

AUSTRALIAN INTERNATIONAL HOTEL SCHOOL

Objectives

The Australian International Hotel School (AIHS) was created as a separate Statutory Authority under *The Hotel School Act 1996*, from 1 January 1997. The statutory objective of the School is to provide education and training to develop knowledge and skills in relation to hotel management and related fields as approved by the Minister.

The major objective of the School is the delivery of a high quality business degree in hotel management. The full fee paying degree was developed in conjunction with the School of Hotel Administration at Cornell University. Under the agreement, Cornell continues to monitor the quality and development of the degree.

Agreement was reached in 1998-99 on an affiliation with RMIT University. Under this agreement a joint degree award of Bachelor of Business in Hotel Management will be available for future graduates.

The agreement with RMIT University will overcome some of the past difficulties experienced in operating a stand alone, full fee paying institution, competing in the Australian University Sector.

The Hotel School's financial viability remains reliant on repayable capital injections for 1999-2000 and 2000-01. The affiliation with RMIT is expected to provide international students, in excess of current projections, which should see reduced demands on these loan funds.

1999-2000 Highlights

Strategic and operational issues to be pursued in 1999-2000 include:

- developing the operational aspects of the RMIT Affiliation to increase international recruitment and enhance the AIHS marketing advantage in Australia;
- enhancing opportunities of the Cornell affiliation to improve attraction for North American students;
- maintaining and enhancing the high quality and diversity of the Hotel School faculty to further improve the degree program and develop an improving reputation in the tertiary hospitality sector;
- examining national marketing and recruiting arrangements to improve cost ratios in relation to enrolments;
- developing improved electronic services for recruitment of students and improved hotel marketing; and
- continuing review of hotel and residence operations to improve profitability and performance against industry benchmarks.

Budget Summary	1999-2000 Planned \$'000
Government Appropriations	
• Capital injection relating to debt ¹	1 600
Own Sourced Revenues	
• Other own sourced revenues	5 667
Services Provided	
• Academic program	3 387
• Hotel operations	3 976

1. A summary of all debt capital injections and their respective terms and conditions are provided in Appendix B to Budget Paper No.4.

Australian International Hotel School Operating Statement

1998-99 Budget \$'000		1998-99 Est.Outcome \$'000	1999-00 Budget \$'000	Var %	2000-01 Estimate \$'000	2001-02 Estimate \$'000	2002-03 Estimate \$'000
Revenue							
4 697	User Charges - Non ACT Government	4 697	5 667	21	6 421	7 336	7 519
55	User Charges - ACT Government	0	0	-	0	0	0
4 752	Total Revenue	4 697	5 667	21	6 421	7 336	7 519
Expenses							
3 576	Employee Expenses	3 576	3 740	5	3 905	4 077	4 179
170	Superannuation Expenses	170	215	26	224	233	239
3 044	Administrative Expenses	2 183	1 735	-21	1 769	1 790	1 843
154	Depreciation and Amortisation	545	577	6	607	481	376
399	Interest	399	597	50	687	687	687
0	Cost of Goods Sold	470	479	2	491	503	516
17	Other Expenses	17	20	18	23	26	27
7 360	Total Expenses	7 360	7 363	..	7 706	7 797	7 867
-2 608	Operating Result	-2 663	-1 696	36	-1 285	-461	-348
-2 518	Accumulated Funds - Start of Period	-2 780	-5 442	-96	-7 137	-8 422	-8 881
1	Accum Funds Opening Adjustment	2	0	-100	0	2	2
-5 126	Accumulated Funds - End of Period	-5 442	-7 137	-31	-8 422	-8 881	-9 227

**Australian International Hotel School
Statement Of Financial Position**

Budget as at 30/6/99 \$'000		Est.Outcome as at 30/6/99 \$'000	Planned as at 30/6/00 \$'000	Var %	Planned as at 30/6/01 \$'000	Planned as at 30/6/02 \$'000	Planned as at 30/6/03 \$'000
Current Assets							
-836	Cash	16	185	#	92	5	5
465	Receivables	57	133	133	171	216	226
112	Other	81	81	-	81	81	83
-259	Total Current Assets	154	399	159	344	302	314
Non Current Assets							
1 061	Property, Plant and Equipment	1 002	1 101	10	1 145	1 339	1 463
0	Intangibles	877	526	-40	175	0	0
1 087	Other	0	0	-	0	0	0
2 148	Total Non Current Assets	1 879	1 627	-13	1 320	1 339	1 463
1 889	TOTAL ASSETS	2 033	2 026	..	1 664	1 641	1 777
Current Liabilities							
408	Creditors	418	615	47	706	805	1 132
0	Borrowings	0	0	-	0	245	622
186	Employee Entitlements	214	221	3	229	237	250
0	Other Provisions	18	18	-	18	18	18
460	Other	716	776	8	776	976	976
1 053	Total Current Liabilities	1 365	1 630	19	1 729	2 281	2 998
Non Current Liabilities							
1 092	Creditors	0	0	-	0	0	0
4 850	Borrowings	5 030	6 630	32	7 630	7 630	7 630
24	Employee Entitlements	23	23	-	23	23	24
-5	Other	1 056	880	-17	704	588	352
5 961	Total Non Current Liabilities	6 109	7 533	23	8 357	8 241	8 006
7 014	TOTAL LIABILITIES	7 474	9 163	23	10 086	10 522	11 004
-5 126	NET ASSETS	-5 442	-7 137	-31	-8 422	-8 881	-9 227
REPRESENTED BY FUNDS EMPLOYED							
-5 126	Accumulated Funds	-5 442	-7 137	-31	-8 422	-8 881	-9 227
-5 126	TOTAL FUNDS EMPLOYED	-5 442	-7 137	-31	-8 422	-8 881	-9 227

Australian International Hotel School Cashflow Statement

1998-99 Budget \$'000		1998-99 Est.Outcome \$'000	1999-00 Budget \$'000	Var %	2000-01 Estimate \$'000	2001-02 Estimate \$'000	2002-03 Estimate \$'000
-402	CASH AT BEGINNING OF REPORTING PERIOD	80	16	-80	185	93	-240
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
4 670	User Charges	4 705	5 691	21	6 286	7 576	7 750
4 670	Operating Receipts	4 705	5 691	21	6 286	7 576	7 750
	Payments						
3 679	Related to Employees	3 679	3 947	7	4 120	4 301	4 312
2 662	Related to Administration	2 327	2 086	-10	2 101	2 248	2 454
399	Finance Costs	399	597	50	687	687	687
164	Other	164	167	2	170	173	174
6 904	Operating Payments	6 569	6 797	3	7 078	7 409	7 627
-2 234	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	-1 864	-1 106	41	-792	167	123
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Payments						
400	Purchase of Property, Plant and Equipment	400	325	-19	300	500	500
400	Investing Payments	400	325	-19	300	500	500
-400	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-400	-325	19	-300	-500	-500
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
2 200	Borrowings Received	2 200	1 600	-27	1 000	0	0
2 200	Financing Receipts	2 200	1 600	-27	1 000	0	0
2 200	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	2 200	1 600	-27	1 000	0	0
-434	NET INCREASE/(DECREASE) IN CASH HELD	-64	169	364	-92	-333	-377
-836	CASH AT THE END OF THE REPORTING PERIOD	16	185	#	93	-240	-617

Notes to the Budget Statements

Operating Statement

Significant variations are as follows:

- operating revenue: the increase of \$0.970m in 1999-2000 is due to increased student numbers as AIHS continues to establish itself as a high quality hospitality school;
- employee expenses: the increase of \$0.164m is due to the need to employ additional faculty resulting from increased student numbers, and the award increases for Hotel staff;
- administrative expenses: the decrease of \$0.448m in 1999-2000 is a result of an ongoing review of purchasing and suppliers; and
- interest expense: the increase of \$0.198m is due to the gradual take-up of borrowings (\$1.6m) from the Government in line with the agreed financial restructuring of the AIHS.

Statement of Financial Position

Significant variations are as follows:

- property plant and equipment: the increase is due to the expansion of IT services and the purchase of new equipment to meet growth in student numbers and the need to address the Year 2000 issues;
- intangible assets: the decrease is due to the gradual amortisation of the establishment fee related to the Cornell University affiliation; and
- non-current liabilities - other: the decrease of \$0.176m in 1999-2000 is mainly due to the payment of an instalment of the affiliation fee of the Cornell affiliation agreement which is recognised as a liability.