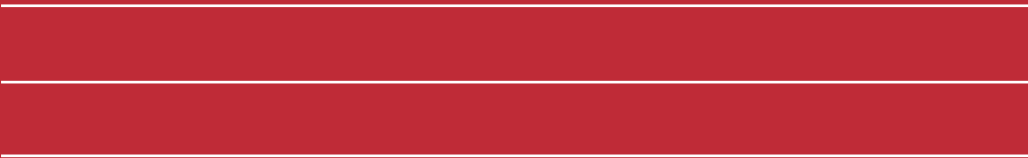




Australian International Hotel School

Annual Report 2005-06





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LETTER OF TRANSMITTAL



Mr Jon Stanhope MLA
Treasurer
ACT Legislative Assembly
CANBERRA ACT 2600

Dear Treasurer

This report has been prepared under section 6(1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements referred to in the Annual Report Directions. It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the Australian International Hotel School.

I hereby certify that the attached Annual Report is an honest and accurate account and that all material information on the operations of the Australian International Hotel School during the period 1 July 2005 and 30 October 2005 has been included and that it complies with the Chief Minister's Annual Report Directions.

I also hereby certify that fraud prevention has been managed in accordance with Public Sector Management Standard 1, Part 4.

Section 13 of the *Annual Report (Government Agencies) Act 2004* requires that you cause a copy of the Annual Report to be laid before the Legislative Assembly within three months of the end of the financial year.

This is the last annual report for the Australian International Hotel School as the *Hotel School (Repeal) Act 2005* came into effect on 31 October 2005 when the Australian International Hotel School was transferred to the Blue Mountains International Hotel Management School



John Robertson
Chairman
AIHS Board of Management
18 SEP 2006

PART A. CHAIRMAN'S OVERVIEW

A.1 Overview of the Agency

The Australian International Hotel School (AIHS) commenced operations in 1995 under the *Canberra Institute of Technology Act 1987*. Following a review of the institution by the Auditor-General (Report No. 8 of 1996), the AIHS became a statutory authority on 1 January 1997 under the *Hotel School Act 1996*.

The core business operations of the AIHS are:

- to provide education and training to both national and international students to develop knowledge and skills in relation to hotel management and related offerings;
- to conduct a hotel for the purposes of the AIHS; and
- to provide residential accommodation, primarily for AIHS students.

A.2 Major Issues, Challenges and Achievements for the reporting year

The main focus for the School during the reporting period 1 July 2005 to 30 October 2005 was to facilitate a smooth transition from ownership by the Territory to the Blue Mountains International Hotel Management School (BMHS).

The 2004-05 Annual Report noted that the ACT Government was in the final stages of negotiations with a preferred party, namely BMHS, concerning the continued operation of the AIHS:

The expectation is that a successful outcome will be reached that would see the continued operation of the Australian International Hotel School including the Hotel Kurrajong and transfer of the Australian International Hotel School to new ownership before 31st December 2005.

On 26 July 2005, the Board was formally advised that the ACT Government expected final negotiations with the BMHS would enable the transfer to be completed by no later than 30 December 2005. The actual timing for the transfer depended on the BMHS gaining the necessary higher education registered provider status in the ACT and the repeal of the Hotel School Act to enable the sale to be executed by the Territory.

The BMHS was successfully registered as a higher education provider on 15 August 2005 by the ACT Accreditation and Registration Council.

The Hotel School (Repeal) Bill 2005 was passed in the Legislative Assembly on 25 August 2005 to take effect from the date of transfer of the AIHS to the BMHS.

In view of the imminent ownership transfer, the members of the AIHS Board of Management were replaced by selected government officials on 30 September 2005.

Ownership of the AIHS was finally transferred to the BMHS on 31 October 2005. Since that date the sole role of the AIHS Board of Management has been to complete the relevant financial statements and the annual report for the reporting period from 1 July 2005 to 30 October 2005.

Key features of the BMHS proposal to continue the operation of the School include:

- existing students will have the opportunity to complete their degree;
- Hotel Kurrajong will continue to be owned by the Territory and the heritage status of the Hotel will be retained;
- the AIHS name will be retained by the BMHS and the school will continue to operate at the Hotel Kurrajong site under a long-term sublease; and
- ACT Government financial support will be phased out by 30 June 2007.

A.3 Overview of Performance and Financial Results

Due to the transfer of ownership occurring after four months, direct comparisons of agency and financial performance between the current and previous financial years financial statements have limited relevance.

The financial result for the period to 30 October 2005 was an operating loss of \$423,000 compared to an operating surplus of \$260,000 for the period ending 30 June 2005. This deficit compares with a budgeted surplus of \$26,000 and can be attributed to the recognition of various expenses associated with the sale of the AIHS to the BMHS.

Academic

During 2005-06, the Bachelor of Business (Hotel Management) degree was conferred on 27 students, of which 1 was from the ACT, 13 were from other parts of Australia and 13 were international students.

The Bachelor of Business (Hotel Management) testamur is conferred jointly by the AIHS under the authority of the Hotel School Act and RMIT University. For students enrolled in the program prior to 31 December 2001 the testamur also bears the imprimatur of the School of Hotel Administration, Cornell University.

There were 24 graduates during the first two terms of 2005-06. Since the first class graduated in December 1997, there have been 334 graduates from the undergraduate program.

Total new student enrolments as of 30 October 2005 were 38 and the full time equivalent level was 27.2.

Hotel

The AIHS operates the Hotel Kurrajong on a commercial basis. The Hotel provides a venue for structured practical experience for students undertaking the degree program.

The Hotel is a boutique property with 26 rooms, associated restaurant, bars and services. Students undertake a one term internship placement in the Hotel as part of their degree program.

Student Residence

The Hotel Division also manages the Student Residence.

During the first quarter of 2005-06 the AIHS renewed the contract with ANU to provide residential facilities for ANU students.

Student residence occupancy of 72.97% was more than the budget target of 60% and exceeded the previous year's outcome of 52.27%.

Student covers (meals served) directly relate to levels of occupancy in the residence. 18,486 covers were served in the residence during the reporting period compared to the budget target of 16,228.

A.4 Outlook

This is the last annual report as the *Hotel School (Repeal) Act 2005* came into effect on 31 October 2005 when the ownership of the Australian International Hotel School was transferred to the BMHS.

Upon the announcement on 16 August 2005 that negotiations had been finalised between the Territory and the BMHS, the former Dean, Professor John Walsh said the change in ownership would give the students and staff greater confidence in the school's long term future.

After 10 years of good government support, we are now in a position to join a bigger group of schools. And there's strength in numbers ...so I can only see positive news for the students and staff.

The former Board of Management also wrote to the then Treasurer, Mr Ted Quinlan, on 29 September 2005 expressing appreciation for the opportunity to act as the governing body of the Australian International Hotel School.

'The Board looks forward to a positive future for the Australian International Hotel School under the management of the BMHS'.

PART B. AGENCY PERFORMANCE

B.1 Key Strategic Achievements

During the period covered by this Annual Report the focus has been on finalising the negotiations in relation to the sale of the AIHS to the BMHS. Transitional issues that needed to be resolved included the transfer of the business assets of the School and the payment of staff entitlements. ACT government financial support was in line with the payment schedule outlined in the 2005-06 Statement of Intent.

B.2 Human Rights Act

The AIHS has complied with and has endorsed all aspects of the *Human Rights Act 2004* and its principles.

B.3 Access to Government Strategy

A disability access audit of the building was performed on the AIHS premises during 2004-05. The findings of the report were referred to the former Office of Asset Management to take into consideration in undertaking improvements and having regard to the heritage status of the building.

B.4 Community Engagement

In the lead up to the transfer of ownership of the AIHS from the Territory to the BMHS, the AIHS issued letters to all current students and their families advising them of the pending changes in ownership. Informal information sessions were conducted to gain an initial response to the change and students were invited to question any aspect of the sale.

B.5 Multicultural Framework

The AIHS programs stress the multicultural nature of the Hospitality Industry and final qualification requires ability to communicate in a language other than English.

Other elective subjects taught with an international focus included Multiculturalism, International Marketing, Tourism and Hospitality in Developing Regions, and International Cuisine.

Diverse student representation from over 44 countries enhances the quality of the AIHS program and the value of their respective cultural backgrounds improves management within the hospitality industry.

B.6 Aboriginal and Torres Strait Islander Reporting

The AIHS offers an education service and provides a Bachelor of Business degree. The AIHS encourages students from all backgrounds, including Aboriginal and Torres Strait Islander groups, to participate in the degree offering at the AIHS.

B.7. ACT Women's Plan

The AIHS has strived to comply with all Government initiatives. As demonstrated by the staffing structure, women are well represented in the AIHS. Women employed by the AIHS receive full recognition and have access to all the opportunities, training and development available to all other employees of the AIHS.

PART C: MANAGEMENT OF THE ORGANISATION

C.1 Managing our People

C.1.1 HR Performance and analysis

The Board of Management of the AIHS accepted the resignation of the Director and Dean, Professor John Walsh, who returned to the University of Guelph, Ontario, Canada, on 15 September 2005. No replacement was sought for the period from 16 September 2005 to 30 October 2005.

The majority of AIHS staff transferred to the BMHS with effect from 31 October 2005, at which date no staff remained in Government employment.

C.1.2 Staffing Profile

As the Chief Executive Officer, the Director and Dean of the AIHS, was employed under contract and consistent with transitional arrangements detailed in the Hotel School Act. Conditions of employment were generally similar to Senior Executive appointments.

All other staff were employed under the Hotel School Act and classified as temporary for Public Sector reporting purposes.

Staff were employed as Contract or Award employees whether full-time or part-time. In addition a number of staff are employed as casuals under the relevant award.

C.1.3 Culture and Values

The mission of the AIHS has been:

To graduate students with the academic and professional competencies required for success in the global hospitality industry by offering an integrated management curriculum and practical professional experiences.

To meet this mission, the AIHS offered a Bachelor of Business (Hotel Management) on a full fee basis. The curriculum was developed in conjunction with the School of Hotel Administration at the Cornell University in the USA.

Other major objectives included:

- To operate as an educational institution along business-like lines, subject to the requirements of Government policy and legislation.

- To use financial practices and maintain accounts and records which satisfy the requirements of the *Financial Management Act 1996*, including the relevant accounting standards.
- To adopt high standards and operating practices to safeguard the environment and health and safety of staff.
- To provide a productive and satisfying working environment for staff, and a commitment to high standards of Human Resource Management based on the principles of Equal Employment Opportunity.

C.1.4 Workplace diversity

The AIHS has operated consistently with the ACT Public sector requirements.

The AIHS equal employment policy required representatives from each area of the institution and from the student body to be represented on all operational and consultative committees.

Staff selection has been based on merit selection. Each selection committee was required to include at least one member of each sex.

C.1.5 Workplace Health and Safety

During the period from 1 July 2005 until 30 October 2005, one OH&S Committee meeting was held.

New information was circulated to members of the Committee and relevant information was displayed on notice boards throughout the AIHS.

The Hotel School encouraged staff to gain or update their First Aid Certificates. 10 staff were qualified in first aid and 11 staff had been trained as fire wardens.

Internal chemical handling training was provided for all new employees and students who may be exposed to chemicals during the course of their internship.

As part of OH&S Training, videos have been used during student orientation and Committee Meetings. The emphasis being on the need for constant awareness towards Occupational Health and Safety issues.

The following OH&S Policy adopted by the AIHS was displayed throughout the School:

It is the aim of the Administration of the Australian International Hotel School to create an environment in which safety in the workplace is of paramount importance.

The OH&S Committee exists to promote safety awareness among staff and students. To initiate appropriate measures, to eradicate dangerous work practices, and to ensure that any structural or equipment defects are rectified in the shortest possible time.

All personnel have a responsibility to report defects or unsafe work practices to a member of the OH&S Committee.

C.1.6 Learning and Development

The Hotel School continued to focus on Occupational Health and Safety issues as well as a Fire & Emergency Evacuation Programme.

All staff were encouraged to identify training and development opportunities as part of the performance management program.

C.1.7 Workplace Relations

The AIHS did not have any Workplace Agreements.

Staff were employed under an appropriate award or employment contract.

C.2 GOVERNANCE

C.2.1 Internal accountability structures and processes

The AIHS has met the standard reporting requirements for reports to the ACT Department of Treasury. The AIHS recognises the assistance of the ACT Department of Treasury over the course of the year, particularly with respect to the provision of guidance and direct support on the sale process and the provision of administrative support in the preparation of the financial statements for the period ended 30 October 2005 and this Annual Report.

Overall Governance Arrangements

The Hotel School Act provided for a Board of Management to manage the affairs of the School. The Hotel School Act provided that the Board shall:

- decide the strategies and policies to be followed by the School in performing its functions
- ensure the efficient and cost effective functioning of the School.

The Board of Management was required to consist of:

- not more than 8 non-executive members appointed by the minister. At least one member is to be a representative of a tertiary education institution

- the Director.

The Minister was responsible for appointing the Board, the Chairperson and a Deputy Chairperson from the non-executive members. The Board recommended to the Minister, appointments to the Board of Management through the ACT Treasury. In making recommendations to the Minister, the Board identified the current needs of the institution and identified the expertise required to complement the existing Board composition. The process undertaken has been consistent with the Chief Minister's Department Ethical Requirements for Members of ACT Government Boards and Committees. These procedures require the following.

- A declaration that no known conflict of interest exists in relation to the appointment.
- Agreement that should the person or their family have an interest that might conflict, that interest will be immediately disclosed.
- A declaration that they agree to abide by the Code of Conduct for members of Boards and Authorities.
- A statement that they are not now and have not been associated with tax avoidance or evasion schemes.
- Agreement not to disclose any confidential information to any person or organisation without prior consent.

Board Membership and Arrangements

Board members were appointed for up to three years and could be reappointed. The Director and Dean of the AIHS was an Executive Member of the Board.

Members of the Board of Management from 1 July 2005 to 30 September 2005 were:

- Chairperson – Professor David Beanland
Emeritus Professor
RMIT University
- Deputy Chairperson – Mr. Michael Allworth
Managing Partner
KPMG Canberra
- Professor Lynne Bennington (RMIT representative)
Head, School of Management
RMIT Business

- Mr. Mark Campbell
Managing Director
Contiki Resorts International
- Mr. Mark Phillips
Chartered Accountant and Businessman
- Professor Bob Robertson
Professor Emeritus
University of Technology Sydney
- Professor John Walsh
Director and Dean
AIHS

RMIT Alternate Member:

- Professor Chris Whitaker
Pro Vice Chancellor Business
RMIT University

The Remuneration Tribunal determined the terms and conditions for Board members and the Office of the Director directly supports the Board.

From 1 July 2005 to 30 September 2005, the Board formally met on two occasions. Attendance at those Board Meetings was as follows:

- Professor Beanland attended two meetings
- Mr. Michael Allworth attended two meetings
- Professor Lynne Bennington attended two meetings
- Mr. Mark Campbell attended one meeting
- Mr. Mark Phillips attended one meeting
- Professor Bob Robertson attended two meetings
- Professor John Walsh attended one meeting

Members of the Board of Management from 30 September 2005 were:

- Chairperson - Mr John Robertson
ACT Department of Treasury
- Deputy Chairperson – Ms Kate Nesar
ACT Chief Minister’s Department

- Ms Lisa Holmes
ACT Department of Treasury
- Mr Philip Mitchell
ACT Chief Minister's Department
- Mr Peter Kowald
Canberra Institute of Technology

The new Board of Management formally met once prior to the transfer of ownership on 31 October 2005.

Finance and Audit Committee and other Board Committees

In previous years the Board was served by a Finance and Audit Committee, an Academic Planning and Policy Committee, and a Hotel Planning and Development Committee. These committees did not meet during the reporting period given the time and effort devoted to preparing for the ownership of the AIHS to be transferred to the BMHS.

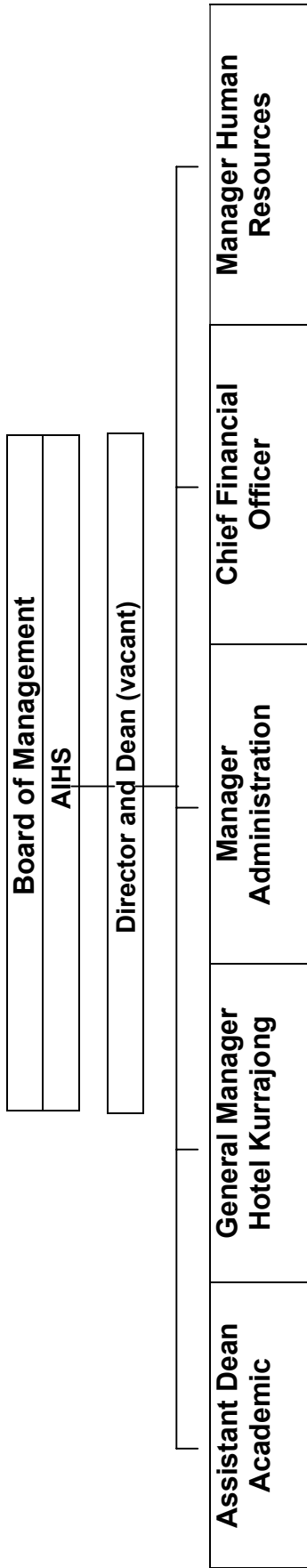
Corporate Governance Manual

A Corporate Governance Policy Manual was used to define the Board's expectations for the operation of the Australian International Hotel School and included corporate governance policies to provide for effective relationships with the Minister, Government agencies, customers, staff and suppliers. The manual included a charter defining the authority, responsibilities, powers and administration for each of the Board committees

Organisational and Management Structure

The organisational structure of the AIHS, as at 30 October 2005, is detailed in the following organisational chart.

**AUSTRALIAN INTERNATIONAL HOTEL SCHOOL
ORGANISATIONAL CHART
30 OCTOBER 2005**



- There were no Senior Executive equivalent staff as at 30 October 2005.

The AIHS executive staff as at 30 October 2005 were:

- Ms. Jocelyn Martin, Assistant Dean Academic
- Mr. Stuart Vinicombe, Manager Hotel Kurrajong

The AIHS senior management team consisted of five persons as follows:

- Ms. Judith Manning-Smith
- Ms. Jocelyn Martin
- Mr. Stuart Vinicombe
- Mrs. Margaret Whitrow
- Mr. Reuben Ong

C.2.2 Strategic and Organisational Planning

A Statement of Intent for 2005-06 was submitted to the Treasurer on the basis that the AIHS would cease to be operated by the ACT Government after 30 June 2007:

Strategic priorities identified for 2005-06 included:

- facilitating the sale or disposal of the AIHS;
- increasing enrolments in the Bachelor of Business (Hotel Management) program; and
- maintaining the existing high quality education standards.

C.2.3 Fraud Prevention

The AIHS adopted a broad risk strategy incorporating fraud assessment that was overseen by the Finance and Audit Committee. There were no reports or allegations of fraud or corruption received and investigated during the reporting period.

C.2.4 Risk Management and Internal Audit Arrangements

The Risk Management Plan was updated in 2003-04 and kept under review by the Finance and Audit Committee, which submitted reports to the Board of Management. No reports were submitted to the Board during the reporting period.

C.2.5 External Scrutiny

There were no specific external scrutiny incidents that occurred during the reporting period.

C.2.6 Reports Required by Legislation

Freedom of Information

During the reporting period there were no requests for information under the *Freedom of Information Act 1982*.

Public Interest Disclosure

During the reporting period there were no public interest disclosures received by the AIHS.

Territory Records

Following the transfer of ownership to the AIHS, records retained by the Territory have been transferred to the Canberra Institute of Technology and stored in compliance with the *Territory Records Act 2002*.

C.2.7 Sustainability and Environment

Commissioner for Environment Reporting

No requests for assistance or recommendations for action were received from the Commissioner for Environment.

Ecologically Sustainable Development

The AIHS undertakes a range of recycling initiatives including paper, plastics, glass and hotel waste.

Strategic Bushfire Management

The AIHS campus is located in the built-up areas of the ACT and is not considered prone to the effects of bushfires under the *Emergencies Act 2004*.

The AIHS notes the strategic bushfire management plan and aims to comply with any direction given under the plan in relation to bushfire management for the AIHS.

PART D: ANALYSIS OF FINANCIAL PERFORMANCE

D.1 Agency Financial Results and Analysis of Financial Management

Legislative Purpose

The purpose of the Australian International Hotel School (AIHS) outlined in the Hotel School Act is:

‘To provide education and training to develop knowledge and skills in relation to hotel management and related fields.’

In addition, the Act provides that the AIHS may conduct a hotel for the purposes of the school.

Risk Management

The Government established a dedicated Project Management Team to oversight the due diligence process and undertake negotiations for the proposed acquisition of the AIHS by the BMHS. During the conduct of the sales process, the Project Management Team worked closely with Property ACT, the Government Solicitor’s Office and the management staff of the AIHS including the former Dean, Professor John Walsh.

During the sale negotiations the Finance and Audit sub-committee and the Board of Management maintained a watching brief on the risk management issues.

Financial Performance

The Australian International Hotel School was sold to the Blue Mountains Hotel School on 31 October 2005. The 2005-06 audited outcome reflects the financial results achieved from 1 July 2005 to 30 October 2005, while the original budget reflects a full year of trading. As such, most variances are due to this timing difference.

Operating Result

The Operating Result for the period was a deficit of \$0.423 million, compared to a small budgeted surplus of \$0.026 million and a slightly larger 2004-05 surplus of \$0.260 million.

Revenue

Total revenue to 30 October 2005 was \$2.465 million compared to a budgeted \$5.836 million. The variance was largely due to the shortened reporting period in 2005-06.

Revenue to 30 October 2005	%	\$, 000
User Charges – Non ACT Government	54.20	1,336
User Charges – ACT Government	22.31	550
Interest	0.08	2
Other	23.41	577
Total Revenue	100	2, 465

Expenditure

Expenditure for the period to 30 October 2005 totalled \$2.888 million compared to a full year budget of \$5.810 million. As with revenue, this variance largely reflects the shortened reporting period.

Total expenditure across the key activities comprised:

Expenditure to 30 October 2005	%	\$'000
Salaries and Wages	45.81	1,323
Superannuation Expense	6.02	174
Supplies and Services	38.05	1,099
Cost of Goods Sold	6.61	191
Other Expenses	3.50	101
Total Expenditure	100	2,888

Financial Position

The assets of the AIHS do not include the Hotel Kurrajong property. Total Assets as at 30 October 2005 were \$1.065 million compared with \$0.858 million for the previous year. This increase in Total Assets is primarily due to an increase in cash of \$0.349 million.

The Hotel School recorded Current Assets of \$1.065 million at 30 October 2005, including \$0.662 million Cash and \$0.191 million Receivables. There were no Non-Current Assets for the period as all Property Plant and Equipment was re-classified as Assets Held for Sale in preparation for the disposal of the School. Current Assets at 30 June 2005 were \$0.858 million. The increase in the period to 30 October 2005 is partly due to higher than expected cash from sales and tuition fees received during the first quarter of 2005-06.

At 30 October 2005, Current Liabilities totalled \$1.573 million, mostly made up of Current Payables (\$1.163 million). Other Liabilities of \$0.410 million included superannuation liabilities, tuition fees in advance and Fee-Help revenue. There were no Non-Current Liabilities as all employee benefits were paid out prior to the transfer of ownership. At 30 June 2005, Current Liabilities totalled \$0.943 million.

Net Liabilities for the period of operation were \$0.508 million, an increase from the budgeted estimate of \$0.317 million and the position at 30 June 2005 of \$0.085 million. The increase is partly attributable to pre-paid tuition fees and is offset by the increased cash holding.

Other Disclosures

The ownership of the AIHS was transferred to the BMHS on 31 October 2005. Residual transfer issues continued to be resolved in conjunction with the ACT Department of Treasury and external parties.

Audit Opinion

On 7 September 2006 the Auditor-General completed the financial audit of the AIHS, and provided an unqualified audit opinion. The Auditor-General's opinion of the financial report of the AIHS for the period from 1 July 2005 to 30 October 2005 was that it was presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia. Also that it presented fairly on the financial position of the AIHS as at 30 October 2005 and the results of its operations and its cash flows for the period from 1 July 2005 to 30 October 2005.

D.2 Asset Management

The BMHS will continue to operate the school on the Hotel Kurrajong site under a sublease with an initial term of ten years with an option for another 10 years.

The BMHS is required to keep the premises in good working order. The Territory is required to repair and maintain the premises in good structural condition.

D.3 Capital Works Management

A building Condition Audit was undertaken in 2000-01 to determine major maintenance requirements over five years. This program of works is scheduled to be completed during 2006-07.

D.4 Procurement Contracting Principles and Processes

Processes used to select and manage contractors and consultants are consistent with the ACT Government Procurement Guidelines and Circulars and the Consultancy Guidelines: Achieving the Effective Use of Consultants in the ACT Public Service.

The AIHS made arrangements to use the Chief Ministers/Treasury Approved Procurement Unit.

There is limited use of external service providers. There were no consultancies performed for the AIHS in the reporting period to 30 October 2005.

D.5 Government Contractual Debt (Interest)

No contracts were entered into in the reporting period that excluded the application of the relevant provisions of the *Government Procurement Act 2001*. Similarly, no interest payments were made in accordance with the relevant provisions.

APPENDICES

1. Legislative Report

The AIHS was established as a statutory authority under the *Hotel School Act 1996*.

The AIHS is subject to the *Financial Management Act 1996* and is required to report in accordance with the *Annual Reports (Government Agencies) Act 1995* and related Chief Ministers Directions. The AIHS is also subject to the *Government Procurement Act 2001*.

With the exception of various sections, the *Public Sector Management Act 1994* (PSMA) does not generally apply to the AIHS. Only the following sections of the PSMA generally apply to the AIHS:

- section 8 – General principles;
- section 9 – General obligations of employees; and
- parts 7 and 8 relating to long service leave and maternity leave respectively.

The AIHS is a registered provider under the *Education Services for Overseas Students (ESOS) Act 2002* (CWth).

The *Hotel School (Repeal) Act 2005* came into effect on 31 October 2005 when the ownership of the Australian International Hotel School was transferred to the BMHS. The Act expires one year after the day it commences.

2. Financial Reports



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

AUSTRALIAN INTERNATIONAL HOTEL SCHOOL

To the Members of the ACT Legislative Assembly

Audit Opinion

In my opinion, the financial report of the Australian International Hotel School for the period from 1 July 2005 to 30 October 2005:

- (i) is presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) presents fairly the financial position of the Australian International Hotel School as at 30 October 2005 and the results of its operations and its cash flows for the period from 1 July 2005 to 30 October 2005.

This audit opinion should be read in conjunction with the following information.

Responsibility for the Financial Report

The Governing Board of the Australian International Hotel School is responsible for the financial report. This includes responsibility for 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 estimates used in the preparation of the financial report.

Contents of the Financial Report

The financial report is comprised of the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes.

The Auditor's Responsibility

My responsibility is to express an opinion on the financial report as required by the *Financial Management Act 1996*.

The Audit Scope

My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

I formed the audit opinion by performing procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view that is consistent with my understanding of the financial position and performance of the Australian International Hotel School.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and, in many cases, the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

My procedures included:

- (i) examining, on a test basis, evidence supporting the amounts and other disclosures in the financial report; and
- (ii) evaluating accounting policies and significant accounting estimates used in the preparation of the financial report.

I considered the effectiveness of internal controls when determining the nature and extent of my procedures, however, the audit was not designed to provide assurance on internal controls.

My audit also did not include an evaluation of the prudence of decisions made by the Australian International Hotel School.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements.



Tu Pham
Auditor-General
7 September 2006



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

AUSTRALIAN INTERNATIONAL HOTEL SCHOOL

To the Members of the ACT Legislative Assembly

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report is for the financial report of the Australian International Hotel School for the period from 1 July 2005 to 30 October 2005 to be included on this website and other electronic media including CD ROM.

The Governing Board of the Australian International Hotel School is responsible for the integrity of the information placed on this website. I have not examined the integrity of this website. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information, which may have been hyperlinked to or from this report. If users of the report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the audited financial report, available from the Department of Treasury, to confirm the information included in the audited financial report presented on this website.

Audit Opinion

In my opinion, the financial report of the Australian International Hotel School for the period from 1 July 2005 to 30 October 2005:

- (i) is presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) presents fairly the financial position of the Australian International Hotel School as at 30 October 2005 and the results of its operations and its cash flows for the period from 1 July 2005 to 30 October 2005.

This audit opinion should be read in conjunction with the following information.

Responsibility for the Financial Report

The Governing Board of the Australian International Hotel School is responsible for the financial report. This includes responsibility for 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 estimates used in the preparation of the financial report.

Contents of the Financial Report

The financial report is comprised of the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes.

The Auditor's Responsibility

My responsibility is to express an opinion on the financial report as required by the *Financial Management Act 1996*.

The Audit Scope

My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

I formed the audit opinion by performing procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view that is consistent with my understanding of the financial position and performance of the Australian International Hotel School.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and, in many cases, the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

My procedures included:

- (i) examining, on a test basis, evidence supporting the amounts and other disclosures in the financial report; and
- (ii) evaluating accounting policies and significant accounting estimates used in the preparation of the financial report.

I considered the effectiveness of internal controls when determining the nature and extent of my procedures, however, the audit was not designed to provide assurance on internal controls.

My audit also did not include an evaluation of the prudence of decisions made by the Australian International Hotel School.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements.

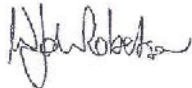


Tu Pham
Auditor-General
7 September 2006

**Australian International Hotel School
Financial Report
For the Period From 1 July 2005 until 30 October 2005**

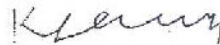
Statement of Responsibility

In our opinion, the financial report is in agreement with the Authority's accounts and records and fairly reflects the financial operations of the Authority for the period from 1 July 2005 until 30 October 2005, and the financial position of the Authority on that date.



John Robertson
Chairman
Australian International Hotel School

30 August 2006



Kate Neser
Deputy Chairman
Australian International Hotel School

30 August 2006

**Australian International Hotel School
Financial Report
For the Period From 1 July 2005 until 30 October 2005**

Statement by the Chief Finance Officer

In my opinion, the financial report has been presented in accordance with generally accepted accounting principles, and is in agreement with the Authority's accounts and records and fairly reflects the financial operations of the Authority for the period from 1 July 2005 until 30 October 2005, and the financial position of the Authority at 30 October 2005.


Reuben Ong
Chief Finance Officer
Australian International Hotel School
22 August 2006

***AUSTRALIAN INTERNATIONAL
HOTEL SCHOOL***

**TERRITORY AUTHORITY
FINANCIAL REPORT**

**FOR THE PERIOD FROM 1 JULY 2005 UNTIL
30 OCTOBER 2005**

Australian International Hotel School
Operating Statement
For the Period From 1 July 2005 until 30 October 2005

	Note No.	Actual October 2005 \$'000	Budget June 2006 \$'000	Actual June 2005 \$'000
Income				
<i>Revenue</i>				
User Charges - ACT Government	4	550	1,500	1,500
User Charges - Non-ACT Government	4	1,336	4,316	3,821
Interest	4	2	3	7
Other Revenue	4	577	17	358
<i>Total Revenue</i>		2,465	5,836	5,686
Total Income		2,465	5,836	5,686
Expenses				
Employee Expenses	4	1,323	2,906	2,668
Superannuation Expense	4	174	251	147
Supplies and Services	4	1,099	2,044	1,983
Depreciation and Amortisation	4	-	39	85
Cost of Goods Sold	4	191	570	543
Other Expenses	4	101	-	-
Total Expenses		2,888	5,810	5,426
Operating Surplus/(Deficit)		(423)	26	260

The above Operating Statement should be read in conjunction with the accompanying notes.

**Australian International Hotel School
Balance Sheet
As at 30 October 2005**

	Note No.	Actual October 2005 \$'000	Budget June 2006 \$'000	Actual June 2005 \$'000
Current Assets				
Cash and Cash Equivalents	6	662	414	313
Receivables	7	191	224	262
Inventories	8	-	32	35
Assets held for sale	9	175	-	219
Other	10	37	42	29
Total Current Assets		1,065	712	858
Non-Current Assets				
Property, Plant and Equipment		-	297	-
Total Non-Current Assets		-	297	-
Total Assets		1,065	1,009	858
Current Liabilities				
Payables	11	1,163	414	431
Employee Benefits	12	-	283	196
Other	13	410	550	316
Total Current Liabilities		1,573	1,247	943
Non-Current Liabilities				
Employee Benefits	12	-	79	-
Total Non-Current Liabilities		-	79	-
Total Liabilities		1,573	1,326	943
Net Assets		(508)	(317)	(85)
Equity				
Contributed Equity	14	11,879	11,879	11,879
Accumulated Losses	14	(12,387)	(12,196)	(11,964)
Total Equity		(508)	(317)	(85)

The above Balance Sheet should be read in conjunction with the accompanying notes.

**Australian International Hotel School
Statement of Changes in Equity
For the Period From 1 July 2005 until 30 October 2005**

	Note No.	Actual October 2005 \$'000	Budget June 2006 \$'000	Actual June 2005 \$'000
Opening Balance		(85)	(343)	(345)
<i>Accumulated Losses</i>				
Operating Result for the Period		(423)	26	260
Total Income and Expense Recognised Directly in Equity for the Period		(423)	26	260
Closing Balance		(508)	(317)	(85)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Australian International Hotel School
Cash Flow Statement
For the Period From 1 July 2005 until 30 October 2005

	Note No.	Actual October 2005 \$'000	Budget June 2006 \$'000	Actual June 2005 \$'000
Cash Flows from Operating Activities				
Receipts				
User Charges		2,072	5,969	5,321
Other Receipts		577	337	494
Total Receipts from Operating Activities		2,649	6,306	5,815
Payments				
Related to Employee Payments		1,048	3,104	2,958
Related to Supplies and Services		1,229	3,072	3,013
Total Payments from Operating Activities		2,277	6,176	5,971
Net Cash Inflows/(Outflows) from Operating Activities	17	372	130	(156)
Cash Flows from Investing Activities				
Payments				
Purchase of Property, Plant and Equipment		23	100	93
Total Payments from Investing Activities		23	100	93
Net Cash Inflows/(Outflows) from Investing Activities		(23)	(100)	(93)
Net Increase/(Decrease) in Cash Held		349	30	(249)
Cash at the Beginning of the Reporting Period		313	384	562
Cash at the End of the Reporting Period	17	662	414	313

The above Cash Flow Statement should be read in conjunction with the accompanying notes

AUSTRALIAN INTERNATIONAL HOTEL SCHOOL NOTE INDEX

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Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 1 OBJECTIVES OF THE AUSTRALIAN INTERNATIONAL HOTEL SCHOOL

Operation and Principal Activities of the Australian International Hotel School

The objective of the Australian International Hotel School is to prepare leaders for the national and international hospitality industry through an internationally recognised degree program in hotel management.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Financial Management Act 1996 (FMA) requires the preparation of financial statements (financial report) for Territory Authorities.

The FMA and the Financial Management Guidelines, requires that a Territory Authority's financial statements (financial report) include:

- (i) an Operating Statement for the year;
- (ii) a Balance Sheet at the end of the year;
- (iii) a Statement of Changes in Equity for the year;
- (iv) a Cash Flow Statement for the year;
- (v) a summary of the significant accounting policies adopted for the year; and
- (vi) such other statements as are necessary to fairly reflect the financial operations of the Territory Authority during the year and its financial position at the end of the year.

The statements and notes of the Australian International Hotel School have been prepared for a 4 month period from 1 July 2005 to 30 October 2005. This is due to the Australian International Hotel School being sold to the Blue Mountains International Hotel Management School.

This general-purpose financial report has been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. This financial report has been prepared in accordance with:

- (i) Australian Equivalents to International Financial Reporting Standards (AIFRS), comprising accounting standards and UIG interpretations issued by the Australian Accounting Standards Board; and
- (ii) ACT Accounting Policies.

This is the first financial report by the Australian International Hotel School, to be prepared in accordance with AIFRS and as such AASB 1 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied to this financial report. Previous GAAP was used as the basis for preparing the Authority's financial report for the 30 June 2005 financial year. The 2005 comparative figures in this financial report have been amended from those in the 30 June 2005 financial report so that they are compliant with AIFRS. These changes are further outlined in Note 20 – Reconciliation of Previous GAAP to Australian Equivalents to IFRS.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(a) Basis of Accounting - continued

The financial report has been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial report has also been prepared according to the historical cost convention, except for certain assets which were valued based on fair value less cost to sell during the reporting period.

The Australian International Hotel School is an individual reporting entity.

(b) The Reporting Period

This financial report states the financial performance and cash flows of the Australian International Hotel School for the period from 1 July 2005 to 30 October 2005 and the financial position of the Australian International Hotel School as at 30 October 2005.

(c) Comparative Figures

Budget Figures

Budget information provided is for the whole 2005-06 financial year rather than just from the period 1 July 2005 to 30 October 2005. This budget information matches the budget information contained in the Australian International Hotel School's Statement of Intent. The Financial Management Act 1996 requires the statements to facilitate a comparison with the Statement of Intent.

Prior Year Comparatives

Comparative information has been disclosed in respect of the 12 month period from 1 July 2004 to 30 June 2005 for all amounts reported in the financial report. The current period figures are for only 4 months from 1 July 2005 to 30 October 2005.

Where the presentation or classification of items in the financial report are amended, the comparative amounts have been reclassified where practical. Where a reclassification occurs the nature, amount and reason for the reclassification is provided.

(d) Rounding

All amounts in the financial report have been rounded to the nearest thousand dollars (\$'000). Use of "-" represents zero amounts or amounts rounded down to zero.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(e) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Australian International Hotel School and the revenue can be reliably measured. In addition the following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised by the Australian International Hotel School when the significant risks and rewards of ownership of the goods have been transferred to the buyer, the Authority retains neither continuing managerial involvement nor effective control over the goods sold and the costs incurred in respect of the transaction can be measured reliably.

Rendering of Services

Revenue from the rendering of services is recognised when the stage of completion of the transaction at the reporting date can be measured reliably and the costs of rendering those services can be measured reliably.

Interest

Interest revenue is recognised using the effective interest rate method.

(f) Repairs and Maintenance

The Australian International Hotel School undertakes cyclical maintenance on its building and, plant and equipment. All costs involved with the cyclical maintenance are recorded as an expense. Where the maintenance leads to an upgrade of the asset, that is an increase in the service potential of the existing building and plant and equipment, the cost is capitalised.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Taxation

For the period ended 30 October 2005 the Australian International Hotel School is exempt from all forms of taxation except fringe benefits tax and the goods and services tax. Where applicable, appropriate provisions have been included.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Current and Non-Current Items

All assets and liabilities are classified as current on the face of the Balance Sheet and in the relevant notes due to the sale of the Hotel School on 31 October 2005.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank, cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in cash and cash equivalents in the cash flow statement but not in the Balance Sheet.

Cash is measured at nominal value.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Receivables

Accounts receivable (trade receivables) held by the Australian International Hotel School fall within the classification of 'Loans and Receivables'. 'Loans and Receivables' are measured at amortised cost, with any adjustments to the carrying amount going through the Operating Statement.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The allowance for doubtful debts represents the amount of trade receivables the Australian International Hotel School estimates will not be repaid. The Australian International Hotel School determines the allowance for doubtful debts based on objective evidence and a review of balances which are 30 days or more overdue and are unlikely to be collected.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the purchase price of inventory as well as transport, handling and other costs directly attributable to the acquisition of that inventory. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The Australian International Hotel School assigns the cost of inventories using the first-in, first-out method.

Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

(l) Non-current Assets Held for Sale

'Assets held for Sale' are non-current assets that the Australian International Hotel School has determined are available for immediate sale in their present condition, and their sale is highly probable. Due to the sale of the Australian International Hotel School to the Blue Mountains International Hotel Management School on 31 October 2005, all property, plant and equipment has been classified as 'Assets Held for Sale'.

Non-current assets held for sale are measured at the lower of the carrying amount and fair value less cost to sell. An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less cost to sell. While the Australian International Hotel School holds assets for sale, these assets are not depreciated.

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Payables

Payables held by the Australian International Hotel School are a financial liability and have been classified into the 'Other Financial Liabilities' category. 'Other Financial Liabilities' are measured at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount going through the profit and loss. All amounts are normally settled within 30 days after the Australian International Hotel School receives an invoice.

Payables include trade payables and accrued expenses. Trade payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Australian International Hotel School.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

(n) Leases

The Australian International Hotel School had entered into operating leases.

Operating Leases

Operating leases do not effectively transfer to the Australian International Hotel School substantially all the risks and rewards incidental to ownership of the leased asset. Operating lease payments are recognised as an expense in the Operating Statement on a straight-line basis over the term of the lease.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Employee Benefits

Employee benefits include wages and salaries, annual leave and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period. Annual leave and long service leave that falls due wholly within the next twelve months are measured based on the amount of remuneration anticipated to be paid when the leave is taken. Annual leave and long service leave that does not fall due wholly within the next twelve months is measured at present value. To simplify the present value calculation, ACT Accounting Policy allows the Australian International Hotel School to use a shorthand approach whereby a net factor of 0.95 is applied to the Authority's amount of long service leave liability in order to calculate the present value. Present value is also calculated with reference to the length of qualifying service. For employees with less than ten years of required qualifying service, the liability is calculated using another shorthand approach allowed under ACT accounting policy where a 100% liability is recorded for employees with five or more years of service and 0% for employees with less than 5 years of service. This approach is an approximation process to recognise the probable liability that will eventuate for officers with less than ten years of service, when ten years of service is achieved.

Annual leave and long service leave liabilities are disclosed as current liabilities on the face of the balance sheet where the Australian International Hotel School does not have an unconditional right to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability on the face of the balance sheet.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(p) Superannuation

The Australian International Hotel School has employees in the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and other external nominated superannuation funds.

The Australian International Hotel School makes a superannuation expense payment to the Superannuation Unit each year, to cover its superannuation liability for the CSS and the PSS. This payment covers the CSS/PSS employer contribution (but does not include the 3% productivity). The 3% productivity component is paid direct to Comsuper by the Australian International Hotel School. The CSS and PSS are defined benefit superannuation plans meaning that the defined benefits received by employees of the Australian International Hotel School are based on the employee's years of service and average final salary.

Superannuation employer contribution expense payments, for CSS and PSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the notional CSS or PSS employer contribution rate for each employee of the Australian International Hotel School. The 3% productivity expense payments are calculated by taking the salary level, at an employee's anniversary date and multiplying it by the employer contribution rate of 3% for each employee of the Australian International Hotel School.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government Service after 1 July 1989. These reimbursement payments are made by the Superannuation Unit.

Superannuation expense payments are also made to the other external nominated superannuation funds each year, to cover the Australian International Hotel School superannuation liability for those funds.

As a result of the sale of the Australian International Hotel School employees in the CSS and PSS will have their benefits in these funds preserved. Employees which are in other external nominated superannuation funds can continue to have amounts paid into these funds by their new employer.

(q) Equity Contributed by the ACT Government

Contributions made by the ACT Government through its role as owner of the Australian International Hotel School, that increase the net assets of the Hotel School, are treated as contributions of equity.

(r) Insurance

The Australian International Hotel School insures all of its major risks through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held by the Australian International Hotel School. As at 30 October 2005, all insurance policies sought through ACT Insurance Authority are no longer valid due to the sale of the Hotel School on 31 October 2005.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 3 GOING CONCERN

The financial report of the Australian International Hotel School is not prepared on a going concern basis, and as such, property, plant and equipment (classified as held for sale) has been measured based on an agreed market price. The financial report has not been prepared on a going concern basis due to the sale of the business, assets and operations of the school to the Blue Mountains International Hotel Management School on 31 October 2005. As a result of the sale, the Hotel School Act 1996 which established the Australian International Hotel School as a Territory authority was repealed with effect from the date of transfer. The operations of the authority from that date will only continue to the extent outlined in the Hotel School (Repeal) Act 2005, and are limited to:

- preparing the final financial report; and
- providing the annual report for the relevant reporting period.

The repealing legislation made provision for all the undertakings of the Australian International Hotel School to be vested in the Territory.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 4 OPERATING SURPLUS /(DEFICIT)

The operating surplus/(deficit) includes the following items of revenue and expenses.

	October 2005 \$'000	June 2005 \$'000
REVENUE		
User Charges – ACT Government		
Subsidy - ACT Government	550	1,500
Total User Charges – ACT Government	<u>550</u>	<u>1,500</u>
User Charges – Non-ACT Government		
Hotel	408	1,081
Food and Beverage	555	1,651
Room and Equipment Hire	66	207
Tuition	307	882
Total User Charges - Non-ACT Government	<u>1,336</u>	<u>3,821</u>
Other Operating Revenue	577	358
Interest	2	7
Total Revenue	<u>2,465</u>	<u>5,686</u>
EXPENSES		
Salaries and Employee Benefits	1,323	2,668
Superannuation Expense	174	147
Supplies and Services	1,099	1,983
Depreciation and Amortisation	-	85
Cost of Goods Sold	191	543
Operating Expenses - Write-down of Inventory	32	-
Operating Expenses - Impairment Losses	69	-
Total Expenses	<u>2,888</u>	<u>5,426</u>

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

NOTE 5 AUDITOR'S REMUNERATION

The Auditor's remuneration note includes statutory audit services provided to the Australian International Hotel School as well as any services provided by the statutory auditor or a related practice of the statutory auditor. This note does not include internal audit costs.

	October 2005 \$'000	June 2005 \$'000
Audit Services		
Audit Fees Payable/Paid to the ACT Auditor-General's Office	25	24
Total Audit Fees	<u>25</u>	<u>24</u>
Total Auditor's Remuneration	<u>25</u>	<u>24</u>

NOTE 6 CASH AND CASH EQUIVALENTS

The Australian International Hotel School holds three bank accounts with the Commonwealth Bank. The Australian International Hotel School receives 0.7% interest on these accounts.

Cash at Bank	658	309
Cash on Hand	4	4
Total Cash and Cash Equivalents	<u>662</u>	<u>313</u>

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 7 RECEIVABLES

	October 2005 \$'000	June 2005 \$'000
Current Receivables		
Trade Receivables	259	294
Less: Allowance for Doubtful Debts	<u>(68)</u>	<u>(32)</u>
	191	262
Total Current Receivables	<u>191</u>	<u>262</u>
Total Receivables	<u>191</u>	<u>262</u>

NOTE 8 INVENTORY

Current Inventory		
Food and Liquor - Cost	-	32
Other - Cost	-	3
Total Current Inventory	<u>-</u>	<u>35</u>
Total Inventory	<u>-</u>	<u>35</u>

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

NOTE 9 ASSETS HELD FOR SALE

On 31 October 2005, the ACT Government agreed to transfer the Territory's right, title and interest in the Business and the Assets of the Australian International Hotel School to Blue Mountains International Hotel Management School Pty Ltd (BMHS). Plant and Equipment is to be sold to BMHS while other various assets and liabilities including cash, receivables and payables will be retained by the Territory. The plant and equipment to be sold has been classified as 'assets held for sale'.

	October 2005 \$'000	June 2005 \$'000
Property, Plant and Equipment Held for Sale		
Plant and Equipment	26	38
Furniture and Fittings	74	91
Office Equipment	21	15
Artwork	23	30
Total Property, Plant and Equipment Held for Sale	144	174
Intangible Assets Held for Sale		
Software	11	17
Website / Database	20	28
Total Intangible Assets Held for Sale	31	45
Total Assets Held for Sale	175	219

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 10 OTHER ASSETS

	October 2005 \$'000	June 2005 \$'000
Current Other Assets		
Prepayments	36	11
Scholarship/fee waiver in Advance	-	18
Deposits Paid	1	-
Total Current Other Assets	<u>37</u>	<u>29</u>
Total Other Assets	<u>37</u>	<u>29</u>

NOTE 11 PAYABLES

Current Payables		
Trade Payables	289	264
Accrued Expenses	874	167
Total Current Payables	<u>1,163</u>	<u>431</u>
Total Payables	<u>1,163</u>	<u>431</u>

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

NOTE 12 EMPLOYEE BENEFITS

Employee benefits of the Australian International Hotel School were settled with all employees prior to 30 October 2005. Therefore at 30 October the Australian International Hotel School had no outstanding employee benefit liabilities.

The comparative year amount for the long service leave liability has been moved from non-current to current due to the hotel school being sold in October. This amount was shown as non-current in the 30 June 2005 Financial Statements.

	October 2005 \$'000	June 2005 \$'000
Current Employee Benefits		
Annual Leave	-	116
Long Service Leave	-	61
Accrued Salaries	-	14
Superannuation	-	5
Total Current Employee Benefits	<u>-</u>	<u>196</u>
Total Employee Benefits	<u>-</u>	<u>196</u>

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

NOTE 13 OTHER LIABILITIES

	October 2005 \$'000	June 2005 \$'000
Current Other Liabilities		
Superannuation Liability	100	-
Hotel Revenue in Advance	58	44
Tuition Fees in Advance	100	220
Bond and Uniform Deposit Held	30	35
Fee-Help Revenue	114	13
Advance Payments	2	-
Graduation deposits/refunds	1	-
KPMG Scholarship	5	4
Total Current Other Liabilities	410	316
Total Other Liabilities	410	316

Superannuation Liability

The superannuation liability for casual employees of the Hotel School is determined on both employee wages and leave loading. However, when this calculation was undertaken the leave loading was not included. As such a superannuation liability has been taken up for this extra amount payable.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 14 EQUITY

	October 2005 \$'000	June 2005 \$'000
Total Equity at the End of the Reporting Period		
Contributed Equity	11,879	11,879
Accumulated Losses	(12,387)	(11,964)
Total Equity	<u><u>(508)</u></u>	<u><u>(85)</u></u>
 Movements in Equity during the Reporting Period		
Accumulated Losses		
Balance at the beginning of the Reporting Period	(11,964)	(12,224)
Operating Surplus/(Deficit)	(423)	260
Balance at the End of the Reporting Period	<u><u>(12,387)</u></u>	<u><u>(11,964)</u></u>

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

NOTE 15 FINANCIAL INSTRUMENTS

The following table sets out the Australian International Hotel School's exposure to interest rates, including the weighted average interest rates by maturity period as at October 2005.

	Fixed Interest maturing in:							Non-Interest Bearing \$'000	Total \$'000
	Floating Interest Rate \$'000	Over 1 Year or Less \$'000	Over 2 Years \$'000	Over 3 Years \$'000	Over 4 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000		
Financial Assets									
Cash and Cash Equivalents	658	-	-	-	-	-	4	662	
Receivables	-	-	-	-	-	-	191	191	
Total Financial Assets	658	-	-	-	-	-	195	853	
Weighted Average Interest Rate	0.70%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	
Financial Liabilities									
Payables	-	-	-	-	-	-	1,163	1,163	
Other (Bond and Uniform Deposit Held)	-	-	-	-	-	-	30	30	
Total Financial Liabilities	-	-	-	-	-	-	1,193	1,193	
Net Financial Assets/(Liabilities)	658	-	-	-	-	-	(998)	(340)	

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

NOTE 15 FINANCIAL INSTRUMENTS - CONTINUED

The following table sets out the Australian International Hotel School's exposure to interest rates, including the weighted average interest rates by maturity period as at June 2005.

	Floating Interest Rate \$'000	Fixed Interest maturing in:					Non-Interest Bearing \$'000	Total \$'000
		Over 1 Year or Less \$'000	Over 2 Years to 3 Years \$'000	Over 3 Years to 4 Years \$'000	Over 4 Years to 5 Years \$'000	Over 5 Years \$'000		
Financial Assets								
Cash and Cash Equivalents	309	-	-	-	-	-	313	
Receivables	-	-	-	-	-	262	262	
Total Financial Assets	309	-	-	-	-	266	575	
Weighted Average Interest Rate	2.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Financial Liabilities								
Payables	-	-	-	-	-	431	431	
Other (Bond and Uniform Deposit Held)	-	-	-	-	-	35	35	
Total Financial Liabilities	-	-	-	-	-	466	466	
Net Financial Assets/(Liabilities)	309	-	-	-	-	(200)	109	

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 15 FINANCIAL INSTRUMENTS – CONTINUED

Interest Rate Risk

The Australian International Hotel School currently has its financial assets split between floating interest rate arrangements and non-interest bearing arrangements, however, it has all its financial liabilities as non-interest bearing. This means that the Australian International Hotel School is not exposed to movements in interest payable, however, it is exposed to movements in interest receivable. Interest rates did not move from June to October 2005 and as such has not affected the amount of interest received. The Australian International Hotel School does not have any unrecognised financial assets or financial liabilities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Australian International Hotel School's credit risk is limited to the carrying amount of the financial assets it holds net of any provision for loss. The Australian International Hotel School's receivables are spread over a large number of entities external to the ACT Government, and these receivables are unsecured. There is no significant concentration of credit risk that has been identified by the Australian International Hotel School.

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the accounts of the Australian International Hotel School.

The carrying amounts and fair values of financial assets and liabilities at balance date are:

	Carrying Amount October 2005 \$'000	Fair Value October 2005 \$'000	Carrying Amount June 2005 \$'000	Fair Value June 2005 \$'000
Financial Assets				
Cash and Cash Equivalents	662	662	313	313
Total Financial Assets	<u><u>662</u></u>	<u><u>662</u></u>	<u><u>313</u></u>	<u><u>313</u></u>
Financial Liabilities				
Other	30	30	35	35
Total Financial Liabilities	<u><u>30</u></u>	<u><u>30</u></u>	<u><u>35</u></u>	<u><u>35</u></u>

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 16 COMMITMENTS

Operating Leases

The Australian International Hotel School had a number of operating leases that were cancelled before 30 October 2005 due to the sale of the Hotel School. Therefore the Hotel School did not have any operating lease commitments on 30 October 2005.

	October 2005 \$'000	June 2005 \$'000
Other Commitments		
Other Commitments contracted at reporting date that have not been recognised as liabilities, payable:		
Within one year	-	87
Later than one year but not later than five years	-	-
Later than five years	-	-
Total Other Commitments	-	87

Operating Leases

Non-Cancellable operating lease commitments are payable as follows:

Within one year	-	76
Later than one year but not later than five years	-	29
Later than five years	-	-
Total Operating Lease Commitments	-	105

All amounts shown in the commitment note are inclusive of GST.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 17 CASH FLOW RECONCILIATION

Reconciliation of Cash at the end of the reporting period in the Cash Flow Statement to the equivalent items in the Balance Sheet

	October 2005 \$'000	June 2005 \$'000
Total Cash Disclosed in the Balance Sheet	662	313
Bank Overdraft	-	-
Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement	662	313
 Reconciliation of Net Cash Provided by Operating Activities to Operating Result		
Operating Surplus/(Deficit)	(423)	260
Add/(Less) Non-Cash Items		
Impairment Loss of Assets	69	-
Depreciation of Property, Plant and Equipment	-	85
Cash Before Changes in Operating Assets and Liabilities	(354)	345
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	69	(118)
(Increase)/Decrease in Inventories	35	(1)
(Increase)/Decrease in Other Assets	(8)	9
Increase/(Decrease) in Payables	732	48
Increase/(Decrease) in Provisions	(196)	(153)
Increase/(Decrease) in Other Liabilities	94	(286)
Net Changes in Operating Assets and Liabilities	726	(501)
 Net Cash from Operating Activities	 372	 (156)

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 18 EXECUTIVE REMUNERATION

The Board of Management comprised of the following members for the period from 1 July 2005 up until 30 September 2005:

Professor David Beanland	Chairman (non-executive)
Mr Michael Allworth	Deputy Chairman (non-executive)
Professor Lynne Bennington	Director, (non-executive)
Mr Mark Campbell	Director (non-executive)
Mr Mark Phillips	Director (non-executive)
Professor Bob Robertson	Director (non-executive)
Professor John Walsh	Director (executive)
Mr Tim Keady	Director (non-executive) (resigned 9 July 2005)
Professor Robert Brooks	Director (non-executive)
Professor Ruth Dunkin	Director (non-executive) (alternate)

Total remuneration of board members acting in their position as board members is \$10,702.

The Australian International Hotel School senior executive is comprised of three positions: Chief Executive, Assistant Dean (Academic Affairs) and Hotel Manager. During the financial period ended 30 October 2005, executive remuneration totalled \$198,451 (2005: \$553,166). The number of executives whose annual remuneration was within the specified bands are as follows:

			Oct 2005	June 2005
\$ 90,001	-	\$100,000	1	1
\$110,001	-	\$120,000	1	1
\$120,001	-	\$130,000	-	1
\$220,001	-	\$230,000	1*	1

* This position no longer existed as at 30 October 2005.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 18 EXECUTIVE REMUNERATION - CONTINUED

Professor John Walsh resigned as Director and Dean effective 30 September 2005. From 30 September 2005 an ACT Government Board of Management was appointed to finalise the transfer of ownership of the Australian International Hotel School to the Blue Mountains International Hotel Management School. For the period ended 30 October 2005, the Hotel School paid no remuneration to any member of the ACT Government Board of Management. As of that date the following members replaced the Board of Management:

Mr John Robertson	Chairman (non-executive)
Ms Kate Nesor	Director, Deputy Chairman (non-executive)
Ms Lisa Holmes	Director (non-executive)
Mr Philip Mitchell	Director (non-executive)
Mr Peter Kowald	Director (non-executive)

During the year no member became entitled to receive any benefit by way of a contract made by the Australian International Hotel School with a member, or with an organisation in which he or she is a member or has a substantial financial interest.

NOTE 19 SEGMENT REPORTING

The Australian International Hotel School only has one geographical segment (Canberra ACT) and one business segment (tertiary education) which means the financial report itself sets out the segment information required by AASB 114 *Segment Reporting*.

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 20 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS TO IFRS

	Note	Previous GAAP 30 June 2005 \$'000	Effect of transition to Australian Equivalents to IFRS \$'000	Australian Equivalents to IFRS 30 June 2005 \$'000
Reconciliation of the Operating Statement for the Year Ended 30 June 2005				
Income				
<i>Revenue</i>				
User Charges - ACT Government		1,500	-	1,500
User Charges - Non-ACT Government		3,821	-	3,821
Interest		7	-	7
Other Revenue		358	-	358
<i>Total Revenue</i>		<u>5,686</u>	-	<u>5,686</u>
Total Income		<u>5,686</u>	-	<u>5,686</u>
Expenses				
Employee Expenses		2,668	-	2,668
Superannuation Expenses		147	-	147
Supplies and Services		1,983	-	1,983
Depreciation and Amortisation		85	-	85
Cost of Goods Sold		543	-	543
Total Expenses		<u>5,426</u>	-	<u>5,426</u>
Operating Surplus/(Deficit)		<u>260</u>	-	<u>260</u>

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 20 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS TO IFRS - CONTINUED

Reconciliation of Balance Sheet as at 30 June 2005	Note	Previous GAAP 30 June 2005 \$'000	Effect of transition to Australian Equivalents to IFRS \$'000	Australian Equivalents to IFRS 30 June 2005 \$'000
Current Assets				
Cash and Cash Equivalents		313	-	313
Receivables		262	-	262
Inventories		35	-	35
Assets Held for Sale	a	-	219	219
Other		29	-	29
Total Current Assets		639	219	858
Non-Current Assets				
Property, Plant and Equipment	a	219	(219)	-
Total Non-Current Assets		219	(219)	-
Total Assets		858	-	858
Current Liabilities				
Payables		431	-	431
Employee Benefits		196	-	196
Other		316	-	316
Total Current Liabilities		943	-	943
Total Liabilities		943	-	943
Net Assets		(85)	-	(85)
Equity				
Contributed Equity		11,879	-	11,879
Retained Profit / (Accumulated Losses)		(11,964)	-	(11,964)
Total Equity		(85)	-	(85)

Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005

NOTE 20 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS TO IFRS - CONTINUED

Reconciliation of Balance Sheet as at 1 July 2004	Note	Previous GAAP 1 July 2004 \$'000	Effect of transition to Australian Equivalents to IFRS \$'000	Australian Equivalents to IFRS 1 July 2004 \$'000
Current Assets				
Cash and Cash Equivalents		562	-	562
Receivables		144	-	144
Inventories		34	-	34
Assets Held for Sale		-	-	-
Other		38	-	38
Total Current Assets		778	-	778
Non-Current Assets				
Property, Plant and Equipment		211	-	211
Total Non-Current Assets		211	-	211
Total Assets		989	-	989
Current Liabilities				
Payables		383	-	383
Employee Benefits		248	-	248
Other		390	-	390
Total Current Liabilities		1,021	-	1,021
Non-Current Liabilities				
Employee Benefits		101	-	101
Other		212	-	212
Total Non-Current Liabilities		313	-	313
Total Liabilities		1,334	-	1,334
Net Assets		(345)	-	(345)
Equity				
Contributed Equity		11,879	-	11,879
Retained Profit / (Accumulated Losses)		(12,224)	-	(12,224)
Total Equity		(345)	-	(345)

**Australian International Hotel School
Notes to and Forming Part of the Financial Report
For the Period From 1 July 2005 until 30 October 2005**

**NOTE 20 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS
TO IFRS - CONTINUED**

Reconciliation of Cash Flows

There is no material difference between the Cash Flow Statement presented under Australian Equivalents to IFRS's and the Cash Flow Statement presented under previous GAAP.

Notes to the Reconciliation of Equity:

(a) Assets Held for Sale

Under previous Australian GAAP, any Property, Plant and Equipment held for sale would continue to be classified as Property, Plant and Equipment. However, under AIFRS, Property, Plant and Equipment held for sale is required to be classified and disclosed separately as 'Assets Held for Sale'. The Australian International Hotel School has held plant and equipment for sale at the end of 2004-05 which has been classified as Property, Plant and Equipment under existing Australian GAAP. However, these items of plant and equipment need to be disclosed as 'Assets Held for Sale' under the AIFRS.

All the adjustments outlined above are retrospectively applied to the date the Authority first decided to sell the asset.

Adjustment at 30 June 2005

The Australian International Hotel School reduced property, plant and equipment by \$219,000 and increased 'Assets Held for Sale' by \$219,000.

A similar adjustment was not made in the 1 July 2004 balance sheet as, at that time, the hotel school was not being held for sale and therefore Property, Plant and Equipment was not required to be disclosed as 'assets held for sale' under the AIFRS.

ACRONYMS

ACT	Australian Capital Territory
ANU	Australian National University
AIFRS	Australian International Financial Reporting Standards
AIHS	Australian International Hotel School
BMHS	Blue Mountains International Hotel Management School
CSS	Commonwealth Superannuation Scheme
FMA	Financial Management Act
GAAP	Generally Accepted Accounting Principals
GST	Goods and Services Tax
OH&S	Occupational Health and Safety
PSS	Public Sector Superannuation Scheme
RMIT	Royal Melbourne Institute of Technology University

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