



May-August 2020 CIMA Gateway Case Study Examination

Pre-seen material



Alpaca Hotel Group

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Introduction

Alpaca Hotel Group (“Alpaca”) is a quoted company that owns and operates 50 luxury hotels in the country of Maylandia. Alpaca’s head office is located in Mayburgh, Maylandia’s capital city.

Maylandia is a developed country that has a high standard of living. It has a thriving economy.

Maylandia’s currency is the M\$. Companies are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

You are a financial manager in Alpaca’s head office. You report to Liz Petrov, a Senior Financial Manager and she reports to Zoe Diaz, Alpaca’s Finance Director. Your primary duties are associated with management accounting, but you are often asked to gather information on other matters for your superiors.

The Hotel Industry (General Information)

Hotels provide overnight accommodation for their guests, which can vary in length from a single night’s stay to extended stays lasting for months. Most guests use hotels for either business or leisure purposes. Business guests require a base from which to attend meetings with colleagues, customers or suppliers. Leisure customers are generally tourists on short trips, or on one-week or two-week vacations.

Hotels vary in the range and standard of the services that they provide:

<p>Basic hotels</p>	<p>At their most basic, hotels offer simple accommodation in small bedrooms, usually with ensuite bath or shower rooms.</p> <p>Guests would expect their rooms to be clean, with fresh sheets and towels on arrival. Rooms would be cleaned and tidied by housekeeping on a daily basis and sheets and towels changed as required during the guest’s stay.</p> <p>Basic hotels may not offer any additional services. They may not, for example, serve food.</p>
<p>Mid-range hotels</p>	<p>Mid-range hotels generally offer larger rooms that are furnished to a higher standard than those offered by more basic hotels. The hotel’s housekeeping service would normally visit each room on a daily basis, at the guest’s convenience, to make the bed and clean the room.</p> <p>Mid-range hotels generally offer a more extensive range of services, including restaurants and coffee shops that permit guests to take meals in the hotel if they so wish. Hotels generally make their dining facilities open to anyone who wishes to pay to eat there, so they provide a further stream of revenue.</p> <p>Mid-range hotels may also offer business facilities, such as meeting rooms that are equipped for audio-visual presentations and teleconferences.</p> <p>Leisure facilities may also be offered, including gyms and swimming pools.</p>
<p>Luxury hotels</p>	<p>Luxury hotels offer still larger and better-furnished rooms, or possibly suites of rooms that enable a guest’s family or business associates to stay in a shared space, with individual bedrooms opening onto a shared sitting room.</p> <p>The housekeeping service would normally be expected to visit twice daily, turning down the bed cover in the evening and closing the curtains and switching on the lights.</p> <p>Luxury hotels generally offer a wider range of dining options, with two or more restaurants that give a choice of menu and also of price point. The restaurants in luxury hotels are generally of a sufficiently</p>

	<p>high standard to attract significant numbers of non-residents to eat there.</p> <p>Luxury hotels offer business facilities, that may include larger meeting rooms that could be used to host conferences or major social events such as corporate dinners.</p> <p>The leisure facilities offered by luxury hotels are generally extensive and of a high quality. In addition to gyms and swimming pools, they may offer beauty spas, saunas and other services.</p>
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Some hotels operate independently, as business entities in their own rights, and others are parts of chains. Guests might be attracted to chain hotels when they are travelling to a new destination because chains generally offer a very consistent standard of service and so guests will know what to expect from staying there. Some independent hotels are popular because they offer their own unique style of service that is appreciated by guests who are looking for something more unusual.

The hotel industry is very competitive, although some compete on the basis of quality of service and others more on price:

- Business travellers will have their bills settled by their employers and so the cost may be almost irrelevant. In some cases, the higher cost associated with a luxury hotel will be justified by the fact that the better facilities make it easier to work during the stay. Being based at a luxury hotel may also enhance a guest's credibility when meeting with clients or other business contacts.

Some companies impose upper limits on the cost of accommodation booked for business purposes, which may force some travellers to select a more basic hotel.

- Individual travellers will select hotels on the basis of their willingness to pay for a given standard of service. Some will stay at basic hotels because they are cheaper, while others will be prepared to pay more for mid-range or luxury hotels.

Some individuals buy their hotel accommodation as part of a package deal provided by a travel company, which includes flights, hotel accommodation and possibly car hire. The price of the package will be influenced by the cost of the accommodation to the travel company, but the company will undoubtedly be able to negotiate a discount, some of which could be passed onto the guest in order to encourage bookings.

Pricing

Hotels vary their rates to take account of seasonal factors and local demand. For example, a hotel located in a seaside resort will charge more per night during the busy summer season and less in winter, when the resort is quieter. Similarly, a city centre hotel that caters mainly for business guests might charge less for a weekend stay because many business travellers will go home at the end of the working week.

Many guests will book their accommodation through travel agents, who generally receive a commission of 10% to 20% from the hotel. Travel agents often pass some of that commission onto guests in order to obtain their business.

Online price comparison sites are web-based businesses that enable travellers to input a destination and dates for arrival and departure. This generates a list of the hotels that are available on those dates and their respective prices for the stay. Guests can book their choice of hotel through the site, making an online payment. The hotels generally pay the site a commission on each booking made in order to be listed on this site, some of which may be passed on to the guest if the site’s operators so wish. Hotels often discount their rates in order to obtain bookings for rooms that might otherwise be at risk of remaining empty and so these sites can offer considerable savings compared to making a direct booking with the hotel itself.

Staffing

Labour is generally the single most expensive cost associated with running a hotel. Even a basic hotel requires cleaning staff to prepare rooms for arriving guests, reception staff and security staff. Better quality hotels offer more services and generally require more people in order to provide them.

Mid-range and luxury hotels generally have a number of roles that require skilled staff:

<p>Reception staff</p>	<p>Receptionists staff the reception desk in the hotel lobby. Their duties are primarily associated with assisting guests when they arrive and depart.</p> <p>The reception staff assist arriving guests by checking the details of their bookings, confirming pricing and issuing keys.</p> <p>Departing guests check out of their rooms at the reception desk. That usually involves ensuring that any outstanding payments are made before the guest leaves the premises.</p>
<p>Concierges</p>	<p>Some mid-range and most luxury hotels employ concierges to assist guests. Their duties can include helping guests with their luggage when they arrive and depart, arranging for taxis, providing guests with directions and recommending nearby restaurants. Some experienced concierges in luxury hotels have extensive contacts which enable them to assist with requests, such as obtaining tickets for “sold out” shows, or bookings at exclusive restaurants.</p> <p>The concierge staff also provide a layer of security by being aware of the people passing through the lobby and discouraging potential thieves.</p>
<p>Management team</p>	<p>Mid-range and luxury hotels usually have a small management team. The general manager is in overall charge of the hotel and is responsible for ensuring that all head office policies are complied with.</p> <p>Larger hotels frequently have managers to take responsibility for housekeeping operations such as cleaning and reception.</p>

	<p>There may be a food and beverage manager who is responsible for the restaurants and bars.</p> <p>Larger hotels might have an events manager, who would liaise with customers who were interested in booking the hotel ballroom for an event such as a wedding, a business conference or a product launch.</p> <p>Members of the management team are often graduates and may have studied a topic such as tourism or hospitality management as their degree specialism.</p>
<p>Chefs</p>	<p>Mid-range and luxury hotels generally have at least one restaurant. Chefs are responsible for setting the menu, for skilled cooking operations and for the supervision of unskilled kitchen assistants in the cooking and preparation of meals.</p> <p>Some more upmarket restaurants have an executive chef who takes responsibility for developing the menu. That may not be a fulltime role and the executive chef may be recruited on the basis of being a well-known restaurateur.</p>

Skilled staff are often well paid and valued by their employers. For example, the management team could have a significant role to play in ensuring that guests are happy or that revenue sources such as the function suites are kept busy.

Basic hotels will generally have fewer skilled staff. Some budget-price hotel chains offer credit card checking machines that permit guests to check themselves in, identifying themselves with their credit cards and pin numbers. The machine then issues a room key. If there is a staffed reception desk, then the receptionist may also be the hotel manager. Basic hotels do not have concierges or extensive management teams. If they serve food, then they will probably offer a simple menu that does not require skilled chefs.

There are employment agencies that can provide skilled staff on a temporary basis to cover shortfalls in cover. These agencies offer convenience and flexibility, although their hourly rates are generally about three times the rate that would normally be paid to a skilled worker who was employed directly by the hotel.

All hotels require unskilled staff to engage in duties such as room cleaning, assisting with food preparation and dish washing in the kitchen and security. If the hotel has a restaurant that offers table service, then it will also require waiting staff. The hotel industry is generally seasonal and so its needs for unskilled staff will vary according to the time of year and the number of occupied rooms. Hotels frequently recruit staff on short-term contracts to enable them to maintain an optimal staffing level at quiet times. It is common practice to employ college students as cleaners or waiting staff for the duration of their summer vacations, which ensures that the busy summer season is well staffed, with an automatic reduction in staffing at the end of the busy season.

Hotels generally pay their unskilled staff poorly and often ask them to work unsociable hours. Waiting staff and kitchen assistants may have to arrive at work in time to serve breakfast or work until late in the evening if serving dinner. Sometimes staff are asked to

work split shifts, which would involve arriving early in the morning to prepare or to serve breakfast and then going home but returning in the evening for the dinner service. Staff turnover amongst unskilled staff is high, although it is usually relatively straightforward to recruit replacements.

Maylandia has a statutory minimum wage which sets the lowest hourly rate that can be paid. Many hotel companies pay their unskilled staff at that minimum rate.

Hotel's star ratings

Hotel rooms may be furnished to different standards depending on the type of guest the hotel is trying to attract. The price of the hotel rooms will vary depending on these standards. In Maylandia, a star-rating system is used.

	5	4	3	2	1
Open all year	√	√	√	√	√
24-hour reception	√	√			
Guests have 24-hour access	√	√	√	√	√
Restaurant	√	√	√		
Licensed bar	√	√	√		
Standard of cleanliness guaranteed	√	√	√	√	
Wi-Fi in public areas	√	√	√	√	√
Wi-Fi in room	√	√	√		
Ensuite shower and toilet guaranteed	√	√	√		
Ensuite bath, shower and toilet guaranteed	√	√			
Internal telephone service	√	√			
Higher staffing levels	√	√			
Mini bar	√	√			
Valet parking, concierge and luggage assistance	√	√			
Proactive customer service	√				
Room service for drinks and snacks	√	√	√		
Room service for dinner, lunch and breakfast	√	√			

Review sites

Review sites are part of social media. Visitadvisor is Maylandia's most popular site for dealing with the hotel industry.

Guests can use the Visitadvisor site to leave reviews of hotels that they have visited. The site enables them to search for their hotel. They can then give the hotel a rating from one to five on the basis of each of:

- cleanliness ♦♦♦♦♦
- quality of service ♦♦♦♦♦
- location ♦♦♦♦♦
- quality of facilities ♦♦♦♦♦
- value for money ♦♦♦♦♦

The site then calculates an average score for each of these factors and an average overall score across all factors.

If they wish, they can then add a narrative review of their experience.

Prospective visitors can then search for ratings using a location or the name of a particular hotel. If they search by location then they see the scores of all of the hotels in that town or city and they can click on any that interest them. They can then read each previous guest's ratings and review comments.

There are concerns that these review sites might prove misleading. It is, for example, difficult to prove that a review was even written by a guest. Hotel owners and their staff can leave positive reviews for their own establishments, using assumed names. Similarly, competitors can leave negative reviews if they so wish.

Negative reviews can also remain on the site long after the problem has been rectified. A guest's complaint about a badly cooked meal might discourage future bookings, even after the hotel has investigated the complaint and retrained staff to prevent a recurrence.

Hospitality industry in Maylandia

Maylandian Tourist Board (MTB)

The MTB is responsible for marketing Maylandia as a tourist destination. MTB runs advertising campaigns and advises the Maylandian Government on policies which impact the tourism industry.

MTB awards ratings for hotels on a star system. Basic hotels are given one-star, mid-range hotels are given two or three stars and luxury hotels are given four or five stars.

The rating is based on an annual round of hotel inspections, with hotel inspectors arriving unannounced and staying at the hotel without identifying themselves. At the end of their stay, they request a meeting with the hotel manager to discuss their findings. If they raise concerns that could lead to a hotel's rating being downgraded then the hotel may be given an opportunity to rectify matters prior to a re-inspection.

Star ratings are based on a combination of objective factors, such as whether the hotel has a restaurant or whether the reception desk is staffed on a 24-hour basis, as well as more subjective factors such as cleanliness and quality of service. The objective factors can set the upper limit for a star rating. For example, a hotel that does not have a restaurant cannot be awarded more than two stars, even if the hotel is luxurious and well regarded by guests in every other respect.

Maylandian Health and Safety Administration (MHSA)

The MHSA protects the wellbeing of hotel staff and guests by ensuring that all statutory health and safety procedures are fully complied with. For example, the law requires regular checks on a number of areas, including:

- Heating and ventilation systems must be checked to ensure that they do not harbour dangerous bacteria

- Portable electrical equipment must be checked to ensure that it is correctly wired
- Fire safety equipment must be readily available and serviced to ensure that, say, fire extinguishers are fully charged.

All of the above, and more, must be certified at least annually by independent experts and the hotel manager must display up to date certificates to MHSA on request, or the hotel could face immediate closure.

The MHSA also conducts unannounced inspections of kitchens and dining rooms to ensure that food is stored, cooked and served in hygienic conditions.

Alpaca background and group structure

Alpaca was founded by the Scrivens family, who opened their first hotel, The Mayburgh Principal, in 1930. Since then, the company has grown steadily through the acquisition of hotels as going concerns and also through the construction of hotels. The Scrivens family sold their interest in the company when it was quoted on the Maylandia Stock Exchange in 2000. Alpaca now owns 50 hotels.

Alpaca operates at the luxury end of the hotel market, with 44 of its hotels having four stars and the remainder having five stars. Alpaca aims to offer a high standard of service and guest comfort at all of its hotels, while remaining within the reach of the travel budgets of business guests and the personal wealth of individuals.

Alpaca owns approximately 10% of the luxury hotel rooms available in Maylandia, measured in terms of the number of rooms in the four to five-star category.

The various hotels all display the Alpaca brand and that is reflected in many ways, including hotel signage, the uniforms worn by reception and concierge staff and so on. Alpaca also strives to ensure that each hotel has its own unique character. For example, the lobby of the Alpaca Mayburgh Principal is still decorated with the same solid oak panelling that was installed when the hotel was first constructed. The hotel’s meeting room, which is available for guests to hire, is also oak lined, despite having since been equipped with the latest audio-visual and telecommunications equipment. The nearby Alpaca Mayburgh Techno’s public spaces are decorated in light woods and feature concealed lighting in the public spaces to create a much more modern style.

All of Alpaca’s hotels have bars and restaurants that are open to both residents and non-residents.

Alpaca has 50 hotels, which are organised into three divisions:

	Hotels	Rooms	
Alpaca City Central (“Central”)	12	2,400	<p>All of Central’s hotels are located in city centres, covering all of Maylandia’s major cities.</p> <p>These hotels are used by business travellers and also by individuals, who are generally tourists enjoying city breaks.</p> <p>These hotels cater for business travellers by offering facilities such as meeting rooms that can be used to host face-to-face meetings, incorporating video conferencing if necessary.</p> <p>The hotels also cater for individuals by offering leisure facilities such as indoor swimming pools, beauty spas and gyms.</p> <p>All of Central’s hotels have at least one large indoor space that can be hired to host a major function such as a wedding or a conference.</p>

Alpaca Southern Resorts (“South”)	20	4,400	<p>Maylandia’s southern coast is a popular destination for tourists seeking summer beach holidays. All of South’s hotels are located in tourist resorts and all overlook sandy beaches and offer sea views.</p> <p>These hotels are designed mainly for leisure. Most guests are tourists, many of whom booked a package holiday with a travel company and were prepared to pay a premium price in order to stay at a good-quality hotel.</p> <p>South hotels usually have several bars and restaurants so that guests on a two-week vacation can have some choice. Some feature a choice between indoor and outdoor dining.</p> <p>These hotels also offer extensive leisure facilities, including outdoor swimming pools, beauty therapies and so on.</p>
Alpaca Northern Slopes (“North”)	18	2,200	<p>Maylandia has a mountainous region in its North. That offers scope for adventure holidays, with activities such as skiing and snowboarding available in the winter and hiking and pony trekking in the summer.</p> <p>Alpaca’s North hotels are often converted castles or former mansions that has been extended and adapted to offer guests an atmospheric venue for their vacations.</p> <p>The hotels tend to be designed to offer bases for guests. They provide comfortable and attractive bedrooms and public spaces. Their restaurants offer high quality dining experiences. There is generally little need for leisure facilities within the hotel itself because guests are usually keen to spend much of their stay outdoors, enjoying the scenery and nearby sporting activities.</p>
Total	50	9,000	

Map of Maylandia.



Extract from the investors' page of Alpaca's website

Mission statement

At Alpaca, our mission is to provide authentic hospitality by making a difference to our guests and the environment in which we live.

Aims

Alpaca's aims are to increase market share until it is the largest luxury hotel operator, by revenue and by room capacity, in Maylandia.

Objectives

Alpaca's objectives are:

- To increase occupancy rates and deliver high guest satisfaction in the process.
- To acquire at least one new hotel every three years, ensuring that Alpaca delivers excellent value for money to its shareholders in the process.

Our values

Integrity – we promote honesty and respect towards our colleagues, guests, owners and the wider environment.

Attention to detail – we believe that a hotel is only as good as the service it provides.

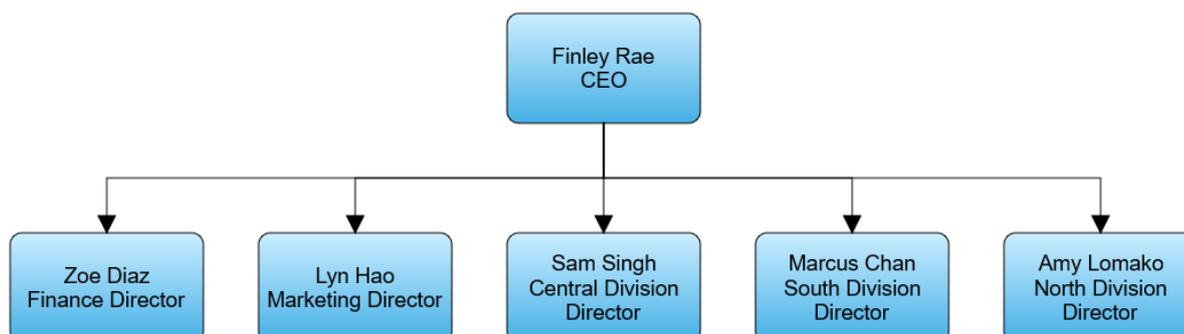
Excellence – we train our employees to the highest standard in the hospitality trade.

Enthusiasm – we serve our guests with a unique creativity.

Teamwork – we work together to exceed expectations.

Management structure and roles

Alpaca has a divisional structure, with a director for each of the three divisions.



The Finance Director and Marketing Director are responsible for the overall strategic management of their respective areas for Alpaca as a whole. For example, Zoe Diaz is responsible for major strategic finance issues such as corporate finance and the design of the overall budgetary control system across the Group. Lyn Hao is responsible for strategic marketing initiatives, such as developing advertising campaigns and the overall design of the Group website.

The divisional directors are responsible for the strategic oversight of operations across their respective divisions. Each divisional director is supported by a divisional management team that is responsible for:

Operations	<p>Supervision of quality at individual hotels.</p> <p>Monitoring of compliance with formal policies and procedures.</p> <p>Procurement of ingredients and materials that are sourced at divisional level, such as branded bedsheets and towels, brochures and non-perishable food and beverages.</p> <p>Management of local advertising and sponsorship.</p> <p>Monitoring of occupancy levels and room rates.</p>
Finance	<p>Preparation of divisional budgets.</p> <p>Review of monthly and quarterly performance reports on individual hotels in the division.</p> <p>Review of room rates and predicted occupancy.</p>
Human resources	<p>Monitoring of compliance with Group HR policies and with Maylandian employment legislation.</p> <p>Establishing appropriate wage rates, taking account of local variations in the employment market.</p> <p>Agreeing staffing levels with hotel general managers.</p>

The divisional management teams are all based at Alpaca's Head Office in Mayburgh. They stay in close contact with their respective hotel managers. Each hotel is managed by a general manager, who liaises with their divisional director as appropriate. Each hotel manager has a small team comprising a food and beverage manager, an operations manager and, in North and Central, an events manager.

Hotel management teams are responsible for the daily operation of their hotels, dealing with guests needs and responding to any complaints. Hotel managers also interview staff to fill vacancies.

Hotels require a wide range of goods and products, ranging from cleaning materials to foodstuffs used in the restaurants. Procurement for most items is managed by the operations team at divisional level, with suppliers delivering goods directly to the hotels that require replenishment. Each hotel's food and beverage manager is responsible for ordering perishable foodstuffs, such as fruit, meat and fish. That makes it easier to manage inventories of perishable items and minimise waste. It also enables each hotel's head chef to ensure that the hotel has the necessary ingredients for each day's menu.

The divisional procurement teams coordinate some orders. For example, Alpaca issues its staff with uniforms that are embroidered with the company name. It also uses the same style of towels in all of its hotels, again embroidered with the Alpaca brand. Quantity discounts mean that it is more cost-effective for the three divisions to maintain a central inventory of such items and to place a single large order as and when necessary when stocks of any given item are running low. There are too few such items to make it worth creating a formal system for such collaborative purchases. There is a storage facility in the grounds of Head Office and operations staff can draw from inventory as and when required by any of their respective hotels. Any such items are treated as being sourced by the division for budget purposes.

The divisions are investment centres for reporting purposes and each hotel is viewed as a profit centre.

Guest booking options and pricing

Most guest bookings are made through these channels:

1. Alpaca website
2. Travel Agents
3. Online comparison sites

1. Alpaca website

Guests can book directly with Alpaca through the website. Payment is made electronically and a booking confirmation is emailed immediately to the guest.

2. Travel Agents

Travel agents arrange hotel accommodation with Alpaca on behalf of their clients. These clients are Alpaca's guests. Alpaca pays a commission to the travel agent, calculated as a percentage of the total booking value. Commissions are negotiated with each agent and range from 10% to 20%.

Maylandia Travel, for example, has worked with Alpaca for many years and receive 20% commission. Maylandia Travel specialises in organising hotel accommodation for couples who are prepared to pay a little more to enjoy exceptional service and quieter hotels. Alpaca's hotels are Maylandia Travel's preferred choice. 60% of bookings for Alpaca South's hotels are made through this agent.

3. Online comparison sites

Online comparison sites are websites that provide guests with a selection of hotel accommodation available in their preferred locations on set dates. Alpaca pay 15% commission on the room bookings received through these sites. Alpaca find this useful when they have spare capacity and like to fill empty rooms by offering special last- minute deals.

Pricing and billing

Alpaca has a centralised IT system that is located at Head Office. That system gathers details from individual hotels and other channels on a real time basis and feeds this into Alpaca's internal reporting system.

The IT system includes a software package called APAS, which uses an algorithm to set rates for each hotel in real time. APAS takes account of:

- Rates offered online by competitors
- The number of unsold rooms available for the period of the booking and the until that period commences
- The time of year, allowing for the extent to which the specific hotel is affected by seasonal variations

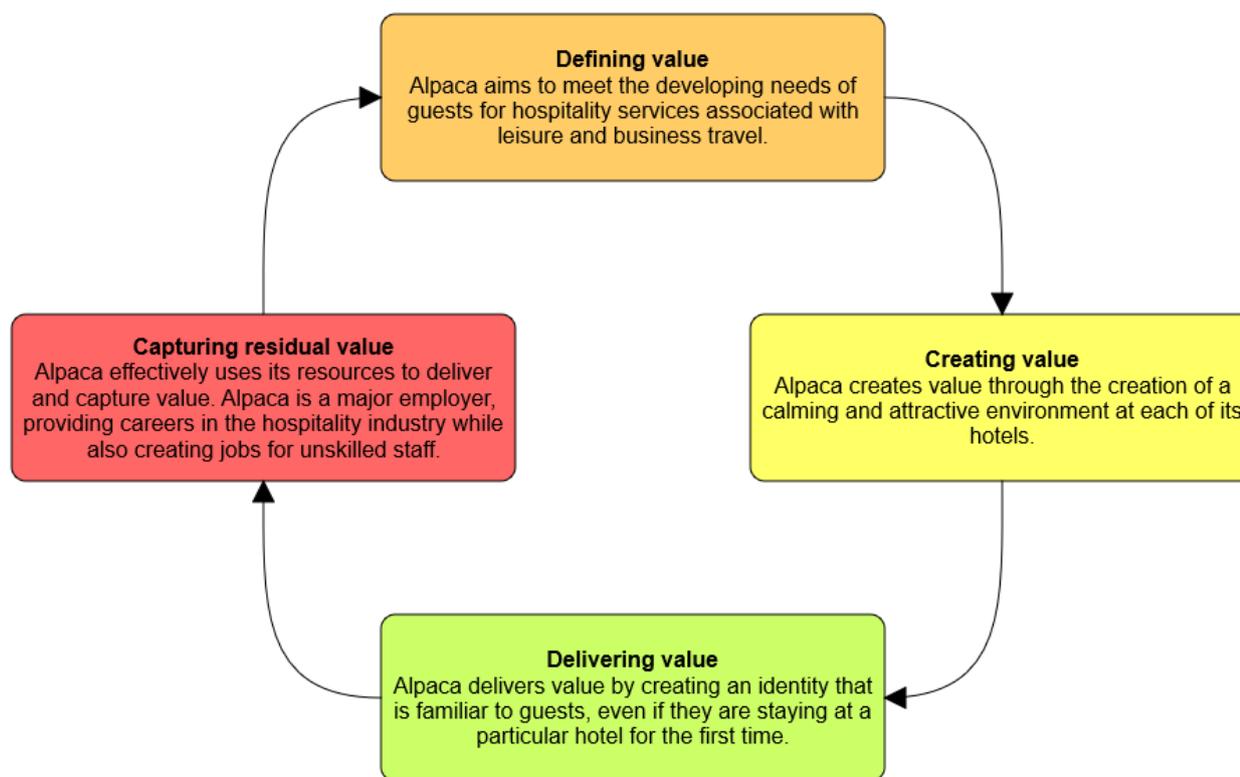
The rate is updated and subject to the usual commission or discount offered to bookings made through that route.

Pricing is also affected by the meal service chosen by the guest at the time of booking.

Guests can charge services to their room accounts. For example, all of Alpaca's hotels offer a room service menu that enables guests to order snacks or meals to be brought to their rooms at their convenience. Extra charges are usually paid on departure.

Alpaca has a policy of asking all guests to supply a valid credit card on arrival. If the guest leaves without paying for any outstanding accommodation or other charges, then the hotel uses the card details to take payment.

Alpaca business model



Internal reporting

Monthly management accounts are prepared by the central finance function and are distributed to each hotel manager at the end of the month, the hotel managers are required to add commentary and then submit this report to their regional manager within three days.

The individual hotel reports are consolidated on a divisional basis by the divisional management teams. These consolidated reports are discussed by the Board.

Budgeting process

Each Regional Director prepares a draft budget for each hotel within their geographical area. They consult with the hotel managers to determine the budgeted costs. Budgeted revenue is estimated from information gathered on the online booking system, previous trends and knowledge of events that could impact on the demand for rooms e.g. the build up to the “Year of Culture”.

Costs incurred by the holding company for support services are recharged to the subsidiaries on a monthly basis and described as ‘management recharges’ for reporting purposes.

Summary budget for 2020

Alpaca Hotel Group					
Budget for the year ended 31 December 2020					
	Alpaca Central	Alpaca North	Alpaca South	Total	
	M\$000	M\$000	M\$000	M\$000	
Available rooms per day	2,400	2,200	4,400	9,000	
Occupancy rate	78.90%	85.00%	83.00%	82.40%	
Revenue	169,061	156,304	247,744	573,108	
Direct costs					
Direct goods	35,529	32,026	53,374	120,929	
Staff costs	69,349	64,150	108,587	242,086	
	104,878	96,176	161,961	363,015	
Gross profit	64,183	60,128	85,783	210,093	
Gross profit margin	37.96%	38.47%	34.63%	36.66%	
Indirect costs					
Property costs (note 1)	29,479	32,407	45,946	107,832	
Administration expenses	12,328	12,872	11,122	36,322	
	41,807	45,279	57,068	144,154	
Operating profit (pre recharges)	22,376	14,849	28,715	65,939	
Operating profit margin (pre recharges)	13.24%	9.50%	11.59%	11.51%	
Management recharges (note 2)	8,453	7,815	12,387	28,655	
Operating profit (post recharges)	13,923	7,034	16,328	37,284	
Operating profit margin (post recharges)	8.24%	4.50%	6.59%	6.51%	
Note 1					
Includes depreciation					
Note 2					
Comprises recharge for central functions					

Alpaca Central management accounts March 2020

An extract from the management accounts of Alpaca Central for March 2020 is shown below:

Alpaca Central									
Management Information for March and Quarter 1 (January - March) 2020									
	March Actual	March Budget	March Variance	March Variance	YTD Actual	YTD Budget	YTD Variance	YTD Variance	
	M\$000	M\$000	M\$000	%	Jan - Mar	Jan - Mar	M\$000	%	
					M\$000	M\$000	M\$000	%	
Available rooms in period	74,400	74,400			218,400	218,400			
Occupancy rate	73.10%	78.90%			73.15%	78.90%			
Revenue	17,105	18,179	(1,074)	(5.91%)	52,299	54,536	(2,237)	(4.10%)	
Direct costs									
Direct goods	3,761	3,774	13	0.34%	10,857	11,459	602	5.25%	
Staff costs	8,201	7,817	(384)	(4.91%)	25,331	23,419	(1,912)	(8.16%)	
	11,962	11,591	(371)	(3.20%)	36,188	34,878	(1,310)	(3.76%)	
Gross profit	5,143	6,588	(1,445)	(21.93%)	16,111	19,658	(3,547)	(18.04%)	
Indirect costs									
Property costs (note 1)	2,897	3,169	272	8.58%	8,511	9,197	686	7.46%	
Administration expenses	993	1,027	34	3.31%	3,140	3,082	(58)	(1.88%)	
	3,890	4,196	306	7.29%	11,651	12,279	628	5.11%	
Operating profit (pre recharges)	1,253	2,392	(1,139)	(47.62%)	4,460	7,379	(2,919)	(39.56%)	
Operating profit margin	7.33%	13.16%			8.53%	13.53%			
Management recharges (note 2)	855	909	54	5.91%	2,615	2,727	(112)	(4.10%)	
Operating profit (post recharges)	398	1,483	(1,085)	(73.18%)	1,845	4,652	(2,807)	(60.34%)	
Visitadvisor average rating	3.8	4.5			4.0	4.5			
Note 1									
Includes depreciation									
Note 2									
Comprises recharge for central functions									

Alpaca Hotel Group consolidated financial statements**Consolidated Statement of Financial Position as at 31 December 2019**

	2019	2018
	M\$m	M\$m
Non- current assets		
Property, plant and equipment	1,985	2,067
Goodwill	6	6
	1,991	2,073
Current assets		
Inventory	3	2
Trade and other receivables	47	39
Cash and cash equivalents	188	98
	238	139
Total assets	2,229	2,212
Issued share capital	700	700
Share premium	100	100
Revaluation surplus	209	206
Retained Earnings	518	501
Total equity	1,527	1,507
Non-current liabilities		
Interest bearing borrowings	395	398
Deferred tax liabilities	86	94
	481	492
Current liabilities		
Bank overdraft	103	99
Trade and other payables	110	104
Provisions	2	2
Income tax payable	6	8
	221	213
Total equity and liabilities	2,229	2,212

Alpaca Hotel Group - Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	2019	2018
	M\$m	M\$m
Revenue	499	504
Cost of sales	(302)	(302)
Gross profit	197	202
Administration expenses	(79)	(76)
Distribution costs	(20)	(17)
Other operating expenses	(42)	(31)
Operating profit	56	78
Finance cost	(15)	(16)
Profit before tax	41	62
Income tax	(7)	(8)
Profit for the year	34	54
Other comprehensive income		
Gains on revaluation of property	3	2
Total comprehensive income	37	56

Alpaca Hotel Group - Consolidated statement of cash flows as at 31 December 2019

	M\$m	M\$m
Cash flows from operating activities		
Profit before tax	41	
Adjustments for		
Depreciation	26	
Loss on disposal	29	
Finance costs	15	
Increase in inventory	(1)	
Increase in receivables	(8)	
Increase in payables	6	
Cash generated from operations		
Interest paid	(15)	
Taxation paid	(17)	
Net cash from operating activities		76
Cash from investing activities		
Sale proceeds on the disposal of property, plant and equipment	86	
Purchase of property plant and equipment	(56)	
Net cash from investing activities		30
Cash flows from financing activities		
Loans repaid	(3)	
Dividends paid	(17)	
Net cash from financing activities		(20)
Increase in cash and cash equivalents		86
Opening cash and cash equivalents		(1)
Closing cash and cash equivalents		85

Additional information

News reports

Maylandia Daily News

Portent Hotels signs Jonjo Dwyre



Celebrity fitness expert Jonjo Dwyre has agreed to become Portent Hotels' Executive Trainer. This role will involve him taking charge of the redesign of the fitness centres at each of Portent's 60 hotels. He will also record a series of exercise videos that will be played on big screen monitors to encourage hotel guests to exercise properly.

Jonjo Dwyre became famous for his association with major film stars. He was recently credited with preparing Montrose Helm to play the part of a heavyweight champion boxer.

The fitness centres will be rebranded "Dwyre Fitness" after their conversion. They will be open to guests and so will be open to non-guests to take out a gym membership with their local Portent Hotel.

It is unlikely that you will bump into Jonjo at your local Portent Hotel, even if you do use its gym regularly. His role as "Executive" Trainer is to ensure that the design of the rooms and the associated fitness equipment meets his standards and also to design fitness programmes for gym users.

Maylandia Business Daily

Hospitality industry celebrates economic recovery



Hoteliers and restaurateurs generally have fond memories of the 1990s and early 2000s because they were generally associated with excess in terms of business travel and entertaining. Corporate entertaining was often lavish and expensive.

The Credit Crunch brought that to a very sudden end. The costs of travel and entertainment were an easy target for senior managers who were concerned about declining revenues.

The recent period of economic stability has encouraged businesses to take a more optimistic view of the economy and there is evidence that corporate expense accounts are less restricted than they were in the recent past. It is becoming more difficult to book tables at expensive restaurants, partly because there are more executives who are keen to impress potential clients by treating them to a nice meal.

Maylandia Daily News

Pie maker crumbles



Very few tourists visiting Southtown on Maylandia's South Coast would leave without making at least one visit to Joe's Pies. The shop was established in 1921 and has been owned by members of the Smith family ever since. Sadly, the shop is due to close next month, despite the best efforts of the town's residents to persuade the owner to carry on.

Magda Smith, manager of Joe's Pies and great-great-granddaughter of the shop's founder, told the Daily News that the shop was closing because of two words: "all inclusive". She said that most of the large hotels in the town had started to offer their guests all-inclusive deals. These mean that their accommodation charge includes the cost of any and all meals, snacks and drinks that they consume on hotel premises.

"Tourists used to eat breakfast and then leave their hotel for a day on the beach. When they got hungry, they would often come to our shop for one of our pies to keep them going under dinner time. Now they either sit at the hotel pool all day or they go back to the hotel for lunch or a snack. Why wouldn't they? It doesn't cost them anything to eat in the hotel."

Many of the catering establishments in Southtown have either closed or have reduced staff for the same reason. All-inclusive deals generally include a whole range of traditional treats, including ice cream and soft drinks.

Maylandia Business Daily

Accommodation become scarce in run up to Year of Culture



The Maylandian Ministry of Culture has warned those wishing to visit the forthcoming Year of Culture 2021 that they may find it difficult to secure accommodation.

Companies who wish to secure space to present their products may already have left it too late.

The Year of Culture will comprise a programme of events that will take place throughout 2021 across the country, celebrating Maylandian music, dance, poetry, art, theatre and crafts. The year will also include a major corporate “Global Pavilion” that will showcase the latest technology from Maylandia and elsewhere.

A spokesperson for the Ministry of Culture warned that many hotels were fully booked for the whole of 2021. Indeed, visitor numbers had increased in 2020 because of preparatory visits by event organisers, corporate sponsors and exhibitors.

Visitadvisor webpage reviews for Alpaca Mayburgh Principal Hotel

cleanliness	3.5
quality of service	3.2
location	4.1
quality of facilities	4.4
value for money	4.0
Average	3.8

Guest comments

Mark Long

Another great stay at the Principal. The concierge is fantastic – he can always get me a table at any “fully booked” restaurant in town.

Javier Fernandez, leisure traveller

I was really annoyed to be asked to leave the swimming pool on my first evening because there was no lifeguard on duty.

Erika Sorensen, business traveller

The hotel is in a great location. Close to the business district, but not too far from the West End when I want to party. I always tell my secretary to book me in there.