of acquisition.

Asset greater than \$10,000 are amortised on a straight-line basis over the period of expected benefit to CITEC. The period of amortisation is determined on an individual case basis between 2.5 and 7 years.

Goodwill

Both purchased 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.

Goodwill is amortised on a straight-line basis over 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

r) Trademarks

Trademarks are valued in the accounts at cost of acquisition.

s) Payables

Trade payables are recognised upon receipt of the goods or services and are carried at the agreed price, gross of applicable discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

t) Interest-bearing liabilities

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

u) Employee benefits

Wages, salaries, annual leave and sick leave

Wages, salaries, annual leave and sick leave due but unpaid at reporting date are recognised in the Statement 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*.

v) 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*.

w) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. 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. User charges and fees are recognised as revenues when invoices for the related services are issued. User charges and fees are deployed to cover the costs of operating the business and provide a commercial return to the Queensland Government.

Notes to and forming part of the financial statements for the year ended 30 June 2005

2. Statement of significant accounting policies (continued)

x) 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.

y) Income tax

CITEC pays an income tax equivalent in accordance with the requirements of the National Tax Equivalents Regime. CITEC adopts the liability method of tax-effect accounting whereby 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 any 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.

CITEC and its economic entities have not been consolidated for tax purposes under the Tax Consolidation System.

z) 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.

aa) 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 Statement 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 Statement of Financial Position. Refer also Note 19.

Cash flows are included in the Statement 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.

bb) Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest \$1. Comparative information has been restated where necessary to be consistent with disclosures for the current reporting period.

cc) Impact of adoption of Australian Equivalents to International Financial Reporting Standards

The Australian Equivalents to International Financial Reporting Standards (AEIFRS) are effective for financial years commencing on or after 1 January 2005. CITEC and its controlled entities have been identified as 'for profit' for the purposes of implementing AEIFRS. The management of CITEC have assessed the significance of these changes and have prepared for their implementation. The directors are of the opinion that the introduction of AEIFRS will have no material effect on the financial reporting, except for goodwill on consolidation.

Goodwill on consolidation

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

Impairment testing as at 1 July 2004 confirmed no impairment of the \$2,434,209 goodwill less accumulated amortisation of \$385,416 as disclosed in the economic entity's financial statements as at 30 June 2005. The goodwill of \$385,416 previously amortised will, therefore, be reversed, resulting in a corresponding increase of \$263,706 in retained earnings at 1 July 2004 and an increase in profit amounting to \$121,710 for the year ended 30 June 2005.

Income tax

Currently, the economic entity 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 AASB 112 *Income Taxes*, the economic 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 differences between taxable income and accounting profit.

Impact of AEIFRS summary

On transition to AEIFRS the estimated cumulative financial effect of the reliably known differences as highlighted will be to reduce the economic entity's reported equity by \$385,416 (Parent: nil) at 30 June 2005.

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
3 User charges				
Sales of goods and services	132,363,878	124,544,616	125,994,721	119,039,001
Total	132,363,878	124,544,616	125,994,721	119,039,001
4 Grants and other contributions				
Other	-	13	-	13
Total	-	13	-	13
5 Other revenues				
Interest	1,640,841	1,375,908	1,627,518	1,560,651
Gain on sale of property, plant and equipment	2,070	10,739	2,070	10,739
Other	217,588	953,234	262,588	881,809
Total	1,860,499	2,339,881	1,892,176	2,453,199
Gain on sale of property, plant and equipment				
Proceeds from sale	2,070	10,739	2,070	10,739
Less: Written down value of assets disposed of	-	-	-	-
Total	2,070	10,739	2,070	10,739
6 Employee expenses				
Wages and salaries	37,234,087	36,098,729	34,401,486	33,707,874
Employer superannuation contributions	4,148,557	4,083,358	3,872,562	3,883,555
Long service leave levy	470,103	473,276	470,103	473,276
Long service leave	22,966	8,713	-	-
Workers' compensation	92,023	154,417	80,922	147,080
Voluntary early retirement payments	1,094,446	-	1,094,446	-
Other	1,489,659	316,905	1,003,141	171,868
Total	44,551,841	41,135,398	40,922,660	38,383,653
	Number	Number	Number	Number
The number of employees as at reporting date including both full-time employees and part-time employees measured on a full-time equivalent basis is:				
Number of employees	557	586	519	555
	\$	\$	\$	\$
7 Supplies and services				
Supplies and services - general	62,361,820	60,049,782	61,556,726	59,345,607
Contractors	6,370,216	4,226,414	6,191,215	4,161,386
Consultants	1,206,993	1,719,031	938,277	1,362,054
Travel	758,288	615,017	500,868	502,357
Total	70,697,317	66,610,244	69,187,086	65,371,404

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
8 Depreciation and amortisation				
Plant and equipment	129,570	143,985	122,676	136,814
Computer equipment	3,178,966	3,085,038	3,106,561	2,996,094
Leased plant and equipment	-	15,217	-	-
Leased software	150,820	75,410	150,820	75,410
Leasehold improvements	414,917	299,568	414,803	299,454
Goodwill arising on consolidation	121,710	128,302	-	-
Internal use software	2,180,019	1,785,053	2,180,019	1,785,053
Total	6,176,002	5,532,573	5,974,879	5,292,825
The approximate (increase)/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	277,270	216,079	277,270	216,079
Leasehold improvements	(143,809)	-	(143,809)	-
Intangibles	150,285	51,461	150,285	51,461
9 Other expenses				
Insurance premiums - other	312,745	291,847	250,314	229,057
External audit fees	87,410	150,082	67,760	126,327
Bank charges/merchant fees	341,363	499,309	336,165	491,001
Losses from disposal of property, plant and equipment	165,442	190,032	154,915	184,379
Operating lease rentals	9,078,252	9,231,619	8,941,591	9,103,556
Bad and doubtful debts	1,486	58,303	1,486	8,303
Special payments:				
Performance penalties	87,550	178,625	87,550	178,625
Fees and other penalties	1,265	292	-	-
Other	853,599	79,776	832,488	74,340
Total	10,929,112	10,679,885	10,672,269	10,395,588
Loss on disposal of property, plant and equipment				
Proceeds from sale	1,868	678,525	750	678,525
Less: Written down value of assets disposed of	167,310	868,557	155,665	862,904
Total	165,442	190,032	154,915	184,379
Total external audit fees are estimated to be:	116,300	101,300	96,650	83,870
10 Borrowing costs				
Interest	220,549	129,766	217,035	129,525
Finance charges relating to finance leases	30,878	43,935	30,878	43,935
Administration charges	8,238	5,814	7,578	4,623
Total	259,665	179,515	255,491	178,083
No borrowing costs were recognised during the period as part of the carrying amount of any qualifying assets.				
11 Cash assets				
<i>Current</i>				
Imprest account	1,774	2,250	1,174	1,650
Cash at bank and on hand	9,233,691	10,923,064	5,596,880	7,094,444
Total	9,235,465	10,925,314	5,598,054	7,096,094

Cash deposited with the Queensland Treasury Corporation, Commonwealth Bank of Australia and the National Australia Bank earned interest at rates of 5.76%, 4.85% and 4.96% (2004: 5.70%, 4.25%, 4.80%) respectively.

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
12 Receivables				
<i>Current</i>				
Trade debtors	16,628,824	15,099,074	13,848,599	12,940,229
Less: Provision for doubtful debts	(55,956)	(56,020)	(5,956)	(6,020)
	16,572,868	15,043,054	13,842,643	12,934,209
Long service leave reimbursements	55,728	45,928	55,728	45,928
Interest receivable	356,501	332,228	356,283	331,671
Other	204,467	245,393	168,358	223,045
Total	17,189,564	15,666,603	14,423,012	13,534,853
13 Inventories				
<i>Current</i>				
Supplies and consumables - at cost	74,434	95,567	74,434	95,567
Total	74,434	95,567	74,434	95,567
14 Other financial assets				
<i>Non-current</i>				
Shares in subsidiary - at cost (see note 28)	-	-	500,002	500,002
Loans to subsidiary - at cost (see note 28)	-	-	2,220,000	2,320,000
Total	-	-	2,720,002	2,820,002
15 Tax assets				
<i>Non-current</i>				
Future income tax benefit	1,308,742	1,434,024	1,127,487	1,250,996
Total	1,308,742	1,434,024	1,127,487	1,250,996
The future income tax benefit is made up of the following estimated tax benefits:				
Timing differences	1,308,742	1,434,024	1,127,487	1,250,996
Total	1,308,742	1,434,024	1,127,487	1,250,996
16 Other assets				
<i>Current</i>				
Prepayments	3,278,559	2,450,256	2,910,651	2,370,427
Other	120	570	120	570
Total	3,278,679	2,450,826	2,910,771	2,370,997
<i>Non-current</i>				
Other	6,800	9,491	-	-
Total	6,800	9,491	-	-

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
17 Intangibles				
<i>Non-current</i>				
<i>Internal use software</i>				
At cost	17,222,914	13,394,267	17,121,719	13,295,492
Accumulated amortisation	(10,109,464)	(8,627,743)	(10,016,508)	(8,542,323)
	7,113,450	4,766,524	7,105,211	4,753,169
<i>Goodwill arising on consolidation</i>				
At cost	2,434,209	2,434,209	-	-
Accumulated amortisation	(385,416)	(263,706)	-	-
	2,048,793	2,170,503	-	-
<i>Software under finance lease</i>				
At capitalised cost	1,055,745	1,055,745	1,055,745	1,055,745
Accumulated amortisation	(226,231)	(75,410)	(226,231)	(75,410)
	829,514	980,335	829,514	980,335
<i>Intangibles in course of construction</i>				
At cost	120,044	1,759,773	120,044	1,759,773
Total	10,111,801	9,677,135	8,054,769	7,493,277
CITEC has internal use software with an original cost of \$2,427,368 and a written down value of nil which are still being used in the provision of services. The above assets were fully amortised prior to application by CITEC of high value and medium value estimated useful life review processes.				
18 Property, plant and equipment				
<i>Non-current</i>				
<i>Leasehold improvements</i>				
At cost	3,928,924	2,537,518	3,924,361	2,532,956
Accumulated depreciation	(1,587,429)	(1,174,254)	(1,586,734)	(1,173,673)
	2,341,495	1,363,264	2,337,627	1,359,283
<i>Plant and equipment</i>				
At cost	1,444,780	1,504,079	1,301,386	1,355,008
Accumulated depreciation	(973,191)	(1,091,271)	(853,521)	(975,839)
	471,589	412,808	447,865	379,169
<i>Plant and equipment under finance lease</i>				
At capitalised cost	-	187,033	-	-
Accumulated depreciation	-	(187,033)	-	-
	-	-	-	-
<i>Computer equipment</i>				
At cost	29,341,513	26,690,306	29,057,371	26,342,955
Accumulated depreciation	(21,371,874)	(20,761,751)	(21,177,765)	(20,523,021)
	7,969,639	5,928,555	7,879,606	5,819,934
<i>Property, plant and equipment in course of construction</i>				
At cost	1,209	1,286,703	1,209	1,286,703
Total	10,783,932	8,991,330	10,666,307	8,845,089

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
18 Property, plant and equipment (continued)				
Property, plant and equipment 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	1,363,264	1,691,663	1,359,283	1,687,568
Acquisitions	104,882	-	104,882	-
Disposals	(7,217)	(128,320)	(7,218)	(128,320)
Transfers between classes	1,295,483	99,489	1,295,483	99,489
Depreciation/amortisation	(414,917)	(299,568)	(414,803)	(299,454)
Carrying amount at the end of the year	2,341,495	1,363,264	2,337,627	1,359,283
<i>Plant and equipment</i>				
Carrying amount at the beginning of the year	412,808	470,195	379,169	435,206
Acquisitions	202,828	128,087	201,645	120,927
Disposals	(14,477)	(41,489)	(10,273)	(40,150)
Depreciation/amortisation	(129,570)	(143,985)	(122,676)	(136,814)
Carrying amount at the end of the year	471,589	412,808	447,865	379,169
<i>Plant and equipment under finance lease</i>				
Carrying amount at the beginning of the year	-	15,217	-	-
Transfers between classes	-	-	-	-
Depreciation/amortisation	-	(15,217)	-	-
Carrying amount at the end of the year	-	-	-	-
<i>Computer equipment</i>				
Carrying amount at the beginning of the year	5,928,555	7,033,565	5,819,934	6,913,558
Acquisitions	5,354,923	2,689,997	5,303,622	2,594,770
Disposals	(134,651)	(696,614)	(137,167)	(692,300)
Transfers between classes	(222)	(13,355)	(222)	-
Depreciation/amortisation	(3,178,966)	(3,085,038)	(3,106,561)	(2,996,094)
Carrying amount at the end of the year	7,969,639	5,928,555	7,879,606	5,819,934
<i>Property, plant and equipment in the course of construction</i>				
Carrying amount at the beginning of the year	1,286,703	895,308	1,286,703	895,308
Acquisitions	9,989	490,884	9,989	490,884
Transfers between classes	(1,295,483)	(99,489)	(1,295,483)	(99,489)
Carrying amount at the end of the year	1,209	1,286,703	1,209	1,286,703
Total	10,783,932	8,991,330	10,666,307	8,845,089

CITEC has plant and equipment and computer equipment with an original cost of \$425,609 and \$7,585,144 respectively and a written down value of nil which are still being used in the provision of services.

The above assets were fully depreciated prior to application by CITEC of high value and medium value estimated useful life review processes.

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 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
19 Payables				
<i>Current</i>				
Long service leave levy payable	125,821	125,903	125,821	125,903
Trade creditors	2,690,831	2,965,449	1,982,347	2,565,668
Other accrued expenses	6,338,221	5,980,835	6,007,303	5,702,830
	9,154,873	9,072,187	8,115,471	8,394,401
GST payable	1,413,284	949,889	1,137,665	841,420
GST receivable	(618,996)	(521,579)	(561,800)	(508,256)
Net payable	794,288	428,310	575,865	333,164
Total	9,949,161	9,500,497	8,691,336	8,727,565
20 Interest-bearing liabilities				
<i>Current</i>				
Finance lease liability (see note 26)	368,792	350,074	368,792	350,074
Queensland Treasury Corporation borrowings (see note 20a)	3,173,446	-	3,173,446	-
Bank overdraft (see note 20b)	123,976	185,420	-	-
	3,666,214	535,494	3,542,238	350,074
<i>Non-current</i>				
Finance lease liability (see note 26)	31,609	400,400	31,609	400,400
Queensland Treasury Corporation borrowings (see note 20a)	2,724,035	2,220,000	2,724,035	2,220,000
	2,755,644	2,620,400	2,755,644	2,620,400

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 is recognised as an expense as it accrues. No interest has been capitalised during the current or comparative reporting period.

The lease term is 3 years and the implicit interest rate is 5.2% (2004: 5.2% to 7.9%).

Notes to and forming part of the financial statements

for the year ended 30 June 2005

20 Interest-bearing liabilities (continued)

a) Queensland Treasury Corporation borrowings

CITEC has a working capital facility with the Queensland Treasury Corporation to the limit of \$3,000,000. This facility is drawn upon and repaid according to the daily cash requirements of CITEC. At 30 June 2005 this facility has a balance of nil (2004: nil). During the reporting period this facility has been drawn upon and repaid in full. An amount of \$13,690 (2004: \$15) being interest on funds utilised under this facility has been recognised as interest expense in the reporting period. The current overdraft interest rate is 5.55% (2004: 8.52%).

On 15 September 2002, a Loan Agreement was entered into with the State of Queensland for the sum of \$2,220,000, in order to fund the acquisition of 76.58% of Aurion Corporation Pty Ltd. This loan has a 3 year term with the principal repayable on 15 September 2005. It is the intention of CITEC to hold the borrowing 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% (2004: 5.83%). Interest on this facility is recognised as an expense as it accrues. The market value of the borrowings in respect of this facility as at 30 June 2005, as notified by the Queensland Treasury Corporation, was \$2,225,912 (2004: \$2,233,918). An amount of \$129,386 (2004: \$129,511) being interest on funds utilised under this facility has been recognised as interest expense in the reporting period.

On 31 January 2005, an amount of \$2,134,000 was drawn down from CITEC's 3 Year Debt Pool Account held with Queensland Treasury Corporation to purchase computer equipment. On 30 March 2005, a further amount of \$1,856,873 was drawn down from this facility to acquire additional computer equipment. This loan has a three year term with principal and interest components being payable quarterly in arrears at a rate of 5.66%. Interest on this facility is recognised as an expense as it accrues. The market value of the economic entity's borrowings in respect of this facility as at 30 June 2005, as notified by the Queensland Treasury Corporation, was \$3,697,802. An amount of \$73,958 being interest on funds utilised under this facility has been recognised as interest expense in the reporting period.

There is no requirement to make any provision for the variation between market value and book value of Queensland Treasury Corporation loan facilities.

b) Bank overdraft

CSI Holdings Pty Ltd has an approved at call bank overdraft facility with the Commonwealth Bank of Australia. At 30 June 2005 this facility had a balance of \$123,976 (2004: \$185,420). An amount of \$3,514 (2004: \$45) being interest on funds utilised under this facility has been recognised as an expense in the reporting period. Interest accrues at a rate of 8.60%. (2004: 8.85%).

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
21 Provisions				
<i>Current</i>				
Employee benefits - annual leave	3,756,747	4,001,571	3,552,833	3,823,378
Dividends	194,718	427,736	194,718	427,736
Other	11,678	21,924	11,678	21,924
Total	3,963,143	4,451,231	3,759,229	4,273,038
<i>Non-current</i>				
Employee benefits - long service leave	119,187	111,202	-	-
Total	119,187	111,202	-	-
CITEC recognises a provision for dividends declared on or before reporting date, for the entire amount remaining undistributed at that date.				
Movements in provisions				
<i>Employee benefits</i>				
Carrying amount at the beginning of the year	4,112,773	3,971,749	3,823,378	3,709,789
Initial application of AASB 1028 - <i>Employee Benefits</i>	-	-	-	-
Additional provision recognised	3,776,573	3,679,362	3,543,043	3,506,643
Reduction in provision as a result of payments	(4,013,412)	(3,538,338)	(3,813,588)	(3,393,054)
Carrying amount at the end of the year	3,875,934	4,112,773	3,552,833	3,823,378
<i>Dividends</i>				
Carrying amount at the beginning of the year	427,736	-	427,736	-
Additional provision recognised	848,378	902,134	194,718	427,736
Reduction in provision as a result of payments	(1,081,396)	(474,398)	(427,736)	-
Carrying amount at the end of the year	194,718	427,736	194,718	427,736
<i>Other</i>				
Carrying amount at the beginning of the year	21,924	9,167	21,924	9,167
Additional provision recognised	(22,046)	48,964	(22,046)	48,964
Reduction in provision as a result of payments	11,800	(36,207)	11,800	(36,207)
Carrying amount at the end of the year	11,678	21,924	11,678	21,924
22 Tax liabilities				
<i>Current</i>				
Provision for income tax expense	685,900	579,857	409,069	446,005
Total	685,900	579,857	409,069	446,005
<i>Non-current</i>				
Provision for deferred income tax expense	349,694	615,389	349,629	615,222
Total	349,694	615,389	349,629	615,222

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
23 Other liabilities and unearned revenue				
<i>Current</i>				
Unearned revenue	2,391,466	2,919,223	166,768	652,008
Total	2,391,466	2,919,223	166,768	652,008
Lease incentive liability	141,700	141,700	141,700	141,700
Non interest-bearing loan agreement	352,381	352,381	352,381	352,381
Other	1,012,782	914,371	1,012,782	914,371
Total	1,506,863	1,408,452	1,506,863	1,408,452
<i>Non-current</i>				
Lease incentive liability	-	141,700	-	141,700
Non interest-bearing loan agreement	29,365	381,746	29,365	381,746
Total	29,365	523,446	29,365	523,446
24 Changes in equity				
Contributed equity				
Balance at the beginning of the financial year	11,013,195	10,958,699	11,013,195	10,958,699
<i>Transaction with owners as owners:</i>				
Owners:				
Net leave liabilities transferred	61,220	54,496	61,220	54,496
Balance at the end of the financial year	11,074,415	11,013,195	11,074,415	11,013,195
Retained surpluses				
Balance at the beginning of the financial year	13,783,473	12,399,862	12,877,470	12,019,425
Net surplus/(deficit)	683,745	1,425,788	607,528	1,285,781
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 goodwill arising on consolidation upon application of AASB 1013 - <i>Accounting for Goodwill</i>	-	(142,115)	-	-
Dividends paid or declared	(194,718)	(427,736)	(194,718)	(427,736)
Balance at the end of the financial year	14,272,500	13,783,473	13,290,280	12,877,470
Outside equity interests in controlled entities				
Outside equity interests comprises:				
Share capital	1,018,683	1,018,683	-	-
Reserves	(549,235)	(549,235)	-	-
Retained profits	756,417	718,982	-	-
Balance at the end of the financial year	1,225,865	1,188,430	-	-

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank and on hand (see note 11)	9,235,465	10,925,314	5,598,054	7,096,094
Bank overdrafts (see note 20)	(123,976)	(185,420)	-	-
Total	9,111,489	10,739,894	5,598,054	7,096,094
b) Reconciliation of net operating result after tax to net cash provided by/(used in) operating activities				
Surplus/(deficit) from ordinary activities before income tax expense	1,610,440	2,746,895	874,512	1,870,660
Less: Income tax expense	568,837	787,067	266,984	584,879
Net surplus/(deficit)	1,041,603	1,959,828	607,528	1,285,781
<i>Non-cash items</i>				
Depreciation expense	3,723,453	3,543,808	3,644,040	3,432,362
Amortisation expense	2,452,549	1,988,765	2,330,839	1,860,463
(Profit)/loss on sale or disposal of non-current assets	163,371	179,293	152,844	173,640
Transactions processed through related entity current account	7,355	14,727	25,000	-
Forgiveness of dividend liability	-	(116,420)	-	-
Grants and other contributions	-	(13)	-	(13)
<i>Change in assets and liabilities</i>				
(Increase)/decrease in receivables	(1,500,224)	(1,279,543)	(871,327)	(293,842)
(Increase)/decrease in LSL receivable	(9,800)	(12,623)	(9,800)	(12,623)
(Increase)/decrease in income tax receivable	-	2,960	-	-
(Increase)/decrease in GST receivable	(97,417)	96,350	(53,544)	109,673
(Increase)/decrease in inventories	21,132	(64,560)	21,132	(64,560)
(Increase)/decrease in interest receivable	(24,272)	(74,724)	(24,611)	(74,574)
(Increase)/decrease in prepayments	(828,303)	(186,691)	(540,224)	(377,347)
(Increase)/decrease in other assets	3,141	19,880	450	1,680
(Increase)/decrease in future income tax benefit	125,282	358,904	123,509	290,612
Increase/(decrease) in unearned revenue	(517,192)	685,228	(485,239)	159,302
Increase/(decrease) in employee provisions	(183,605)	195,520	(209,326)	168,085
Increase/(decrease) in payables	328	(278,465)	(361,960)	(77,767)
Increase/(decrease) in provisions	(2,325)	12,757	(10,310)	12,757
Increase/(decrease) in provision for tax expense	106,043	579,857	(36,936)	446,005
Increase/(decrease) in GST payable	463,395	174,736	296,245	66,267
Increase/(decrease) in interest payable	123	107	(37)	62
Increase/(decrease) in other liabilities	(425,544)	1,647,231	(425,544)	1,647,231
Increase/(decrease) in provision for deferred tax expense	(265,695)	(151,692)	(265,593)	(151,737)
Net cash provided by/(used in) operating activities	4,253,398	9,295,220	3,907,136	8,601,457

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
26 Commitments for expenditure				
a) Finance lease liabilities				
Lease liabilities recognised in the Statement of Financial Position:				
Current	368,791	350,074	368,791	350,074
Non-current	31,609	400,400	31,609	400,400
Total	400,400	750,474	400,400	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	380,952	380,952	380,952
Later than one year and not later than five years	31,746	412,698	31,746	412,698
Total commitments	412,698	793,650	412,698	793,650
Less: Future finance charges recognised in the Statement of Financial Position	(12,298)	(43,176)	(12,298)	(43,176)
Total finance lease liability	400,400	750,474	400,400	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	6,199,017	6,158,629	6,083,888	6,066,873
Later than one year and not later than five years	670,469	8,199,601	448,871	7,873,600
Later than five years	-	97,639	-	97,639
Total	6,869,486	14,455,869	6,532,759	14,038,112

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; or
- 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.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
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	187,076	137,670	187,076	137,670
Total	187,076	137,670	187,076	137,670
Not later than one year	187,076	137,670	187,076	137,670
Total	187,076	137,670	187,076	137,670

Notes to and forming part of the financial statements for the year ended 30 June 2005

27 Contingencies

Guarantees and undertakings

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

	PARENT ENTITY	
	2005 \$	2004 \$
CITEC has arranged seven bank guarantees in relation to business opportunities pursued by its controlled entity CSI Holdings Pty Ltd, as follows:		
Commonwealth of Australia	80,000	80,000
Australian Securities and Investment Commission	382,000	295,000
State of Victoria	107,670	7,000
State of New South Wales	500,000	500,000
Sydney Water Corporation	125,000	25,000
State of Western Australia	27,500	27,500
Insolvency and Trustee Service Australia	127,000	127,000
Total	1,349,170	1,061,500

28 Controlled entities

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

Controlled entities of CITEC:

- CSI Holdings Pty Ltd
- Aurion Corporation Pty Ltd

Country of Incorporation	2005 % Owned	2004 % Owned
Australia	100%	100%
Australia	50.98%	50.98%

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

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:

Cash

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
Non-interest bearing	1,774	2,250	1,174	1,650
Floating interest rate	9,233,691	10,923,064	5,596,880	7,094,444
Total	9,235,465	10,925,314	5,598,054	7,096,094
Weighted average rate	4.94%	4.48%	4.85%	4.25%

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
29 Financial instruments (continued)				
a) Interest rate risk exposure (continued)				
<i>Receivables</i>				
Non interest-bearing	17,189,564	15,666,603	14,423,012	13,534,853
Total	17,189,564	15,666,603	14,423,012	13,534,853
Weighted average rate	n/a	n/a	n/a	n/a
<i>Other financial assets</i>				
Non interest-bearing	-	-	500,002	600,002
Floating interest rate	-	-	2,220,000	2,220,000
Total	-	-	2,720,002	2,820,002
Weighted average rate	n/a	n/a	5.70%	5.49%
<i>Shares</i>				
Non interest-bearing	-	-	500,002	500,002
Total	-	-	500,002	500,002
Weighted average rate	n/a	n/a	n/a	n/a
<i>Payables</i>				
Non interest-bearing	9,949,161	9,500,497	8,691,336	8,727,565
Total	9,949,161	9,500,497	8,691,336	8,727,565
Weighted average rate	n/a	n/a	n/a	n/a
<i>Cash overdraft</i>				
Floating interest rate	123,976	185,420	-	-
Total	123,976	185,420	-	-
Weighted average rate	8.60%	8.85%	n/a	n/a
<i>Finance lease principal commitments</i>				
Less than one year	368,791	350,074	368,791	350,074
Between 1-5 years	31,609	400,400	31,609	400,400
Total	400,400	750,474	400,400	750,474
Weighted average rate	5.22%	5.22%	5.22%	5.22%
<i>Queensland Treasury Corporation borrowings</i>				
Less than one year	3,173,446	-	3,173,446	-
Between 1-5 years	2,724,035	2,220,000	2,724,035	2,220,000
Total	5,897,481	2,220,000	5,897,481	2,220,000
Weighted average rate	5.72%	5.83%	5.72%	5.83%
<i>Other borrowings - non-interest bearing</i>				
Non interest-bearing	381,746	734,127	381,746	734,127
Total	381,746	734,127	381,746	734,127
Weighted average rate	n/a	n/a	n/a	n/a

All other assets and liabilities have no interest rate risk exposure.

Floating interest rate represents the most recently administered market rate applicable to the instrument as at 30 June 2005.

The fixed rate represents weighted average market interest rate.

Notes to and forming part of the financial statements

for the year ended 30 June 2005

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	
	2005 \$	2004 \$	2005 \$	2004 \$
Financial assets				
<i>Cash</i>				
Total carrying amount	9,235,465	10,925,314	5,598,054	7,096,094
Net fair value	9,235,465	10,925,314	5,598,054	7,096,094
<i>Receivables</i>				
Total carrying amount	17,189,564	15,666,603	14,423,012	13,534,853
Net fair value	17,189,564	15,666,603	14,423,012	13,534,853
<i>Other financial assets</i>				
Total carrying amount	-	-	2,220,000	2,320,000
Net fair value	-	-	2,220,000	2,320,000
<i>Shares</i>				
Total carrying amount	-	-	500,002	500,002
Net fair value	-	-	500,002	500,002
Financial liabilities				
<i>Payables</i>				
Total carrying amount	9,949,161	9,500,497	8,691,336	8,727,565
Net fair value	9,949,161	9,500,497	8,691,336	8,727,565
<i>Cash overdraft</i>				
Total carrying amount	123,976	185,420	-	-
Net fair value	123,976	185,420	-	-
<i>Finance lease liabilities</i>				
Total carrying amount	400,400	750,474	400,400	750,474
Net fair value	400,400	750,474	400,400	750,474
<i>Queensland Treasury Corporation borrowings</i>				
Total carrying amount	2,724,035	2,220,000	2,724,035	2,220,000
Net fair value	2,724,035	2,220,000	2,724,035	2,220,000
<i>Other borrowings - non-interest bearing</i>				
Total carrying amount	381,746	734,127	381,746	734,127
Net fair value	381,746	734,127	381,746	734,127

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
30 Taxation				
Information in respect of income tax expense incurred by those activities of the economic entity.				
Surplus/(deficit) from ordinary activities	1,610,440	2,746,895	874,512	1,870,660
Indicative tax expense at 30%	483,132	824,068	262,353	561,198
Tax effect of permanent and other differences:				
Non deductible expenses	36,555	112,766	-	-
Non deductible entertainment	6,213	23,681	4,631	23,681
Legal fees	263	347	-	-
Over provision of previous year	-	(31,680)	-	-
Adjustment for R&D concessions	(22,613)	(27,728)	-	-
Losses not recognised	45,878	-	-	-
Future income tax benefit reversed	19,409	-	-	-
Recoupment of prior year tax losses not previously brought to account	-	(114,387)	-	-
Total income tax expense	568,837	787,067	266,984	584,879
Total income tax expense comprises movements in:				
Provision for income tax expense	709,251	579,857	409,069	446,005
Future income tax benefit	125,282	358,903	123,509	290,612
Provision for deferred income tax	(265,696)	(151,693)	(265,594)	(151,738)
Total income tax expense	568,837	787,067	266,984	584,879
Provision for deferred income tax:				
Attributable to timing differences:				
Additional tax depreciation	215,820	167,637	215,820	167,637
Australian source interest income	(7,281)	(22,418)	(7,383)	(22,373)
Increase in prepayment less than 13 months	-	(16,178)	-	-
Offset against future income tax benefit	-	16,178	-	-
Depreciation recovered on asset sales	55	13,297	55	13,297
Pooled assets	57,101	(6,823)	57,101	(6,823)
Total timing differences movement for the reporting period	265,695	151,693	265,593	151,738
Attributable to balance of provisions at 1 July	(615,389)	(767,082)	(615,222)	(766,960)
Attributable to income tax expense	-	-	-	-
Total provision for deferred income tax	(349,694)	(615,389)	(349,629)	(615,222)
Future income tax benefit:				
Attributable to timing differences:				
Movements in provisions	(71,072)	52,677	(81,183)	29,446
Audit fee accrual	195	6,638	195	6,638
Recognition of lease incentive and amortisation	(42,510)	(42,510)	(42,510)	(42,510)
Movement in accrued interest payable	(11)	18	(11)	18
Finance lease amortisation	-	4,565	-	-
Finance lease interest	-	202	-	-
Finance lease payments	-	(5,977)	-	-
Recognition of tax losses carried forward	(19,409)	19,409	-	-
Movement in other accrued expenses	7,525	13,434	-	-
Total timing differences for reporting period	(125,282)	48,456	(123,509)	(6,408)

Notes to and forming part of the financial statements

for the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 \$	2004 \$	2005 \$	2004 \$
30 Taxation (continued)				
Attributable to balance at 1 July	1,434,024	1,792,928	1,250,996	1,541,608
Attributable to prior period tax losses of controlled entity	-	(198,742)	-	-
Attributable to income tax expense of controlled entity	-	-	-	-
Attributable to provision for deferred income tax at balance date against future income tax benefit	-	16,178	-	-
Attributable to over provision from prior year	-	31,680	-	-
Attributable to adjustment to prior year income tax return	-	27,728	-	-
Attributable to current period tax losses	-	(284,204)	-	(284,204)
	1,434,024	1,385,568	1,250,996	1,257,404
Total future income tax benefit	1,308,742	1,434,024	1,127,487	1,250,996
Tax losses not recognised in future income tax benefit	459,475	-	-	-

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 distributed follows:

	PARENT ENTITY	
	2005 \$	2004 \$
<i>Brisbane:</i>		
Balance at beginning of year	32,280,170	18,835,897
Collections during reporting period	2,866,495,917	2,596,253,557
Disbursements according to clients' instructions during reporting period	(2,890,635,420)	(2,582,809,284)
Balance at end of year	8,140,667	32,280,170
<i>Canberra:</i>		
Balance at beginning of year	607,769	942,083
Collections during reporting period	670,172,967	615,269,614
Disbursements according to clients' instructions during reporting period	(655,148,557)	(615,603,928)
Balance at end of year	15,632,179	607,769
Fees of \$ 7,367,795 (2004: \$ 6,056,375) 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		
Total of the remuneration paid or payable or otherwise made available to the members of CITEC's Business Enterprise Board:	108,230	113,045

CITEC's Business Enterprise Board was abolished effective 30 June 2005.

Certificate of CITEC

These General Purpose Financial Statements have been prepared pursuant to the *Financial Administration and Audit Act 1977* (the Act), 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 the 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 2005, and of the financial position of CITEC at the end of that year.

W Pashen FCPA, B.Comm, ACIS
Acting General Manager
Finance and Corporate Services - CITEC
Date: 16th September 2005

M Grierson B.Econ, M.PubAdmin
Director General
Department of Public Works
Date: 16 September 2005

