



August 2019 Management Case Study Examination

Pre-seen material



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Cruisecalm is a quoted company that operates a fleet of holiday cruise ships. Cruisecalm is based in Portaro, a major city in Norland. Portaro offers extensive shipping facilities and is a major business centre.

Norland is a developed country that has a high standard of living. The average age of the population is relatively high, with large numbers of citizens who can afford to indulge themselves in expensive holidays.

Norland's currency is the N\$. Companies are required to prepare their financial statements in accordance with IFRS.

You are a financial manager in Cruisecalm's Head Office. Your primary responsibilities are associated with management accounting, you report to the Senior Financial Manager, who reports directly to the Finance Director.

The cruise industry

The cruise industry is a major element of the global tourism industry. There are approximately 50 cruise lines, offering a wide range of experiences that include:



- **Ocean cruises** – generally associated with vacations that last for one or two weeks. Each cruise has an itinerary, stopping at predetermined ports of call. Ocean cruises are generally provided using large cruise ships that offer comfortable accommodation, even when they encounter rough seas.



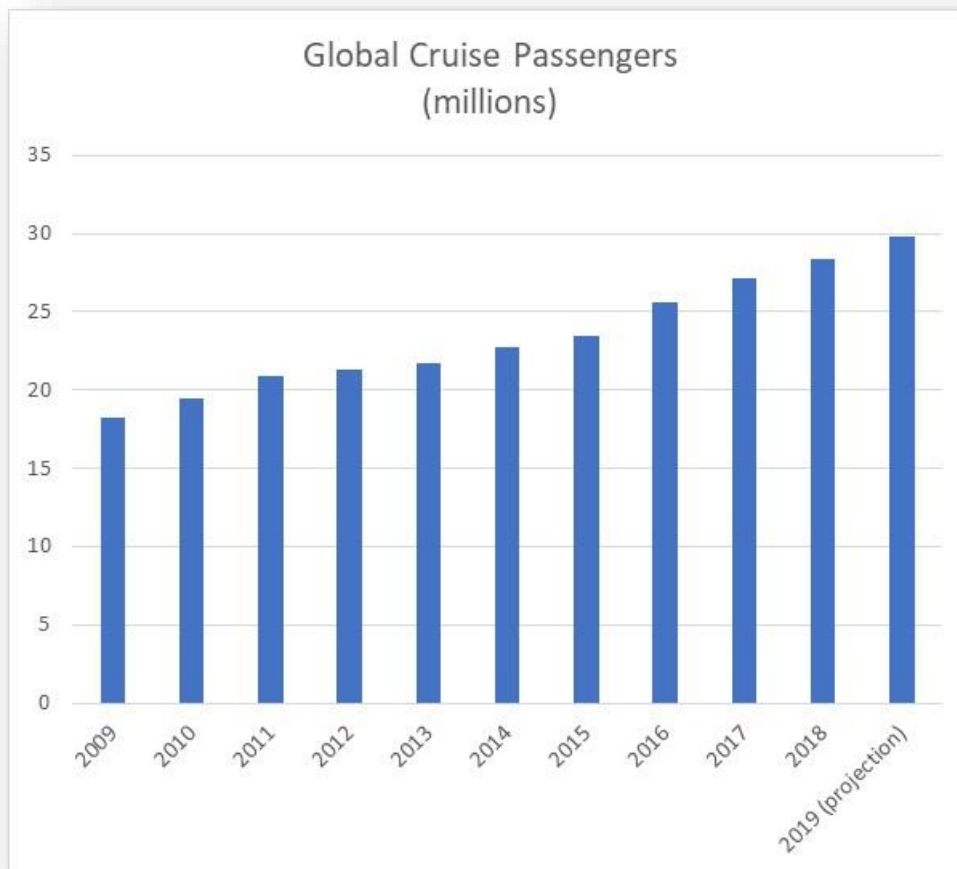
- **River cruises** – generally involve vacations of up to a week. The itinerary usually follows a navigable river, stopping at cities and other points of interest along the way. The ships used for river cruises are generally much smaller than those used for ocean cruises, but they still offer comfortable accommodation.



- **Speciality cruises** – take a host of different forms, ranging from itineraries that might not attract typical cruise passengers to traditional cruises that are promoted with a view to attracting a specific clientele. For example, “expedition cruises” may require ships that are designed to operate in high-risk environments, such as the polar oceans. Passengers might then have the opportunity to go ashore for “adventure” activities or to observe local wildlife. Speciality cruises can also

use normal ocean-going cruise ships to visit traditional holiday destinations, but with the addition of themed activities while cruising. For example, “literary cruises” embark famous authors who are paid to give talks about their work in the ship’s theatre and interact with passengers in organised workshops.

Passenger numbers have grown steadily for the past decade, with 28.4 million confirmed passenger bookings in 2018:



Worldwide, there are approximately 50 cruise lines, which operate a total of 480 ships. Ocean cruises are by far the most popular, with some of those taking the form of a themed speciality cruise. River cruises and adventure-type specialty cruises tend to be offered by companies whose ships are designed for those niche markets.

Most ocean cruises are for either seven or fourteen nights. Generally, passengers fly from their home country to join their ship during one of its designated port calls. At the conclusion of their holiday, passengers disembark and fly home.



Passengers choose their cruises on the basis of both the destinations that they will be able to visit and the facilities offered by the ship. Ships make port at least once every two days on typical ocean cruises. Some regions have so many potential destinations that it is possible to make port in a new location every day. Ideally, the ship will sail at night while the passengers are dining and sleeping and will arrive at each new destination with

sufficient time to disembark for sightseeing or some other activity.

Shore visits tend to last between 8 and 12 hours. That may not permit a great deal of time ashore, because of the logistical issues associated with passengers disembarking, passing through passport control and customs and allowing sufficient time to return to the ship. Some stops involve tying up in a large port that requires passengers to take buses to the destination itself.



The ocean cruise ships themselves are designed to make the time spent aboard relaxing and enjoyable. Passengers can generally choose between a variety of dining options, with a range of different types of meal service on offer. The ships generally have public spaces that cater for diverse activities, including shopping, health and beauty spas, swimming pools and areas for sunbathing. Most ships have theatres that stage live shows featuring resident musicians,

dancers and other acts and can also be used to offer briefings about forthcoming destinations.

Cruises are priced to take account of the standard of service available on the ship, the number of shore excursions and the standard of cabin. Most ships offer different classes of accommodation. More expensive cabins have a bulkhead (or wall) that is adjacent to the ship's hull and so they have windows and even balconies. Cheaper cabins are fully enclosed within the ship and do not have an exterior view.



The cruise industry is adapting to reflect changing consumer tastes and interests. Traditionally, cruises were associated with older passengers, who were prepared to buy expensive holidays that promised to be peaceful and relaxing. That market still exists, but there is a growing demand for cruises for younger passengers, including families with children. Those differ in terms of the types of shore visits offered, with a greater emphasis on activities

rather than sightseeing. For example, passengers may be taken ashore to a beach for a volleyball tournament and barbecue. The facilities offered by the ships will also differ, with entertainment being aimed at a younger audience and shipboard activities such as basketball courts and climbing walls.

In comparison to traditional land-based package holidays, the pricing of cruises can be complicated. Traditional holidays are priced on the basis of the choice of destination, the time of year and the class of hotel. Potential holidaymakers can easily compare prices between different holidays offered by different holiday companies because the prices quoted are largely "all-inclusive".

Cruise holidays tend to offer more choices (see below). Potential passengers are offered a price based on the itinerary, but then there are significant additional charges that reflect further choices that must be made. For example, most ships offer different classes of cabin and different dining options. Passengers are also invited to pre-book for certain shipboard activities, such as spa treatments, and for shore excursions. These choices can have a significant effect on the total cost of a cruise, which can complicate the booking process and can also make it difficult to choose between different cruise companies.

Cruisecalm's history



The Steam Mailboat Company (SMC) was founded in 1890 to transport mail and general cargo to Norland's outlying islands. The company grew rapidly, winning major government contracts. SMC's ships always offered cabins for paying passengers and, over time, that side of the business became a major source of revenue. By 1920, the company had divested itself of its mail and cargo services and was operating passenger-only services to a wide variety of destinations. In those days, most long-distance travel

was by rail or sea. Air travel was in its infancy and was extremely expensive.

SMC continued to grow until the 1960s, when commercial aviation developed to the point where it offered a quick and relatively affordable alternative to travelling by ship. SMC sold its smaller ships and upgraded its larger ships to offer a luxurious passenger experience. SMC also invested in new ships that offered ever higher standards of comfort and performance.

In 1970, SMC changed its name to Cruisecalm and obtained a listing on the Norland stock exchange.

During the 1970s, the holiday industry went through a major upheaval, with a significant increase in the availability of charter airlines that enabled holiday companies to offer "package holidays", combining flights and hotel accommodation in popular holiday resorts. Many smaller cruise lines found it difficult to compete against the package holiday providers and were forced to close. Cruisecalm's revenues were not too seriously affected by this change because it had always aimed at the more luxurious end of the market. It had a loyal customer base who continued to buy cruises and who were not particularly interested in cheap package holidays.

Cruisecalm is now one of the World's six largest cruise companies, when measured in terms of passenger capacity. It presently owns 15 ships, which makes it significantly smaller than its largest rivals, who operate 30 to 110 ships, but it is the largest cruise line in its region, both in terms of number of ships and passenger capacity. Regional ties matter because the preferences of cruise passengers vary by nationality. For example, passengers from some countries prefer a relaxed and informal atmosphere aboard ship, while others prefer greater formality. Passengers from some countries prefer to take it easy, while others enjoy organised activities and opportunities to interact with other passengers.

Cruisecalm is Norland's largest cruise line. Its most direct competitors are Wavelyne and Saildine, both based in Norland. Wavelyne has 11 ships and Saildine has 9.

Cruisecalm's business model

Cruisecalm's fleet consists of 15 large and modern ocean liners. 85% of Cruisecalm's passengers come from Norland, with the remaining 15% coming mainly from neighbouring countries, but with a significant minority coming from further afield. Passengers are generally attracted by the company's reputation for offering a high-quality service. Cruisecalm has a reputation for offering excellent food and entertainment, in comparison to its most immediate rivals, although its cruises are also more expensive. It pays close attention to passenger feedback and aims to achieve as much repeat business as possible. The company has many customers who have taken six or more cruises in the past ten years. The average age of Cruisecalm's passengers is 47.

Cruisecalm's ships visit a total of 160 ports of call in the course of a year. The company has two sets of itineraries, covering summer and winter. Many destinations are seasonal, some being too hot to be enjoyable places to visit in the summer months and others being inhospitable in winter because of rain and rough seas.

Most ships follow circular routes that include between 8 and 14 ports of call in the course of a two-week cycle. Generally, two of those ports are designated as points of embarkation and disembarkation. Passengers wishing a fourteen-night cruise will join their ship at one of those ports and will disembark when the ship returns there, two weeks later. Those who wish a seven-night cruise will join their ship at one of the ports and will leave at another. The embarkation ports are all conveniently close to airports. Passengers fly from their local airports to their embarkation port. They are collected by bus or taxi and either driven to their ship or taken to a hotel to await their ship's arrival.

Cruisecalm has three major sources of revenue:

Passenger fares	<p>Passengers can book their cruises through Cruisecalm's website, in which case they pay directly for their cruise. Alternatively, they can book through travel agents. Travel agents then remit the passenger's fare to Cruisecalm, after deducting their commission.</p> <p>Passengers can book cruises up to 12 months in advance of the departure date, paying a 10% deposit at the time of booking. The balance of the cost must be paid for at least seven days before the departure date.</p> <p>Cruisecalm's booking system sets fares according to an algorithm that has been developed by the Marketing Department. The algorithm takes account of the length of the cruise, the time of year and the grade of cabin and dining option selected by the passenger. It also takes account of the time until departure and the number of unsold places. The algorithm is designed to maximise revenues overall. For example, fares might be slightly cheaper at the start of the booking period, so that passengers are encouraged to book early. Then prices rise gradually because customers who book late have less choice and so will be willing to pay more to ensure a booking. Finally, any unsold places might be sold at a slight discount immediately before departure, with the discount restricted in order to avoid encouraging passengers to book late.</p> <p>In theory, passengers can book cruises up until 48 hours before departure, although most of Cruisecalm's cruises are fully booked by then. All bookings made within 30 days of departure must be paid for in full at the time of booking.</p>
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On-board extras	<p>Fares cover the cost of accommodation, meals (including drinks and snacks) and entertainment. Passengers can, however, purchase various “extras”, either in advance or while they are aboard:</p> <ul style="list-style-type: none"> • Restaurant upgrades – each ship has several restaurants. Passengers choose the level of service and type of food when they book, but they can pay to upgrade to a higher class of restaurant as often as they wish during their cruise. • Spas and beauty treatments – passengers can pay for a variety of treatments from the ship’s hair stylists and beauty therapists. <p>These extras tend to be more expensive when purchased on board.</p>
Excursions	<p>Passengers can pay extra to upgrade their experience ashore.</p> <p>Cruisecalm organises tours that collect passengers from the ship and take them on an organised tour, usually led by a local guide who provides a commentary. Some destinations offer a choice of tours, each of which visits a different area of interest.</p> <p>The benefits of excursions vary between different destinations. Some have berths for cruise ships that are conveniently close to an attractive town or city centre and passengers can sightsee on foot at their leisure. In other cases, ships dock in a commercial port that is some distance from the attractions and some form of transportation is required.</p> <p>Sales of excursions are generally promoted in a low-key manner. All ships have theatres that offer a live show every evening. The show is preceded by a brief audio-visual presentation about the following day’s activities, including the availability of shore excursions at that destination.</p> <p>Each ship has its own website that can be accessed via Wi-Fi through passengers’ phones and tablets. There is also a closed-circuit television network that serves the TVs in cabins. Both the website and the television network advertise excursions.</p> <p>Passengers can book excursions in advance of their cruises or at any time while they are aboard. There is a 5% discount for advance purchases made at the time of booking a cruise and passengers are regularly reminded that space on excursions is subject to availability and can sell out.</p>

Cruisecalm has two further revenue sources:

Commissions	<p>Passengers who book their cruises through Cruisecalm's website can, if they wish, click on links to airlines and hotels that serve their chosen embarkation port.</p> <p>Cruisecalm receives a small commission from any sales of flights or accommodation that originate through its website.</p> <p>Cruisecalm does not receive any commission on flights or hotels when passengers book those directly or through a travel agent.</p>
Retail	<p>Cruisecalm's ships have gift shops that sell souvenirs and supplies such as sunscreen and toiletries. These are for the convenience of the passengers and do not generate a great deal of revenue.</p> <p>Most ships also have retail spaces that are operated by third parties. These generally offer upmarket brands, primarily clothing and accessories. The retailers pay a commission instead of paying rent. Passenger feedback suggests that the retailers create an attractive ambience on the ships, even for passengers who do not shop while aboard.</p>

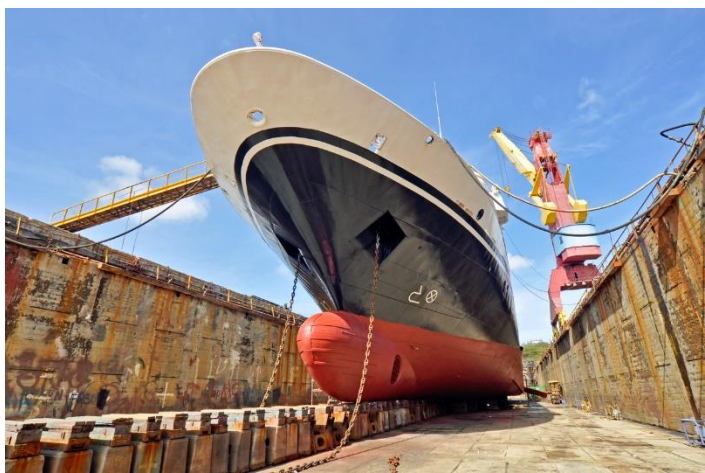
Ships

Cruisecalm's ships are all less than ten years old. The company has a reputation for innovation in terms of the facilities that it offers to passengers. For example, its newest ship has been designed so that its superstructure creates an atrium around the swimming pools and sun decks. The atrium has a glazed roof that can be lightened or darkened electronically to adjust the level of shade to match the temperature and brightness of the sun and so passengers can relax in comfort even on the hottest days.

Cruisecalm commissions a new ship roughly once every 18 months. Each ship is built to a high standard, taking advantage of the latest developments in maritime engineering and innovations in passenger facilities. Some of these ships are replacements for older ships that are unsuitable for the latest updates and some are additions to increase the fleet.

The company also updates its existing ships on an ongoing basis. For example, Cruisecalm was the first cruise line to offer passengers free Wi-Fi connection to the internet on all of its ships.

All of Cruisecalm's ships are designed to make the best possible use of the ports of call that they are likely to visit. It would, for example, be possible to increase revenue by building larger ships that carried more passengers, but such ships would be unable to dock in every cruise port. That would require either avoiding some popular destinations or anchoring offshore and using motorboats to disembark and re-embark passengers.



Cruisecalm's ships are rarely taken out of service for maintenance. Each ship must go into dry dock for an average of fourteen days once every three years. That is required to enable the ship to be maintained and painted below the waterline and for major refurbishment of the bearings, seals and other major components of the propulsion and steering systems that cannot be accessed from within the ship.

Cruisecalm has teams of engineers, decorators and fitters who can be flown to meet a ship to

make repairs and refurbishments without serious disruption to the ship's schedule. Public spaces are redecorated and re-carpeted overnight, when most passengers are asleep in their cabins. Even cabins can be refurbished without taking them out of service. Modular wall panels are prefabricated, fully decorated and with electrical wiring and plumbing already attached to the reverse. These make it possible to replace cabin interiors while passengers are ashore.

All ships require regular maintenance, in addition to the occasional dry dock maintenance, but most of that work can be undertaken while alongside in port or even while cruising. Cruisecalm pays great attention to regular, preventive maintenance to minimise the likelihood of a serious breakdown. Many vital systems have back-ups that can ensure passenger safety, even in the event of major malfunctions.




All ships are equipped with a variety of sophisticated communications systems, including satellite links to the internet that enable ships' crew members to send and receive emails and to provide passengers with internet and email access through the ship's Wi-Fi system.

Life on board

Most of Cruisecalm's passengers aim to spend a relaxing time while cruising, making full use of the leisure facilities aboard ship:

- Most passengers enjoy researching and preparing for shore visits and they spend time both above and below decks.
- All ships have swimming pools, with deck chairs and sunbeds so that passengers can enjoy the fresh air and sunshine.
- The ships' theatres host shows, performances and other events. Cruiseline often pays celebrities, such as authors or artists, to present daytime talks about their work.

Cruise passengers often regard mealtimes as major highlights of the day. CruiseCalm offers three classes of meal service:

<p>Gourmet</p>	<p>This is the most expensive option. Passengers eat in a small and intimate dining room, with experienced waiting staff who are trained to offer a high standard of service.</p> <div data-bbox="405 394 810 665">  </div> <p>There is an extensive menu, but passengers can order almost anything that they wish provided that the ingredients are available.</p> <p>All meals are prepared to order by master chefs in a small kitchen that caters only for the gourmet passengers.</p> <p>Some passengers pay to have all their meals in the gourmet restaurant when they book their cruises. Passengers who choose full-serve or buffet can pay extra to have a meal in gourmet, provided there is an available table.</p>
<p>Full-service</p>	<p>This is the mid-priced option. Passengers are served by experienced waiting staff in a large dining room.</p> <div data-bbox="405 882 821 1160">  </div> <p>Passengers order set meals from a menu that changes every day. There are four choices of starter, six choices of main course and four choices of dessert at dinner.</p> <p>All meals are prepared in the ship's main kitchen, with some pre-cooking to ensure a speedy service.</p> <p>Passengers can pay to eat all their meals in the full-service restaurant when they book their cruises. Those who select the buffet service can pay extra to have a meal in full-service.</p>
<p>Buffet</p>	<p>This is the cheapest option. Passengers help themselves to a buffet that takes up one side of the buffet restaurant. The restaurant has extensive seating areas and passengers can take as long as they wish to enjoy their meals, although the fact that there is no need to place an order and wait for service means that buffet meals are consumed relatively quickly.</p> <div data-bbox="405 1330 845 1626">  </div> <p>There are no waiting staff, other than a team who collect dirty plates and cutlery from tables once passengers have eaten, making room for further passengers to take their places.</p> <p>The kitchen staff cook batches of food in the main kitchen for the buffet throughout mealtimes so that there is always a full selection of freshly-prepared items on the buffet. The buffet line is fitted with heat lamps to keep hot food at the correct temperature until it is taken and has chilled compartments to keep salads and desserts cool.</p> <p>Passengers can opt for buffet service when they book their cruises. Those who do so can pay extra to have a meal in either the gourmet or full-service restaurants.</p>

Cruisecalm's marketing

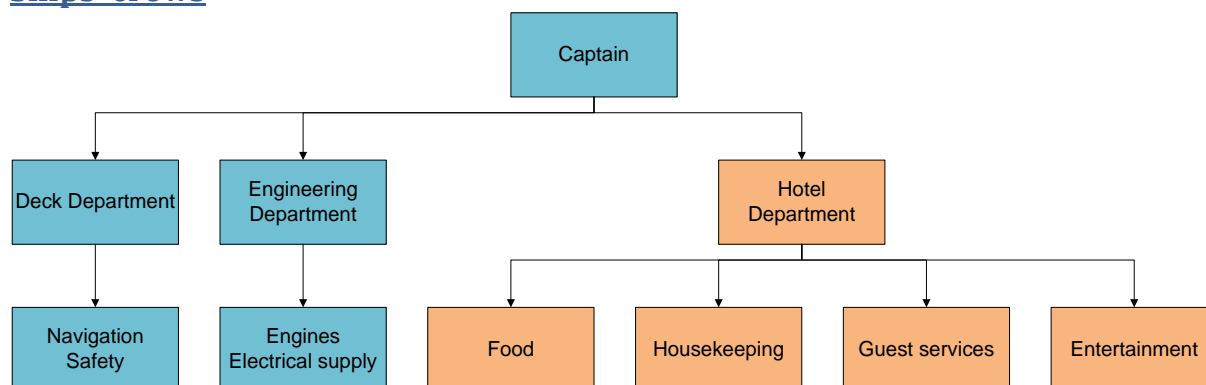
Cruisecalm markets itself heavily, partly to attract new business from potential passengers who have never taken a Cruisecalm cruise, but also to retain the custom of those who have cruised before. The company spends heavily on television advertising, particularly during the winter months when potential passengers generally start to think about their annual vacation. These are supported by full-page magazine adverts that are placed in publications that are likely to be read by Cruisecalm's principal market.

Cruisecalm also has a significant online presence. Passengers are asked to provide their email addresses to consent to receiving news and promotional material from Cruisecalm. Most passengers agree to this. Cruisecalm uses this information to email a quarterly newsletter, supported by monthly personalised emails that remind passengers of their most recent cruise. The emails also indicate how long it will be to the passenger's next cruise, if applicable, and offers suggestions for excursions relating to one of the cruise destinations.

One of the biggest challenges facing Cruisecalm's Marketing Department is that the company is constantly changing its cruises. New ships and modifications to existing ships offer new facilities and attractions that must be promoted carefully to ensure that they yield the greatest competitive advantage. Cruisecalm also keeps the lists of destinations under review and frequently experiments with new ports of call, again requiring the marketing department to consider how best to promote and advertise those changes.

The planned launch of each new ship provides an opportunity to increase Cruisecalm's passenger capacity. The company does not necessarily withdraw an existing ship from service when it adds a new vessel to its fleet. New ships are often used to create new itineraries, so that Cruisecalm can offer a wider choice of destinations.

Ships' crews



The ship's captain is an experienced and highly-qualified deck officer who is qualified to command a ship. This is a significant responsibility because decisions made by the captain affect the safety of everyone on board, both passengers and crew. A ship can also create a collision hazard for other ships if it is navigated incorrectly. Legally, the captain is responsible for the safe operation of the ship and his or her commands must be obeyed at all times.

The members of the Deck Department are ships' officers and other trained crew members who are primarily responsible for duties such as navigating the ship, keeping watch of the surrounding sea and procedures associated with docking the ship and taking it to sea.

The Engineering Department is responsible for the safe and efficient operation of the ship's engine. Most large ships are powered by diesel engines that drive the propellers and electrical generators. Engineers constantly monitor the engine, gearbox and other elements of the propulsion system to ensure that there are no mechanical problems. The Engineering Department is also responsible for the operation and maintenance of other systems, such as the ship's electrical supply, and associated systems such as its air conditioning and maintenance.

Senior members of both the Deck and Engineering Departments must be qualified and experienced before they can work unsupervised aboard ship.

The Hotel Department is so-called because its staff fulfil functions that can be found in most large hotels.

Food preparation and service is a major part of the passenger experience. Cruisecalm's ships generally have three classes of restaurant on board: buffet, full-service and gourmet. Preparing and serving the meals is not much different from working in similar restaurants or hotel dining rooms on land. Kitchen staff do, however, have to take particular care over fire safety, even though ships are designed to avoid the spread of fire and smoke. Staff must also take great care over hygiene because infections can spread rapidly between ships' passengers. That is a particular problem because ships replenish fresh provisions almost daily from a wide variety of suppliers at different ports and, so, quality control can be difficult to manage.

Housekeeping staff are responsible for keeping cabins and public areas of the ship clean and tidy. Their role is virtually the same as that of their shore-based counterparts.

Guest services staff interact with passengers and must be capable of resolving any problems or complaints in a diplomatic manner. They are also responsible for promoting the sale of shore excursions and other services such as spa treatments.

Hotel Department staff can access passenger booking records using the satellite links, both before their cruises commence and throughout the duration of their cruises. The ability to access this data enables Hotel Department staff to ensure that all passengers receive the standard of service that they have paid for and to check bookings in the event that a passenger has a query.

Entertainers are expected to offer a varied selection of shows so that passengers on a two-week cruise can attend the ship's theatre every night without getting bored. Most ships have a band and a troupe of dancers, with one or two "headline" acts, usually singers. Some of Cruisecalm's previous headline acts have gone on to become major celebrities.

Extract from monthly performance reports

Cruisecalm's senior management team receives a monthly breakdown of operating revenues and costs, showing the results for each of the company's 15 ships. The following extracts show a recent analysis for the company's newest ship, the MV Krono, and a ship that was launched seven years ago, the MV Batvia.

These figures reflect the efficiency of the ships and their crews and also the routes being followed. The ships follow their summer routes for the months of April to September and their winter routes for the remainder of the year.

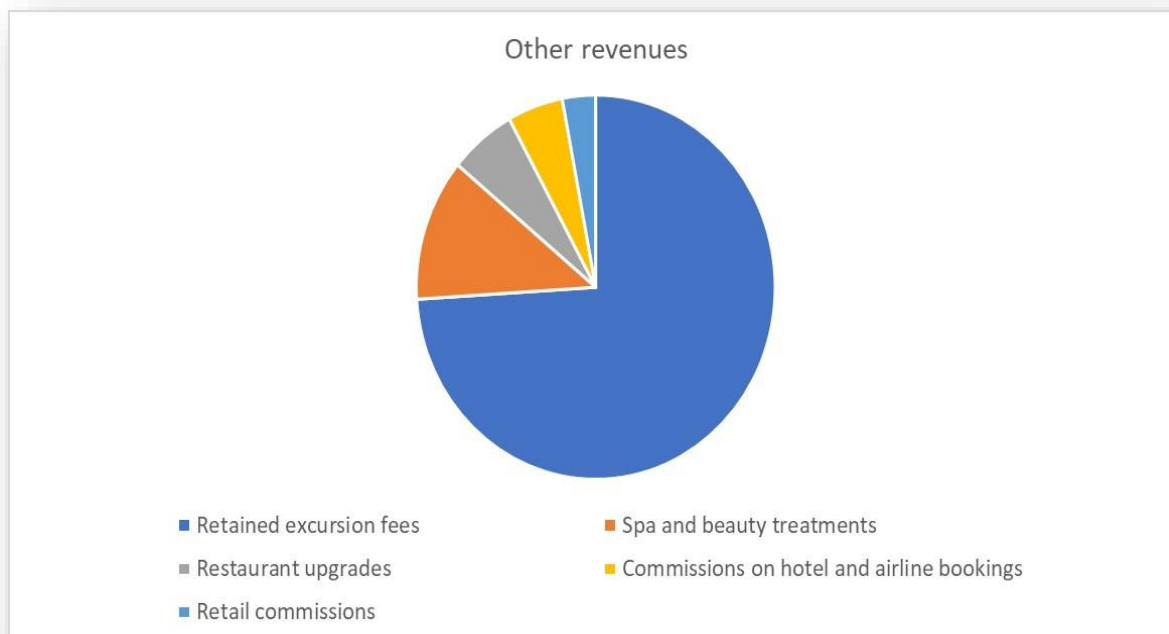
The MV Krono is the larger of the two ships. That allows for certain economies of scale, such as the crew numbers in the deck and engineering departments being relatively unaffected by the ship's size, despite the larger ship being able to carry more passengers. The ticket prices for the MV Krono's summer cruise are higher than those for MV Batvia because the Krono follows a more popular route that includes 11 stops in 14 days, compared to the Batvia's 9 stops.

Ticket revenues are shown gross. Commissions paid to travel agents and associated costs of getting passengers from the airport to the ship are shown separately as expenses. Showing ticket revenues gross in this way makes revenues earned by each ship from cruise fares more directly comparable than if they were shown net of commissions and transportation.

Other on-board revenues are the amounts from the sale of restaurant upgrades, spa and beauty treatments and sales of excursions.

Monthly operating statements				
July 2019				
	MV Krono		MV Batvia	
	Actual	Budget	Actual	Budget
	N\$ million	N\$ million	N\$ million	N\$ million
Revenue				
Passenger ticket revenues	12.9	12.6	9.6	10.7
Other revenues	4.2	4.1	3.1	3.5
Total revenues	17.1	16.7	12.7	14.2
Commissions and transportation	(3.2)	(3.1)	(2.4)	(2.3)
Payroll	(2.4)	(2.4)	(2.3)	(2.3)
Food	(1.4)	(1.5)	(1.3)	(1.4)
Fuel	(2.4)	(2.3)	(2.8)	(2.6)
Depreciation	(2.9)	(2.9)	(2.3)	(2.3)
Port charges	(1.1)	(1.1)	(0.9)	(0.9)
	(13.4)	(13.3)	(12.0)	(11.8)
Monthly operating profit	3.7	3.4	0.7	2.4
Passenger capacity	3,200		2,900	
Occupancy (%)	99%	98%	94%	98%
Kilometres travelled	19,000	19,000	21,000	21,000

Most of the revenues other than ticket sales come from shore excursions. The following breakdown shows the split for MV Krono for July 2019:



All excursions are facilitated by third parties at the various ports of call. Cruisecalm acts as an agent when it sells excursions to its passengers and the amount appearing in the operating statement is the fee retained by Cruisecalm, with the remainder being remitted to the excursion providers.

Commissions received relate to the amounts earned from airlines and hotels for bookings made by passengers through Cruisecalm's website.

Extracts from Cruisecalm's annual report

Cruisecalm Group		
Consolidated statement of profit or loss		
For the year ended 30 April		
	2019	2018
	N\$ million	N\$ million
Revenue	2,433.8	2,268.8
Cost of sales	(1,758.8)	(1,695.0)
Gross profit	675.0	573.8
Selling and administrative expenses	(298.8)	(263.8)
Operating profit	376.2	310.0
Finance costs	(110.0)	(103.8)
Profit before tax	266.2	206.2
Tax	(49.7)	(38.5)
Profit for year	216.5	167.7

Cruisecalm Group		
Consolidated statement of financial position		
As at 30 April		
	2019	2018
	N\$ million	N\$ million
Non-current assets		
Property, plant and equipment	5,792.5	5,342.5
Intangibles	18.8	18.8
	5,811.3	5,361.3
Current assets		
Inventories	105.0	93.8
Trade receivables	163.8	146.3
Bank	393.8	228.8
	662.6	468.9
Total assets	6,473.9	5,830.2
Equity		
Share capital and share premium	200.0	200.0
Retained earnings	1,666.6	1,457.4
	1,866.6	1,657.4
Non-current liabilities		
Borrowings	3,468.8	3,283.8
Deferred tax	381.3	245.0
	3,850.1	3,528.8
Current liabilities		
Customer deposits	377.5	298.8
Trade payables	328.8	307.5
Tax	50.9	37.7
	757.2	644.0
	6,473.9	5,830.2

Cruisecalm Group			
Consolidated statement of changes in equity			
As at 30 April			
	Share capital and premium	Retained earnings	Total
	N\$ million	N\$ million	N\$ million
Balance at 30 April 2018	200.0	1,457.4	1,657.4
Profit for the year		216.5	216.5
Dividends		(7.3)	(7.3)
Balance at 30 April 2019	200.0	1,666.6	1,866.6

Note:

Segmental analysis of revenues

	N\$ million
Passenger tickets	1,821.3
Other on-board	592.5
Other revenues	20.0
	2,433.8

Passenger tickets comprise the gross value of cruise tickets.

Other on-board revenues comprise sales of discretionary upgrades and services to passengers, including restaurant upgrades and excursions, whether purchased in advance of travel or during cruises.

Other revenues include commissions from airlines for air travel purchased online through Cruisecalm's website.

Extract from Wavelyne's annual report

Wavelyne Group		
Consolidated statement of profit or loss		
For the year ended 30 April		
	2019	2018
	N\$ million	N\$ million
Revenue	1,716.1	1,569.6
Cost of sales	(1,249.2)	(1,181.6)
Gross profit	466.9	388.0
Selling and administrative expenses	(210.7)	(182.5)
Operating profit	256.2	205.5
Finance costs	(77.6)	(71.8)
Profit before tax	178.6	133.7
Tax	(35.0)	(26.6)
Profit for year	143.6	107.1

Wavelyne Group		
Consolidated statement of financial position		
As at 30 April		
	2019	2018
	N\$ million	N\$ million
Non-current assets		
Property, plant and equipment	4,394.3	4,138.6
Intangibles	14.3	14.6
	4,408.6	4,153.2
Current assets		
Inventories	79.7	72.7
Trade receivables	124.3	113.3
Bank	298.7	177.2
	502.7	363.2
Total assets	4,911.3	4,516.4
Equity		
Share capital and share premium	160.0	160.0
Retained earnings	1,256.1	1,123.9
	1,416.1	1,283.9
Non-current liabilities		
Borrowings	2,631.5	2,543.8
Deferred tax	289.3	189.8
	2,920.8	2,733.6
Current liabilities		
Customer deposits	286.4	231.5
Trade payables	249.4	238.2
Tax	38.6	29.2
	574.4	498.9
	4,911.3	4,516.4

Daily News Travel Supplement

Cruise ship balconies to become a thing of the past



Most cruise companies offer the option of paying extra for a cabin that has its own private balcony. That creates the opportunity to sit outside and watch the ocean slide past without having to share the moment with other passengers. Many large cruise lines have, however, started to specify ships without these balconies.

Passenger feedback suggests that the vast majority rarely use their balconies. Colin Marco, Marketing Director at Saildine,

cited research that most passengers preferred to explore the ship rather than confine themselves to their cabins, even if the cabins offer the opportunity to sit outside. Paradoxically, passengers cite the availability of balconies as a reason for choosing a particular ship. They look forward to using them at the time of booking, even though they behave differently once they are aboard.

The next generation of ships will give passengers larger cabins, using the space saved by not having to indent the cabin walls to leave room for a balcony. Many ships will have floor to ceiling windows so that passengers can have excellent sea views.

Daily News

Cruise ships losing their welcome



The cruising industry has become a victim of its own success, with many popular destinations considering restricting the number of ships that can visit at any given time. The average ocean liner carries 3,000 passengers. Having so many people come ashore at once can overwhelm popular attractions and cause congestion in town centres. Many destinations have docking facilities that can accommodate

several ships at once, which makes the problem even worse.

Tour companies frequently receive negative feedback from holidaymakers who have stayed in local accommodation and who have had to contend with the constant flow of cruise passengers. Many say that they are unlikely to return to some of the more popular destinations.

Cruise passengers often spend relatively small amounts of money while they are ashore because their meals are provided on board ship and they need to restrict souvenir purchases to allow for the baggage restrictions on their flight home.

The town authorities in many popular cruise destinations are considering reducing the number of ships that can be permitted to dock at any one time. Such a move would be welcomed by some, but could be contested by port operators and the businesses that sell fresh provisions to cruise ships while they are alongside.

Daily News

Celebrity chef develops new healthy eating menu for cruise passengers



Wavelyne has announced that it would be offering its passengers a “healthy” choice at every meal. Top celebrity chef Armand Foché, who presents the “Top Cooking” show on Norland Television, has developed a range of tasty courses.

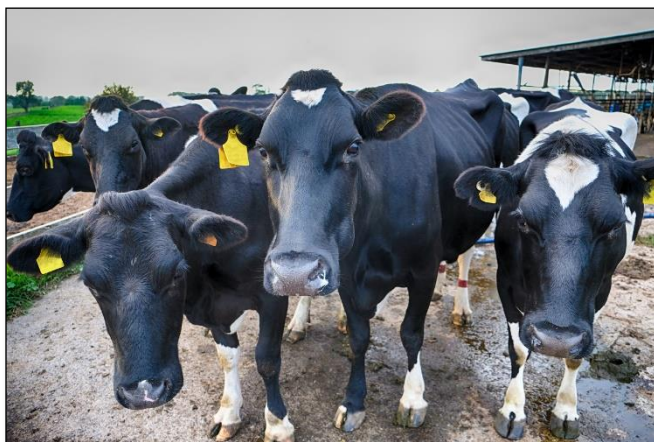
The cruise company has taken this step because passengers have been complaining that they have been gaining weight while aboard ship. Many passengers spend a great deal of time aboard

ship sunbathing and watching the ocean slide past. Cruise ships strive to offer tasty food and so passengers are frequently guilty of eating too much and exercising too little.

Armand Foché has worked with Wavelyne’s catering staff to develop a range of food that might tempt passengers to forego high-calorie alternatives. He commented that the biggest challenge was that cruises generally last for two weeks and, so, passengers would be looking for variety from the healthy eating range. With that in mind, he has created seven starters, fourteen main courses and seven desserts. He admitted that he did not expect passengers to opt for the healthy alternative at every meal, but he claimed that the new meals would be just as delicious as those on the current menu.

Daily News Travel Supplement

Hotel operators to trial dairy farm technology



Holidaymakers have become used to being asked to wear an identity bracelet for the duration of their vacation. This enables them to identify themselves to hotel staff when charging meals and drinks to their hotel rooms. These are generally simple identity bracelets, made of flexible plastic and printed with guests' names and room numbers.

Some resorts are experimenting with the radio-frequency identification (RFID) tags that are

in common commercial use for tracking inventory and other objects. For example, the ear tags worn by dairy cattle enable farm staff to track the movement of individual cows through milking parlours. The tags carry electronic circuits that take power from radio waves emitted by nearby RFID readers, so there are no bulky batteries. Each tag has a unique code that is transmitted to the reader whenever it comes within range. Data can be gathered quickly and efficiently.

RFID circuitry can be incorporated into guest identity bracelets. That would make it almost impossible to forge or alter bracelets. Guests would be able to validate room charges by holding their bracelets close to a reader connected to a point of sale device.



The bracelets themselves are made of tough plastic. They are comfortable to wear and are completely waterproof. Once fitted, they cannot be removed unless they are cut off with a pair of scissors, which severs the electronic circuits printed into them and, so, makes them unreadable. The bracelets are very cheap to manufacture. Hotels can even return discarded bracelets to the manufacturer, so that the plastic material can be melted down for recycling.

Business Daily

Norland Shipbuild signs contract

Norland Shipbuild received a major boost when it signed a contract to build a new ocean liner for Happywave Budget Cruises. This will provide employment for the shipyard's workers for two years. Once built, the ship will operate in the Southern Ocean and so it is unlikely to carry many Norland passengers.

The ship will accommodate 3,800 passengers, but will remain small enough to offer flexibility in terms of berthing in popular cruise ports. Space will be saved within the ship by offering buffet-only meal service and other efficiencies that will minimise the number of crew. Having fewer crew cabins leaves more space for paying passengers without increasing the size of the ship.

Business Daily

Minister of Finance boosts tax depreciation to stimulate investment

Norland's Minister of Finance announced changes to the calculation of tax depreciation that will give companies that invest in plant and equipment for business purposes the right to claim up to 50% of the cost of qualifying assets as a tax expense in the first year. The remainder of the cost will then be charged at an annual rate of 30% of the tax written down value. This change will be introduced with immediate effect and is intended to stimulate investment, with a view to creating jobs and boosting the efficiency of Norland's economy.

Companies will continue to apply IFRS to the calculation of depreciation for financial reporting purposes. These changes will affect only tax computations.

Business Daily

“No-frills” airline cancels routes

Cheepair, Norland's largest budget airline, announced several cuts to its route network, in the face of declining revenues. Budget airlines are often referred to as “no frills” airlines because they have cut costs to the bare minimum. For example, they do not offer free drinks and snacks to passengers and use airports that are less popular and so offer lower landing charges.

The trouble with operating such a non-frills service is that there is very little scope for reducing operating costs in order to cope with difficult periods. That can mean the cancellation of loss-making routes.

Some of Cheepair's frequent flyers have expressed dismay at these cuts. The availability of cheap flights has encouraged many people to buy holiday homes close to airports served by budget airlines.