

# AUSTRALIAN INTERNATIONAL HOTEL SCHOOL

---

## Objectives

The Australian International Hotel School (AIHS) operates under the *Hotel School Act 1996*.

The objective of the AIHS is to graduate students with academic and professional competencies required for success in the global hospitality industry. The AIHS also operates the Hotel Kurrajong on a commercial basis to provide practical experience for its students.

The AIHS operates in affiliation with RMIT University. RMIT University jointly accredits the degree and provides quality monitoring and joint marketing services.

## 2005-06 Highlights

Strategic and operational issues to be pursued in 2005-06 include:

- facilitating the sale or disposal of the AIHS and the Hotel Kurrajong operations prior to the proposed cessation of the Government subsidy in June 2007;
- rebuilding enrolments in the Bachelor of Business (Hotel Management) program during the 2005-06 and 2006-07 financial years;
- maintaining the existing high quality education standards;
- concluding an articulation agreement with the CIT which guarantees progression from the Advanced Diploma to the Bachelor of Business program and degree completion;
- employing excess residential capacity at AIHS to conclude and renew, if practicable, a contract with the ANU that provides residence accommodation for ANU students;
- seeking approval to implement exit points from the Bachelor of Business (Hotel Management) Degree that would be recognised with the award of a Certificate or Associate Degree; and
- seeking approval to implement an extension of the Bachelor of Business (Hotel Management) Degree that would be recognised with the award of a Graduate Diploma.

## Australian International Hotel School Operating Statement

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
<b>Income</b>							
<b>Revenue</b>							
4 162	User Charges - Non ACT Government	3 926	4 316	10	4 881	0	0
1 500	User Charges - ACT Government	1 500	1 500	-	1 500	0	0
0	Interest	4	3	-25	10	0	0
14	Other Revenue	53	17	-68	18	0	0
<b>5 676</b>	<b>Total Revenue</b>	<b>5 483</b>	<b>5 836</b>	<b>6</b>	<b>6 409</b>	<b>0</b>	<b>0</b>
<b>Gains</b>							
<b>0</b>	<b>Total Gains</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5 676</b>	<b>Total Income</b>	<b>5 483</b>	<b>5 836</b>	<b>6</b>	<b>6 409</b>	<b>0</b>	<b>0</b>
<b>Expenses</b>							
2 913	Employee Expenses	2 702	2 906	8	2 990	0	0
262	Superannuation Expenses	244	251	3	258	0	0
1 843	Supplies and Services	1 908	2 044	7	2 188	0	0
79	Depreciation and Amortisation	100	39	-61	69	0	0
578	Cost of Goods Sold	529	570	8	586	0	0
1	Other Expenses	0	0	-	0	0	0
<b>5 676</b>	<b>Total Ordinary Expenses</b>	<b>5 483</b>	<b>5 810</b>	<b>6</b>	<b>6 091</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>Operating Result</b>	<b>0</b>	<b>26</b>	<b>#</b>	<b>318</b>	<b>0</b>	<b>0</b>

## Australian International Hotel School Balance Sheet

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
<b>Current Assets</b>							
509	Cash	384	414	8	0	0	0
81	Receivables	231	224	-3	0	0	0
97	Other	72	74	3	0	0	0
<b>687</b>	<b>Total Current Assets</b>	<b>687</b>	<b>712</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non Current Assets</b>							
53	Property, Plant and Equipment	236	297	26	0	0	0
<b>53</b>	<b>Total Non Current Assets</b>	<b>236</b>	<b>297</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>740</b>	<b>TOTAL ASSETS</b>	<b>923</b>	<b>1 009</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current Liabilities</b>							
237	Payables	408	414	1	0	0	0
290	Employee Benefits	243	283	16	0	0	0
376	Other	475	550	16	0	0	0
<b>903</b>	<b>Total Current Liabilities</b>	<b>1 126</b>	<b>1 247</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non Current Liabilities</b>							
90	Employee Benefits	75	79	5	0	0	0
91	Other	65	0	-100	0	0	0
<b>181</b>	<b>Total Non Current Liabilities</b>	<b>140</b>	<b>79</b>	<b>-44</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1 084</b>	<b>TOTAL LIABILITIES</b>	<b>1 266</b>	<b>1 326</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>-344</b>	<b>NET ASSETS</b>	<b>-343</b>	<b>-317</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REPRESENTED BY FUNDS EMPLOYED</b>							
-344	Accumulated Funds	-343	-317	8	0	0	0
<b>-344</b>	<b>TOTAL FUNDS EMPLOYED</b>	<b>-343</b>	<b>-317</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Australian International Hotel School  
Cash Flow Statement**

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
5 640	User Charges	5 425	5 969	10	6 132	0	0
0	Interest Received	3	5	67	10	0	0
329	Other Revenue	353	332	-6	340	0	0
<b>5 969</b>	<b>Operating Receipts</b>	<b>5 781</b>	<b>6 306</b>	<b>9</b>	<b>6 482</b>	<b>0</b>	<b>0</b>
<b>Payments</b>							
3 163	Related to Employees	2 976	3 104	4	3 620	0	0
1 863	Related to Supplies and Services	1 886	2 039	8	2 530	0	0
1 033	Other	972	1 033	6	974	0	0
<b>6 059</b>	<b>Operating Payments</b>	<b>5 834</b>	<b>6 176</b>	<b>6</b>	<b>7 124</b>	<b>0</b>	<b>0</b>
<b>-90</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>-53</b>	<b>130</b>	<b>345</b>	<b>-642</b>	<b>0</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
0	Proceeds from Sale of Property, Plant & Equipment	0	0	-	228	0	0
<b>0</b>	<b>Investing Receipts</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>228</b>	<b>0</b>	<b>0</b>
<b>Payments</b>							
0	Purchase of Property, Plant and Equipment	125	100	-20	0	0	0
<b>0</b>	<b>Investing Payments</b>	<b>125</b>	<b>100</b>	<b>-20</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-125</b>	<b>-100</b>	<b>20</b>	<b>228</b>	<b>0</b>	<b>0</b>
<b>-90</b>	<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>-178</b>	<b>30</b>	<b>117</b>	<b>-414</b>	<b>0</b>	<b>0</b>
<b>598</b>	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	<b>562</b>	<b>384</b>	<b>-32</b>	<b>414</b>	<b>0</b>	<b>0</b>
<b>508</b>	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>384</b>	<b>414</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Australian International Hotel School Statement of Changes in Equity

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
-344	<b>Opening Balance</b>	-343	-343	-	-317	0	0
	<b>Accumulated Funds</b>						
0	Operating Result for the Period	0	26	#	318	0	0
	<b>Reserves</b>						
0	Transfer to/from Reserves	0	0	-	-1	0	0
<b>0</b>	<b>Total Income And Expense For The Period</b>	<b>0</b>	<b>26</b>	<b>#</b>	<b>317</b>	<b>0</b>	<b>0</b>
	<b>Transactions Involving Equity Holders Affecting Accumulated Funds</b>						
-344	<b>Closing Balance</b>	-343	-317	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Notes to the Budget Statements

The financial statements have been prepared on the basis that the Australian International Hotel School (AIHS) will cease to be operated by the Government after 30 June 2007. The AIHS was granted approval in December 2004 to recruit and enrol new students beyond 2005, facilitating a seamless transition in the case of a sale and providing future revenue streams to the prospective buyer.

An Affiliation Agreement with the School of Hotel Administration (SHA) at Cornell University ceased on 30 December 2001. This agreement covered a range of services that the SHA provided for the establishment of the AIHS. As at 30 June 2005, the liability to Cornell University will be US\$150,000. The AIHS will continue to pay an amount of US\$100,000 per annum until the liability is fully repaid in December 2006. These payments will be made at the US dollar exchange rate applying at the date of payment. The liability is included in the Balance Sheet based on a budgeted exchange rate of AUD\$0.70.

In March 2005, the AIHS was approved as a Higher Education Provider and now receives funding from the Commonwealth Government on behalf of Australian students. The AIHS estimates that approximately 30% of total future tuition fees will be received from the Federal Government via the Fee Help program.

Significant variations are as follows:

#### *Operating Statement*

- user charges – non ACT Government: the decrease of \$0.236m in the 2004-05 estimated outcome from the original budget is largely the result of lower student enrolments following a moratorium on new enrolments during 2004. The increase of \$0.390m in the 2005-06 Budget from the 2004-05 estimated outcome can be attributed to increased

student fees following approval from the Government, in December 2004, to recruit and enrol new students beyond 2005;

- employee expenses and superannuation: the decrease of \$0.229m in the 2004-05 estimated outcome from the original budget is due to salary savings associated with management initiatives and a moratorium on new enrolments during 2004. The increase of \$0.211m in the 2005-06 Budget from the 2004-05 estimated outcome is due mainly to an increase in salary costs associated with increased student numbers;
- depreciation and amortisation: the increase of \$0.021m in the 2004-05 estimated outcome from the original budget is due to depreciation for purchases made in 2003-04 and 2004-05 that were not factored into the 2004-05 Budget. The decrease of \$0.061m in the 2005-06 Budget from the 2004-05 estimated outcome is due to older assets being fully depreciated as at 30 June 2005; and
- supplies and services: the increase of \$0.065m in the 2004-05 estimated outcome from the original budget, and the increase of \$0.136m in the 2005-06 Budget from the 2004-05 estimated outcome is due to increased marketing activity associated with the recruitment of new students.

#### *Balance Sheet*

- cash: the decrease of \$0.125m in the 2004-05 estimated outcome from the original budget, and the increase of \$0.030m in the 2005-06 Budget from the 2004-05 estimated outcome is due largely to the fluctuation in student enrolments;
- property, plant and equipment: the increase of \$0.183m in the 2004-05 estimated outcome from the original budget is due to capital purchases in 2003-04 and 2004-05 that were not factored into the 2004-05 Budget;
- other current liabilities: the increase of \$0.099m in the 2004-05 estimated outcome from the original budget, and the increase of \$0.075m in the 2005-06 Budget from the 2004-05 estimated outcome is due to an increase of fees paid in advance associated with new enrolments in 2005, partially offset by the annual repayment of the Cornell University loan; and
- other non current liabilities: the decrease of \$0.026m in the 2004-05 estimated outcome from the original budget largely reflects the stronger Australian to US dollar exchange rate at the time of the Cornell University loan payment was made compared to the exchange rate used when the 2004-05 Budget was developed. The decrease of \$0.065m in the 2005-06 Budget from the 2004-05 estimated outcome reflects the final repayment of the loan between the AIHS and Cornell University.