BGMS
Year ended 31 December 2011
Treasurers Report

1. Financials – the year in review

Income
Total income excluding capital grants increased 13% to $1.78m (2010: $1.57m)

Income from students, including tuition fees, increased $168k (18%) to $1.09m (2010: $923k) driven primarily by the 17% Tuition fee increase at the beginning of 2011 together with increases in the Pre funding levies for 3 and 4 year olds.

Government funding increased by $91k (16%) to $668k (2010: $577k). Government funding now represents 37% of total income, compared to 2006 (5 years ago) when it represented 44% (all figures exclude capital grants).

Expenditure
Total expenditure excluding depreciation and loan interest increased $280k (21%) to $1.62m (2010: $1.34m).

Total salary costs increased by $149k (15%) to $1.15m (2010: $1.00m). Wage increases were implemented to bring teachers broadly into line with state school pay awards, combined with lower vacancies levels compared to 2010. School Council continues to pursue offering salary levels in line with industry.

There were a significant number of cost increases as expected during the year. The main items were:

- On-costs associated with staff increased 56% ($64k) to $179k, driven by the higher salaries as well as fully providing for all sick leave accrued. Sick leave had not previously been provided for, but given cost of supply teachers, this provides a more prudent and realistic position.

- Cleaning, security and grounds costs increased 25% ($13k) to $66k

- Office costs, including minor capital equipment, general office expenses, computer costs and audit fees increased by 82% ($22k) to $48k. A significant number of one-off costs were incurred due to the school server crash and replacement.

- During the year the school created a provision for bad debts for the first time, which, including the write off of some fees, cost $4k. The school server crash had a significant impact on the schools ability to reliably track debts and collect them.

- Professional development, teaching resources and subscriptions increased 63% ($20k) to $52k, driven by increased costs charged by the Montessori Australia Foundation and a more active professional development regime during the year.

- Advertising increased 186% ($5k) to $7k.

Other operating expenses (ie those not discussed above), excluding depreciation and interest increased by 3%.

Interest expense was down $12k at $27k for the year (2010: $39k) reflecting the full repayment of the Bankwest loan and further capital repayments on the low interest government loan as per schedule.

Depreciation stepped up to $128k (2010:$118k) with full year charge for Stage 3 – (Kambarra, Mallee and Banksia.) compared to the part year charge in 2010.
Overall operating results

The fees set in late 2010 for the 2011 year incorporated the highest increase that I am aware of in the history of the school. The results for the year indicate that this was indeed the right decision for the school.

Whilst the school does not seek to make a profit, it is a financial objective that each year makes a fair and equitable contribution to the long term viability of the school and does not or is not subsidised by other years in the long run. This maintains equity between each year of parents. Adequate provision for the long term replacement of our buildings at the end of their useful life is achieved by the charging of depreciation.

Excluding depreciation and interest, operating surplus was $164k (2010:$186k).

When the above surplus is combined with the borrowing costs and depreciation costs of the buildings and land, the overall surplus was $9k (2010:$30k).

The fact that 2011 made a modest surplus means that that the objectives stated earlier in this section were met in the best possible way. Over the last 6 year the cumulative surplus runs to only $50k, which indicates that, on average, we are also doing well in achieving this objective in the long run.

Viability and Cash position

The key measure of long term viability of the school is collection of sufficient surplus over many years to replace buildings at the end of their life after covering all other expenses. The key measure of short term viability is sufficient cash immediately available to pay bills as they fall due, primarily staffing costs and loan repayments.

Summary cash flow for the year

<table>
<thead>
<tr>
<th></th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at beginning of the year</td>
<td>559</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>267</td>
</tr>
<tr>
<td>Interest received</td>
<td>20</td>
</tr>
<tr>
<td>Repayments on loans (capital and interest)</td>
<td>(204)</td>
</tr>
<tr>
<td>Sub total</td>
<td>642</td>
</tr>
</tbody>
</table>

Capital expenditure (1)       641
Cash at end of the year

At 31 December 2011, the school had $683k of outstanding loans and with the positive cash generation shown in the table above, the school balance sheet is beginning recover from the strain of the investment in buildings and land over the last few years. 2012 is likely to see continued cash generation with capital repayments on the longer term low interest loan being $45k plus interest.

2. Outlook – 2012 and beyond

The fees set in late 2011 for the 2012 year were set against a backdrop of maintaining teachers' salaries in line with market.

The financial forecast for 2012 maintains us on our usual trajectory to generate a modest surplus.

Longer term political developments will determine the mix of parents versus government funding and these will be a larger factor in fee increases in the future.

The school will now need to consider how to invest its increasing cash assets to make these work effectively in the longer term for future investment.
3. Operation of finance committee and activities

It has been 2 years since the Finance committee has achieved a significant amount of progress in its workload, primarily being restricted by turnover of members and my own commitments outside of the committee. The committee is still delighted to accept anyone with an interest in or some knowledge of financials. This AGM marks the end of 5 years I have been involved with the school finances and I look forward to handing over the reins to a new Treasurer in the coming weeks.

Paul Williamson
Treasurer
3 May 2012.