



Chartered Institute of
Management Accountants



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INTRODUCTION

Wise Choice Hotels is a family run business which currently operates four hotels in Macland, a country with a mature economy and a warm climate. Macland has the M\$ as its currency.

Wise Choice Hotels was started in 2005 after brother and sister, John Hayes and Molly Patel, inherited a significant sum of money after their elderly parents died. On receipt of their inheritance John and Molly purchased their first hotel. This is known within the business as Hotel 1 and is situated in Southcastle, a large city in the south of Macland.

In 2008 and 2012 respectively Hotels 2 and 3 were purchased. At the start of 2015 Hotel 4 was purchased. Each hotel is situated in either Southcastle or Fordtown a large town 40 kilometres from Southcastle.

All four hotels were purchased as going concerns. Hotels 1, 2 and 3 were in need of refurbishment and so immediately after purchase, each bedroom and communal area was refitted and the building re-decorated throughout. In respect of Hotel 4, other than re-decoration and changing a few of the bedrooms which had been damaged by a flood, little has been done.

The hotels each have bar and restaurant facilities, but there are currently no spa or gym facilities in any of them. Each hotel has its own identity and is managed independently by a dedicated hotel manager responsible for the day to day running. Each hotel has its own bank account and the manager is responsible for maintaining the basic accounting records.

Wise Choice Hotels is incorporated and its equity shares are owned equally by John Hayes, Managing Director, and Molly Patel, Operations Director. The Finance Director is Molly's husband, Rav Patel. John's wife, Pam Hayes, works part-time in the business as the Marketing Director.

The directors are based in a suite of offices in Hotel 1, but frequently visit all four hotels to deal with different issues. You are one of two Finance Officers based in the suite of offices that work directly for Rav Patel, the Finance Director.



PROFILE OF THE FOUR HOTELS



Hotel 1:

Acquired by Wise Choice Hotels in 2005

Location: Southcastle, business district

Hotel Manager: Tara Gomez

Number of rooms: 80

Average budgeted room rate for 2016: M\$105

Budgeted occupancy rate for 2016: 90%



Hotel 2:

Acquired by Wise Choice Hotels in 2008

Location: central Fordtown

Hotel Manager: Pierre Vert

Number of rooms: 90

Average budgeted room rate for 2016: M\$100

Budgeted occupancy rate for 2016: 80%



Hotel 3:

Acquired by Wise Choice Hotels in 2012

Location: Southcastle, shopping and theatre district

Hotel Manager: Patrick Jenkins

Number of rooms: 95

Average budgeted room rate for 2016: M\$100

Budgeted occupancy rate for 2016: 80%



Hotel 4:

Acquired by Wise Choice Hotels in 2015

Location: Southcastle, financial district

Hotel Manager: Seema Kahn

Number of rooms: 105

Average budgeted room rate for 2016: M\$110

Budgeted occupancy rate for 2016: 80%



ARTICLE IN THE LOCAL BUSINESS PRESS ON THE ACQUISITION OF HOTEL 4

Southcastle Gazette

7 January 2015 No. 7823

M\$1.20

Wise Choice Hotels extend hotel portfolio in Southcastle

Lorna Gomez, Business Correspondent

After months of being on the market, the old Forbes Hotel in the financial district of Southcastle has been sold to Wise Choice Hotels.

Wise Choice Hotels already own two other hotels in other areas of Southcastle and one hotel in neighbouring Fordtown.

Forbes Hotel has long been the resting place of weary business and leisure travellers and has been under threat of closure due to the death early last year of its previous owner, Callum Stinger.

John Hayes, Managing Director of Wise Choice Hotels said "We had been considering a number of different investment opportunities in Southcastle and the Forbes Hotel was the best option for us.

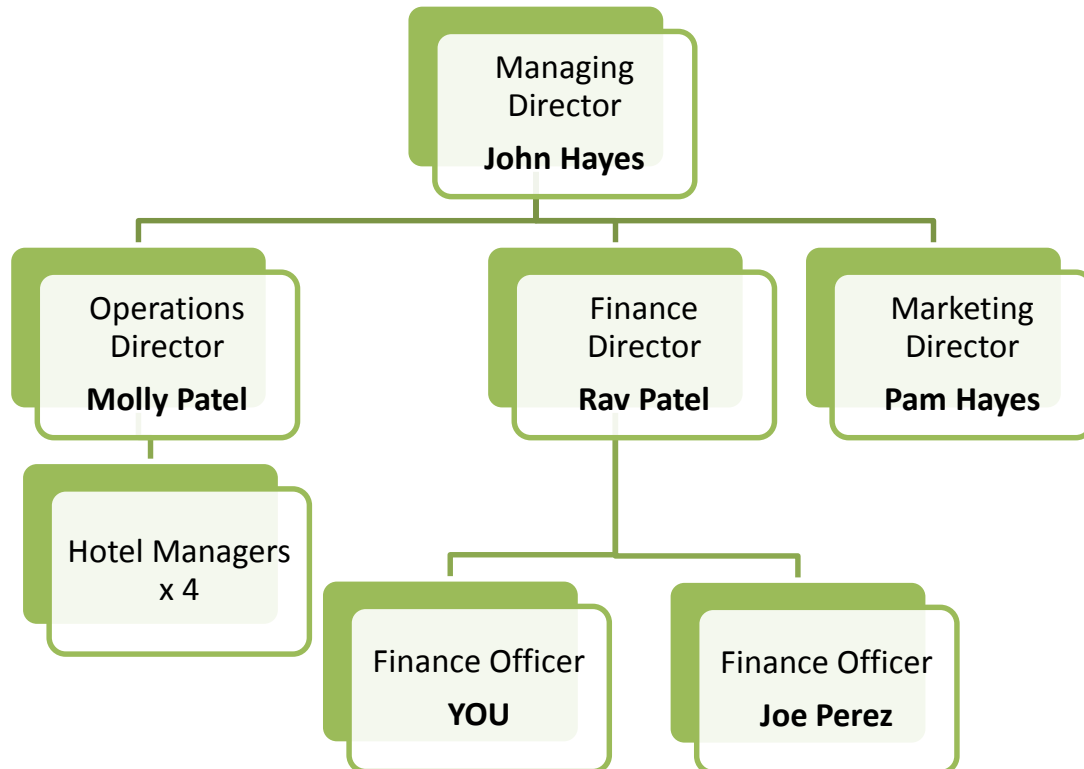
It allows us to expand our hotel portfolio into a different district of Southcastle. We're not planning to make any significant changes to the hotel, certainly for a year or so and we will keep all the existing staff"

This comes as a relief to the staff at the hotel who had been threatened with losing their jobs had a buyer not been found.





OVERALL ORGANISATIONAL STRUCTURE



Each hotel manager reports directly to the Operations Director on a day-to-day basis, but also report to the other three directors where appropriate.

There are also two secretarial and administrative assistants who work part time for the directors.



John Hayes (Managing Director)

- Before founding the company in 2005, John worked for many years as a property developer, involved in both large- and small-scale projects.
- As well as overall responsibility for the business, John is specifically responsible for all property related matters, including the acquisition of hotels, refurbishments and maintenance.

Molly Patel (Operations Director)

- Before founding the company with her brother John, Molly was a hotel manager for an international chain of hotels.
- Molly is responsible for the day-to-day operation of the hotels and is specifically responsible for the training of hotel staff and quality control.



Rav Patel (Finance Director)

- Before joining the company in 2005, Rav was a bank manager. He is not a qualified accountant, although has a good grasp of accounting from his banking experience.
- Rav is specifically responsible for the financial records, payroll and HR. An external firm of accountants is used to prepare statutory financial statements and to deal with all the tax affairs of the business.



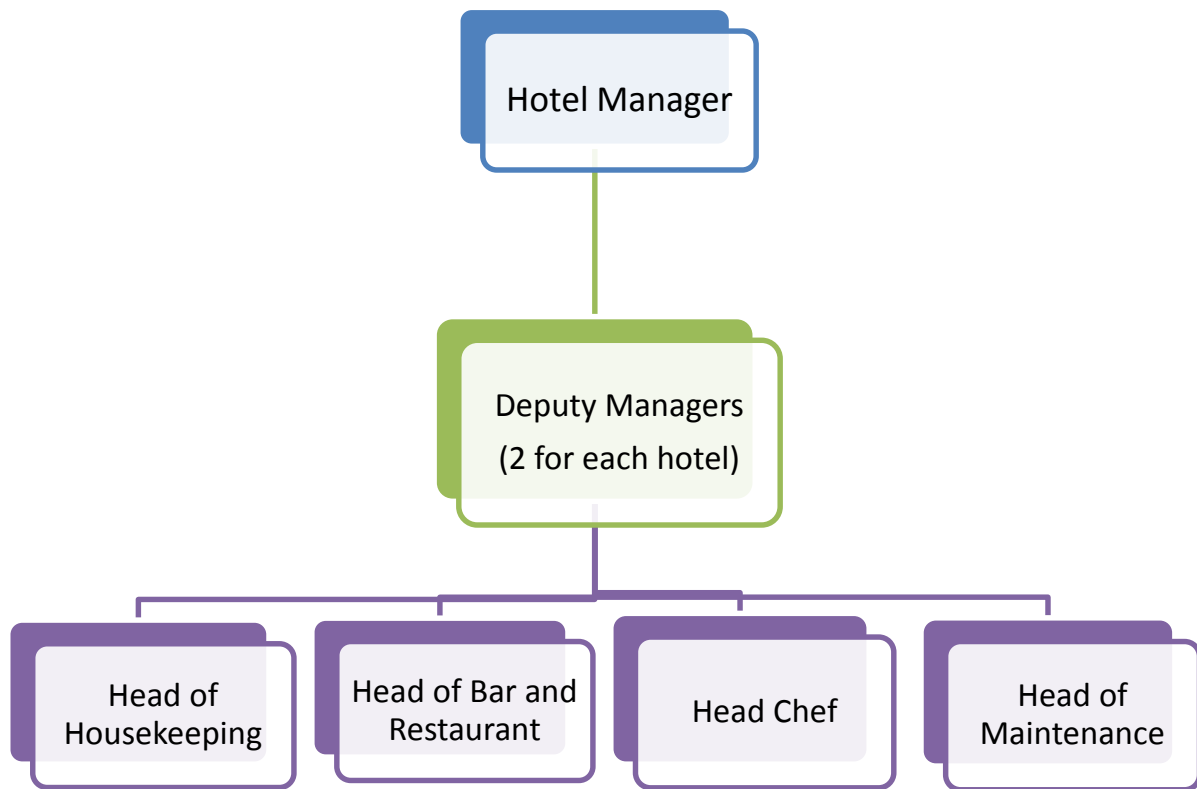
Pam Hayes (Marketing Director)

- Before joining the company in 2007, Pam was a marketing manager for a large retail business.
- Pam is specifically responsible for all of the marketing of the business and for setting up and maintaining each hotel's website (a skill she taught herself).





ORGANISATION STRUCTURE AT EACH HOTEL





KEY RESPONSIBILITIES OF MANAGERS

Position	Key responsibilities
Hotel Manager	<p>The Hotel Manager is responsible for:</p> <ul style="list-style-type: none"> • Recruiting, interviewing and appointing, along with two of the directors, Deputy Hotel Managers and Heads of Department. • Dealing with staff disciplinary issues, including termination of employment for junior staff. If there is a disciplinary issue with a Deputy Hotel Manager or a Head of Department, the directors will also be involved. • Maintaining a personnel file for each member of staff. • Creating the staff roster (with information from the Deputy Managers and their direct reports) and collating the hours worked on a weekly basis for all weekly paid staff. • Liaising with corporate customers, including setting credit terms. • Ensuring that the booking system is operating appropriately and notifying the Marketing Director of any changes to be made to the hotel's website. • Authorising expenditure on property maintenance (including the building and fixtures and fittings) up to the value of M\$1,000. Any expenditure above this amount must be authorised by both the Finance Director and the Managing Director.



Position	Key responsibilities
Deputy Managers	<p>The Deputy Managers are responsible for:</p> <ul style="list-style-type: none"> • Guest bookings, reception services and dealing with guest complaints, in the first instance. • Deputising for the Hotel Manager when he, or she, is not on the hotel premises. It is expected that either the Hotel Manager or one of the Deputy Managers will be on site in the hotel at all times. In rare circumstances such as illness, one of the Directors will take this role. • Recruiting and the day to day management of reception staff.
Head of Housekeeping	<p>The Head of Housekeeping is responsible for:</p> <ul style="list-style-type: none"> • Ensuring that the rooms are cleaned and replenished to the correct standard on time. • Recruiting and managing the team of housekeeping staff on a day-to-day basis. • Ensuring that laundry is sent to the external laundry service provider in a timely manner. • Ordering cleaning products and complimentary items when required. Any changes to the cleaning products used or complimentary items are agreed with the Hotel Manager.
Head of Bar and Restaurant	<p>The Head of Bar and Restaurant is responsible for:</p> <ul style="list-style-type: none"> • Selecting the beverages for the bar and for ensuring that there is an appropriate level of inventory in the bar. • The quality of service given to guests in the bar and restaurant. • Deciding on staffing levels on a day-to-day basis and the recruitment of bar and waiting staff. • Dealing with guest complaints in the first instance. They have the authority to issue refunds or vouchers if required.



	<ul style="list-style-type: none"> • Setting the prices to guests for beverages and food (together with the Head Chef and the Hotel Manager).
Head Chef	<p>The Head Chef is responsible for:</p> <ul style="list-style-type: none"> • Designing and selecting the meals to be included on the menu. • Sourcing and ordering ingredients. • Ensuring that the quality of the food leaving the kitchen is appropriate. • Recruiting kitchen staff and the day-to-day staffing levels. • Setting the prices to guests for beverages and food (together with the Head of Bar and Restaurant and the Hotel Manager)
Head of Maintenance	<p>The Head of Maintenance is responsible for:</p> <ul style="list-style-type: none"> • Ensuring the upkeep of the hotel's structure and decoration, both internally and externally, and liaising with the Managing Director where external contractors are required. • Ensuring that all minor repairs are carried out in a timely manner. • Recruiting and managing maintenance staff on a day-to-day basis.



FURTHER INFORMATION ABOUT HOW THE HOTELS OPERATE

Each hotel is run as an independent unit, with its own bank account, booking and accounting systems.

Customers

Each of the hotels caters to both business and leisure guests. Based on the actual guests in 2015, the proportions of each at each hotel are shown below:

Hotel	Proportion of business to leisure guests shown as a ratio	Percentage of business guests linked to corporate customers
Hotel 1	70 : 30	75%
Hotel 2	50 : 50	60%
Hotel 3	20 : 80	80%
Hotel 4	60 : 40	60%

All leisure guests pay when they check out of their room. Business guests either do the same or are linked to one of the hotel's corporate customers, who use the hotel as accommodation for their employees travelling on business.

Corporate customers pay according to agreed credit terms set with the Hotel Manager. On average, for the business as a whole, this is 30 days after the corporate guest has checked out. All corporate customers are based in Macland.

If a room has been booked and the booking is cancelled not less than 24 hours before the check in time, there is no charge for the cancellation. If the guest cancels within the 24 hour period, or does not turn up, an invoice is sent for the price of the room, either directly to them, or to the corporate customer. Typically, 75% of these invoices get paid.

Websites and bookings system

Each hotel has its own website which is linked to its independent bookings system, a simple software package. Each time a booking is made through the website the system up-dates room availability. This software is not linked in any way across the hotels.

At least 70% of leisure guests book directly through the website, with the rest booking over the phone. To ensure room availability, the person taking the phone booking updates the system whilst on the call. If, when trying to make a booking for a Southcastle hotel the required room is not available on the date specified the potential guest is re-directed to a nearby Wise Choice Hotel.

Corporate customers usually request bookings via email, these are processed on the system as soon as possible. If a room is not available for the dates requested, the corporate customer is contacted and re-directed to the next closest Wise Choice Hotel.



Accounting system

Each hotel uses the same standard accounting package. It is a Finance Officer's responsibility to process all transactions, make payments to suppliers and reconcile the bank account.

A standard payroll package is also used at each hotel. The processing of payroll and payments to staff are carried out by a Finance Officer, after the approval of the payroll by the Finance Director.

At the end of the month, the Finance Officer generates monthly accounts from the system and uses these to prepare performance reports for each hotel. These performance reports include a comparison of actual performance against the original budget and key statistics, such as receivable and payable days and cash generation.

There is no central accounting system: each hotel operates its own system and bank account.

An external firm of accountants is used to prepare the end-of-year financial statements and deal with all of the company's tax affairs (excluding payments for payroll taxes which are actioned by a Finance Officer and approved by the Finance Director).

Finance Officer role

The Finance Officer is responsible for:

- Visiting each hotel on a rotational basis and:
 - processing all purchase and sales transactions
 - generating payments to suppliers
 - ensuring that corporate customer accounts are paid in a timely manner and chasing for payment if required
 - processing the payroll and making payments to hotel staff
 - reconciling the hotel's bank account each month
 - preparing performance reports for each hotel on a monthly basis
 - transferring cash balances from the hotel's own bank account into the central business bank account.
- Reconciling the central business bank account each month.
- Preparing analysis of financial information for the business as required by the directors.
- Assisting in the preparation of budget information in respect of each hotel. This will be prepared once a year (usually in November) for the forthcoming calendar year.
- Preparing reports and explanations for the directors as required on matters affecting the business.



EXTRACTS FROM WISE CHOICE HOTELS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Wise Choice Hotels

Statement of profit or loss for the year ended 31 December:

	2015 M\$000	2014 M\$000
Revenue	11,138	7,925
Operating costs	(8,984)	(6,023)
Profit before tax	2,154	1,902
Tax	(643)	(571)
Profit for the year	1,511	1,331

Wise Choice Hotels

Statement of Financial Position at 31 December:

	2015 M\$000	2015 M\$000	2014 M\$000	2014 M\$000
ASSETS				
Non-current assets				
Intangible assets (see note 2 on next page)	733		423	
Property, plant and equipment (see note 1 on next page)	5,844		3,829	
		6,577		4,252
Current assets				
Inventory	362		260	
Trade and other receivables	378		224	
Cash and cash equivalents	4,344		4,961	
		5,084		5,445
Total Assets		11,661		9,697
EQUITY AND LIABILITIES				
Ordinary share capital issued		1,500		1,500
Retained earnings		8,625		7,114
Total equity		10,125		8,614
Current liabilities				
Trade and other payables	893		512	
Tax payable	643		571	
		1,536		1,083
Total equity and liabilities		11,661		9,697

Wise Choice Hotels

**Statement of Cash Flows for the year ended 31 December 2015**

	M\$000	M\$000
Cash flows from operating activities		
Profit before tax		2,154
Adjustments		
Depreciation	305	
Amortisation	90	
		395
Movements in working capital		
Increase in inventories	(102)	
Increase in trade and other receivables	(154)	
Increase in trade payables	381	
		125
Cash generated from operations		2,674
Tax paid		(571)
Net cash from operating activities		2,103
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,320)	
Purchase of intangible assets	(400)	
Net cash from investing activities		(2,720)
Net increase in cash and cash equivalents		(617)
Cash and cash equivalents at the beginning of the year		4,961
Cash and cash equivalents at the end of the year		4,344

Notes on the financial statements:

1. Wise Choice Hotels has a policy of depreciating items of property, plant and equipment for a full year in the year of purchase and not depreciating in the year of disposal.
2. Intangible assets comprise the purchased goodwill from the acquisition of hotels. Each of Hotels 1, 2, 3 and 4 was acquired as a going concern, with Wise Choice Hotels purchasing the assets and liabilities of the business, rather than the equity shares of the company which owned the hotel business. Goodwill arose because the price paid for the hotel business for each of Hotels 1, 2, 3 and 4 was greater than the net of the assets and liabilities acquired. The purchased goodwill has been capitalised as an intangible asset and is amortised annually.



WISE CHOICE HOTELS SUMMARY BUDGET INFORMATION

Budgets are prepared by Rav Patel, Finance Director, annually on an incremental basis. This requires the assistance of the Finance Officers, the other Directors and the four Hotel Managers.

Total budgeted profit:

	Budget for the year ended 31 December 2016 M\$000	Budget for the year ended 31 December 2015 M\$000
Revenue from hotels	13,582	12,391
Variable hotel operating costs	(4,414)	(4,089)
Contribution from hotels	9,168	8,302
Fixed hotel operating costs	(4,358)	(4,248)
Operating profit from hotels (note 1)	4,810	4,054
Central costs:		
Depreciation and amortisation (note 2)	(413)	(413)
Marketing	(650)	(650)
Directors' salaries	(320)	(300)
Central administrative costs	(575)	(560)
Budgeted profit	2,852	2,131

Note:

1. The budgeted operating profit from hotels is derived from the detailed budget for each hotel. Each hotel's budget includes analysis of revenues and operating costs in regard to two distinct operating areas; room and bar & restaurant.
2. Depreciation and amortisation are treated as central costs and are not attributed to hotel operating profit for the purposes of budgeting.

Total budgeted hotel revenue for the years ended 31 December 2016 and 2015:

Hotel	Budget for the year ended 31 December 2016 *			Budget for the year ended 31 December 2015		
	Room revenue M\$000	Bar & restaurant revenue M\$000	Total M\$000	Room revenue M\$000	Bar & restaurant revenue M\$000	Total M\$000
Hotel 1	2,759	552	3,311	2,628	526	3,154
Hotel 2	2,628	497	3,125	2,497	473	2,970
Hotel 3	2,774	416	3,190	2,635	305	2,940
Hotel 4	3,373	583	3,956	2,951	376	3,327
Total	11,534	2,048	13,582	10,711	1,680	12,391



*The major changes budgeted in respect of revenue generation in 2016 compared to 2015 are:

- To increase the occupancy of Hotel 4 from 70% to 80%, by not increasing room rates.
- To increase guest usage and spend per head in the bars and restaurants for Hotels 3 and 4.

Room revenue income stream

Total budgeted room revenue for the year ended 31 December 2016:

Hotel	Number of rooms	Budgeted average occupancy	Budgeted occupied rooms in the year	Budgeted average room rate* M\$	Budgeted room revenue M\$000
Hotel 1	80	90%	26,280	105.00	2,759
Hotel 2	90	80%	26,280	100.00	2,628
Hotel 3	95	80%	27,740	100.00	2,774
Hotel 4	105	80%	30,660	110.00	3,373
Total					11,534

*The average room rate is for the room for the night plus breakfast in the morning. In all of the Wise Choice Hotels there is only one grade of room available, however the price charged for each room varies depending on when the booking is made. This budgeted room rate is based therefore an average of the room rates.

Total budgeted hotel operating costs related to room revenue for the year ended 31 December 2016:

Hotel	Variable costs related to room revenue M\$000	Fixed costs related to room revenue M\$000	Total hotel operating costs related to room revenue M\$000
Hotel 1	850	813	1,663
Hotel 2	860	840	1,700
Hotel 3	894	831	1,725
Hotel 4	1,002	962	1,964
Total	3,606	3,446	7,052

Notes:

1. Variable costs vary with the level of occupancy in respect of room revenue. The budgeted variable costs in the above table are based on the budgeted occupancy rates.
2. The variable costs associated with room revenue includes the costs of food and beverages for breakfast provision, house-keeping costs (the costs of complimentary items and cleaning products used), the costs of laundering towels and bedding, as



well as 85% of total hotel energy costs and the variable element of staff costs associated with house-keeping, reception and maintenance.

3. The fixed costs related to room revenue includes the fixed element of staff costs in respect of housekeeping, reception and maintenance and 85% of the total hotel property related costs.

Bar and restaurant income stream

Total budgeted bar and restaurant revenue for the year ended 31 December 2016:

Hotel	Budgeted occupied rooms per year	Budgeted proportion of guests using facilities	Budgeted number of guests using facilities in the year	Budgeted bar and restaurant revenue for each guest using facilities M\$	Budgeted bar and restaurant revenue M\$000
Hotel 1	26,280	60%	15,768	35.00	552
Hotel 2	26,280	60%	15,768	31.50	497
Hotel 3	27,740	50%	13,870	30.00	416
Hotel 4	30,660	50%	15,330	38.00	583
Total					2,048

Total budgeted hotel operating costs related to bar and restaurant (B&R) revenue for the year ended 31 December 2016:

Hotel	Variable costs related to B&R revenue M\$000	Fixed costs related to B&R revenue M\$000	Total hotel operating costs related to B&R revenue M\$000
Hotel 1	206	210	416
Hotel 2	201	246	447
Hotel 3	175	213	388
Hotel 4	226	243	469
Total	808	912	1,720

Notes:

1. Variable costs vary with the level of guest usage in respect of bar and restaurant revenue. The budgeted variable costs in the above table are based on the budgeted guest usage rates.
2. The variable costs related to bar and restaurant revenue includes the costs of food and beverage purchases associated with this revenue, 15% of total hotel energy costs and the variable element of bar and restaurant staff costs.
3. The fixed costs related to bar and restaurant revenue includes the fixed element of bar and restaurant staff cost and 15% of total hotel property related costs.

**Additional notes on budgeted costs:**

1. All hotels send laundry to an external laundry service which is situated 30 kilometres from Hotel 1. This is the large laundry facility which has contracts with a number of hotels in the area.
2. House-keeping costs are the costs of cleaning and restocking the bedrooms with complimentary items such as tea, coffee, cookies, shampoo and body wash. The budgeted cost of replenishing complimentary items is based on the average level of replacements per room occupied.
3. The budgeted breakfast cost has been calculated at M\$5 per room per night occupied. This is an average cost adjusted for the average number of guests that occupy a room.
4. 20% of staff costs are variable in nature and 80% fixed for all hotels.
5. Property cost includes property insurance and general repairs and maintenance. It also includes M\$250 per room per year for the replacement of bedding and towels. For both 2015 and 2016 no significant refurbishment expenditure was budgeted.

Budgeted contribution for the year ended 31 December 2016**From room revenue:**

Hotel	Budgeted total contribution M\$000	Budgeted occupied rooms per year	Budgeted room contribution per room occupied M\$
Hotel 1	1,909	26,280	72.64
Hotel 2	1,768	26,280	67.28
Hotel 3	1,880	27,740	67.77
Hotel 4	2,371	30,660	77.33
Total	7,928		

From bar and restaurant revenue:

Hotel	Budgeted total contribution M\$000	Budgeted number of guests using the facilities in the year	Budgeted bar and restaurant contribution per guest using the facilities M\$
Hotel 1	346	15,768	21.94
Hotel 2	296	15,768	18.77
Hotel 3	241	13,870	17.38
Hotel 4	357	15,330	23.29
Total	1,240		



EMPLOYEES

Number of employees:

	Directors	Managers/Heads of	Other	Total
Hotel 1	-	7	22	29
Hotel 2	-	7	25	32
Hotel 3	-	7	22	29
Hotel 4	-	7	29	36
Head office	4	-	4	8
Total	4	28	102	134

Employment policy:

The directors of Wise Choice Hotels pride themselves on their employment policy. Each member of staff is contracted to work a minimum of 30 hours a week. This is unusual in Macland's hotel industry, where it is common for employees to be employed on zero-hour contracts (where there is no guarantee of any work for employees).

Each week, the Hotel Manager is responsible for preparing the staff roster and ensuring that these minimum hours are allocated to each employee. Usually, employees work at least 38 hours a week. If occupancy is higher than average, this can increase to 45 hours a week. If occupancy is lower than average, this can decrease to 30 hours a week. In rare cases where there is not enough normal hotel work to fill the 30 hours, employees are utilised in deep cleaning or tidying areas of the hotel.

Employees are paid for the hours that they work each week, based on an hourly rate. This rate is above the national minimum wage for Macland (which again is unusual for the hotel industry). An overtime premium is paid when an employee works more than 42 hours in a week.

All employees are entitled to free meals at the hotel whilst at work. If an employee works beyond ten o'clock in the evening the business pays for a taxi for them to get home. If rooms are unoccupied and it is difficult for an employee to get home, they are allowed to stay at the hotel free of charge.

Environmental concerns

Each hotel bedroom has a notice which offers guests the chance to not have their towels washed on a daily basis, in a bid to save water and energy. Recently, all light bulbs in all hotels were replaced with energy saving bulbs.

All food and beverage waste is sent to a composting facility and each hotel is encouraged to recycle as much beverage and food packaging as possible. There is a fee for transporting both food waste and recycling to the relevant facilities. Towels and bedding that are no longer fit for purpose are also recycled in this way.



The wider community

Wise Choice Hotels makes regular donations to local charities and sponsors a children's football team in Fordtown.



EXAMPLES OF GUEST REVIEWS WHICH WERE POSTED ON THE RESPECTIVE HOTEL'S WEBSITE

Hotel 1: Average score is 8.8 out of 10

Rating: 9/10

What a charming little find. This is the first time I've stayed at Hotel 1 and it won't be the last. Breakfast was excellent, as was dinner the night before. Great location for the business district and the staff on the reception desk could not have been more helpful.

Rating: 8/10

This is the third time that my employer has booked me a room at Hotel 1 and as usual it was a great stay. It was convenient for work, lovely food and friendly and helpful staff. The only slight comment I would make is that the décor is looking a little bit tired, although the facilities were all that I needed.

Hotel 2: Average 9.1 out of 10

Rating: 10/10

This hotel is excellent value for money. Breakfast was stunning: lots of choice and really well cooked. I will definitely be back. I loved the fact that the hotel not only offers the chance to save energy and water by not having towels washed, but actually acts on it. I've stayed in hotels offering the same, but even though I selected not to have my towels washed they were changed anyway.

Rating: 8/10

I stayed for the weekend as I had a family party to attend. Very convenient for the centre of town and the hotel itself was great. Noise was a bit of an issue though, in the early hours of Saturday and Sunday morning. I was in a room at the front: I would ask for a room at the back of the hotel in future.



Hotel 3: Average 8.1 out of 10

Rating: 8/10

This is a good hotel if you want a central base for shopping in Southcastle. The exterior of the hotel does not look too appealing, but inside the rooms are lovely and well appointed. I did have to send my breakfast back as it had arrived cold; although this was rectified very quickly.

Rating: 5/10

The hotel itself was good; but dinner in the restaurant was poor. We waited over an hour to receive our meals after ordering and then the food was bland and uninteresting.

Response from Patrick Jenkins, Hotel Manager:

Sorry to hear about your experience in our restaurant, we hope that it will not deter you from coming to stay with us again; especially as we have just launched a new menu.

Hotel 4: Average score 6.9 out of 10

Rating: 6/10

The hotel itself is a beautiful building and the rooms have everything needed for a comfortable stay. I did have an issue that my bathroom was not as clean as I would have expected and my bed linen had stains on it. After complaining a member of housekeeping was sent to rectify the situation; although not for over an hour. I would have expected it to be a little better.

Breakfast was as I would expect, although the dining room is looking a little tired and in need of modernisation.

Rating: 4/10

I was not impressed by my stay at Hotel 4. The furniture in my bedroom was old-fashioned and the bathroom needs a complete overhaul in my view. Breakfast was fine and staff helpful enough, but the hotel just lacks any real character.

Response from Seema Kahn, Hotel Manager:

Sorry to hear that you were not impressed with your stay in our hotel. We will be embarking on a complete refurbishment programme within the next two years and hope that you will come and see us after this has been completed.



INDUSTRY INFORMATION

Types of Guest

There are a wide range of hotels available in Macland that cater for a wide range of budgets. Guests that stay in the hotels can be categorised into two types: business or leisure.

Typically guests that travel for business purposes require hotels in the main towns and cities of Macland. The length of stay booked by this type of guest is on average two nights.

Those guests traveling for leisure do so for a number of reasons. If they require a relaxing vacation then they are more likely to book a hotel in a coastal resort (of which there are many in Macland because of its warm climate) or in the country. Typically hotels that cater to this type of guest will have swimming and gym facilities: many also have golf courses. The length of stay booked by this type of guest is usually either 7 or 14 nights.

Alternatively, many guests travel for leisure to visit towns and cities, to see the sights and take advantage of theatres and shopping. The length of stay booked for this type of guest is, on average, three nights.

The leisure travel market

There are a number of leisure travel companies in Macland who act as agents between the leisure hotels and guests, typically for vacation trips for a week or more. In 2005 there were 95 such companies, in 2015 this had fallen to 30. The reason for this decline was guests' increasing confidence in sourcing hotels themselves, through the hotels' own website. The 30 companies that survive do so because they have specialised, or differentiated their service, in some way. The leisure travel company market in Macland is now thought to be in a steady state.

There is an organisation in Macland called the Macland Leisure Travel Authority (MLTA), which was set up to protect the rights of leisure travellers. Each of the remaining 30 leisure travel companies is a member of MLTA, as are all of the major hotel chains. By booking a hotel room through a member of MLTA a guest is able to claim back any deposit, or advance booking monies, that have been paid.

Similarly, a smaller hotel can claim protection against any debts owing from trading with a leisure travel company.

Most small independent hotel chains, including Wise Choice Hotels, are not members of MLTA and do not trade with leisure travel companies.

The hotel market

There are eight major hotel chains with hotels located all around the country, accounting for 75% of all hotels in Macland. The other 25% of hotels are either wholly independent or are part of a small group. Many of these independent and small hotel groups are family owned businesses, like Wise Choice Hotels. Within the Southcastle and Fordtown area, Wise Choice Hotels represents 10% of the market in terms revenue generation.



TAX REGIME IN MACLAND

Corporate Profits

- The corporate tax to be applied to taxable profits is 30%.
- Unless otherwise stated below, accounting rules on recognition and measurement are followed for tax purposes.
- The following expenses are not allowable for tax purposes:
 - accounting depreciation
 - amortisation
 - impairment charges
 - entertaining expenditure
 - donations to political parties
 - taxes paid to other public bodies.
- Tax depreciation allowances are available on items of plant and equipment (including vehicles used for business purposes) at a rate of 25% per year on a reducing balance basis.
- Where a company is in receipt of a government grant, the tax treatment will depend on the nature of the grant. For tax purposes, capital grant money received in the year is netted off the capital value of the asset to which it relates prior to tax depreciation allowances being calculated. Any capital grant income released to profit or loss in the year is not taxable. Revenue grants released to profit or loss in the year are treated as income for tax purposes.
- Tax losses can be carried forward indefinitely to offset against future taxable profits from the same business.
- A company is deemed to be resident in Macland if it has its principal place of management there. A resident company will pay Macland corporate tax on all of its profit irrespective of the country in which the profit is earned. Wise Choice Hotels is resident in Macland.
- Where a company resident in Macland owns a subsidiary company which is resident in another country, any dividends paid by that subsidiary to the parent company will be treated as income of the parent company and will be taxed at the corporate tax rate.
- Double taxation treaties exist with a number of other countries. All of these treaties give relief for double taxation in respect of any withholding and underlying tax suffered on dividends received. Relief is available using the tax credit method.