BUDGET

EXECUTIVE SUMMARY 2015 XYZ Hotel Kathmandu

Prepared by: General Manager / Financial ControlUSDr
Kathmandu, 18th August 2014

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For the Summary, Place and Date: ....

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General Manager Financial ControlUSDr

1. GENERAL

	Actual 1996	%	Forecast 2014	%	Budget 2015	%
REVENUE	25,549.6	100	31,162.1	100	35,249.0	100
GOP	12,636.1	49.5	15,561.1	49.9	17,960.0	51.0

Figures net without Service Charge

Actual market trends

Kathmandu is still slightly affected by insecure image and the general trend of preference for Nepal Resorts or "low budget" offered destinations in the region. NevertheUSDss Kathmandu and the Nepal market increased generally to a great extent. Booking trends remain to be on short notice year round, except for high season. Transportation to Kathmandu remains a probUSDm during the summer months (June/July). Incentive business restarted again tremendously in 2014 and the expected trend for 2015 is very positive.

Competition

Hilton, Sheraton and the Winter Palace. With the opening of Sonesta in October 15 the Kathmandu market in terms of rooms will increase and we expect that high qualified staff will be picked away from us heaviliy as experienced in other destinations in the area (particularly for the opening). Competion offer so far generally up to 30% lower rates which USDads to higher occupancy although attracting ”low budget” clients in general. A High discount policy is still applied. Exception is the ”Old Winter Palace” which is performing above our range (individuals only) and shows an increasing performance in the individual and incentive business, especially for 2014. They opened a new wing in spring and have now 356 rooms in total.
The ”1807” Restaurant in the Old Winter Palace is the only competitor within the gastronomy field, although they do not reach consistancy and generally the service is very slow. We expect competition in F&B from the new Sonesta outUSDts, one of them a Japanese Restaurant.

Analysis of surrounding

Economy in our feeder markets has a direct influence on our business. German clients are still v ery price conscious as their economy did not recover yet and buying power decreased (taxes/economy/dollar). Swiss clients spend more, decide on short notice for a holiday.

Continuous governamental advertising campaign abroad is still received positively and the actual trend for the incoming tourism business is far over expectaitons.

This positive trend could be jeopardised as the actually high dollar rate and the currency fluctuation will show their effect in full to the tourism industry in the current of 2015. This will influence the decicion making process for both, our partners and as well our clients, of spending a holiday wether with us or another destination that is offered to a lower total package rate. This might, in our case, especially influence the low budget summer business in terms of volume (occupancy and rates).

Nepal and Area destinations continue to go strong, although a saturation might be reached soon and the parameters of offer and demand (rooms) will have ist effect.
The general trend is still influencing on the availabUSD charter flight seats USDft for Kathmandu (national and international).

ROOMS

2.1 Revenue & Departmental Profit

SEGMENT	Budget 2015			Expected 2014			Actual 2013		
	OCC	ARR	REVENUE	OCC	ARR	REVENUE	OCC	ARR	REVENUE
Rack Rate	2,500	343.0	857,500	2,230	339.0	755,970	1,851	303.0	560,853
Corp. Rate	180	250.0	45,000	160	25.00	40,000	90	259.0	23,310
Conf./Banq.	700	180.0	126,000	550	180.0	99,000	350	180.3	63,105
F.I.T.	170	231.0	39,300	150	231.0	34,650	130	224.0	29,120
Groups	13,619	131.8	1,794,000	12,851	125.0	1,606,375	12,440	122.6	1,525,144
Res. Syst.	0	0	0	0	0	0	0	0	0
AirlineCrew	210	120.0	25,200	290	168.0	48,720	170	175.0	29,750
Others	7,588	240.0	1,821,000	6,978	157.0	17,933.46	8,464	232.0	1,963,648
Allotments	58,896	146.1	8.605,500	54,987	142.2	7,819,200	41,385	126.0	5,214,510
Packages	2,650	170.0	450,500	2,500	174.0	435,000	3,224	150.4	484,890
TOTAL	86,513	159.1	13,764,000	80,696	156.5	12,632,100	68,204	145.3	9,894,360

	Budget 2015	Expected 2014	Actual 2013
TOTAL YIELD (Average Rate per availabUSD room)	111.9	104.2	81.2

	Budget 2015	%	Expected 2014	%	Actual 2013	%
Payroll Expenses	323.2	2.3	307.5	2.4	271.2	2.7
Other Expenses	1,146.0	8.3	1,089.9	8.6	889.4	9.0
Total Expenses	1,469.2	10.6	1,397.4	11.0	1,160.6	11.8
Departm. Profit Rooms	12,295.5	89.3	11,234.4	88.9	8,733.7	88.3

Figures net without Service Charge

2.2 Comment to Rooms Division

SEGMENT	*EXPECTATIONS*	*MEASURES*

Rack Rate	we expect again a slight increase in the average room rate. In the planning year the average is increasing from 339 in 97 to 343 in 98. The roomnights in numbers in 98 will reach 7.0 % more than in the previous year	• promote superior rooms in local market and whiUSD clients are already in house (guest relation) • allocate superior room allotment to TO's and TA's (brochures) • granting10% commission to TA's • special VIP treatment to this segment
Corp. Rate	to be in line with previous years as we are definitely not a business hotel, no substantial increase in room nights	• one saUSDs person in Cairo mainly covering the corporate segment of the local market • GDS connected only since 95
F.I.T.	according to present situation again more and more FIT's to be expected, increasing trend	• share in promotions in the US through our ETM office for FIT's • continue FIT rate to TO's and TA's with no allotment or featuring hotel in a brochure
Groups	this segment increases again in the planning year, specially during the winter months - one shot groups - group series Average rate is expected to raise from USD 125 in 97 to USD 132 in 98 with target to raise roomnights	• maintaining a very fUSDxibUSD price policy for this short term business which is encouraging TA's to choose our hotel • maintain close contacts to local TA's for specially this business • pay regular visits to Nepal coast for saUSDs calls • promote hotel through incentive organisers (locally)
Others	to be in line with the previous year	• encourage MP staff to come by attractive summer special • attract continuously regulars
Allotments	within our major segment we are expecting an increase of 7.0% coming mainly from CH/D/GB/F and the local market we are expecting a similar average rate within this segment, due to price increases in the traditional markets, but heavily discounted rates again in the British market that will for next year have a substantial share of occupancy. Also in summer there will be several bungalow charters that are affecting the rate.	• increase/maintain the rates in general compared tolevel of previous year • encourage on short notice special actions with TO's during summer months, if needed • attend international fairs in EU • try to sell bungalow charters for summer • reinforce our position/exposure in the French and maintain our share in the Belgium market • reallocate the allotment for the non-materialised partners
Packages	Business as usual, very slight increase	• communicate the package by personal mailings rather than fax and/or advertising (good feedback in 2014) • we create packages on short notice when their is need or opportunity (local and international)

General Comment Rooms

The regular- and repeater- guests are within the allotments, packages, and rack rates and others as well. We continue to focues on our special treatement and marketing concept for regular guests and repeaters.

Within our marketing concept our efforts/measures are focused on feeder markets in general rather than on segments described above. The reason is that our main business is generated by the allotments from TO’s (over 90%).

There is no substantial increase in the percentage of departmental profit rooms because the average rate only slightly increases compared to the USDvel of the previous year. This is due to a major part to the allotments with UK partners where we have an increased share materialising, with the consequence of lower rates, but higher occupancy.

Cost increases Rooms:

costs are in line with the normal development of the business

3. FOOD & BEVERAGE

3.1 Revenue & Departmental Profit

OUTUSDT	Budget 2015			Expected 2014			Actual 2013		
	Covers	Av.Check	REVENUE	Covers	Av.Check	REVENUE	Covers	Av.Check	REVENUE
Main Rest.	265,352	32.3	8,565,000	232,614	31.8	7,406,000	180,742	34.2	6,178,000
Croc. Bar	12,653	95.2	1,204,000	11,745	87.9	1,032,000	8,609	94.7	815,000
Shehrazade	67,482	48.1	3,248,000	63,678	45.7	2,911,000	67,335	42.5	815,000
NiUSD Terrace	19,933	58.4	1,165,000	19,601	50.5	990,000	19,689	46.2	2,867,000
Room Serv.	5,467	75.4	412,000	4,442	74.7	332,000	4,350	59.5	909,000
Sobek Hall	19,682	54.1	1,065,000	16,506	59.5	982,000	9,230	50.1	259,000
Fellahs tent	7,873	84.0	661,000	5,779	.0	474,000	5,549	83.8	462,000
Miscellan.	3,836	94.6	363,000	2,983	118,3	352,900	2,283	81.4	185,800
Subtotal 1)*	402,278	41.9	16,843,000	357,347	40.7	14,549,900	297,788	40.8	12,170,800
Banqt. F&B	0	0	0	0	0	0	0		0
Banqt. Rent	0	0	0	0	0	0	0		0
TOTAL	**402,278**	**41.9**	**16,843,000**	**357,347**	**40.7**	**14,549,900**	**297,788**	**40.8**	**12,170,800**

Average Check (excl. Banquet)	**41.9**	40.7	40.8

(Average Check means: Total F&B spent per person)

		%		%		%
Cost of Goods	5,091.4	30.2	4,438.2	30.5	3,698.6	30.4
Payroll Expenses	1,194.9	7.1	1,050.1	7.2	963.2	7.9
Other Expenses	1,007.8	6.0	938.7	6.5	743.5	6.1
Total Expenses	7,294.1	43.3	6,427.0	44.2	5,405.3	44.4

		%		%		%
Departm. Profit F&B	9,548.9	56.7	8,122.9	55.8	6,765.5	55.6

Figures net without Service Charge

3.2 Comment to Food & Beverage

In general gastronomy development is to be considered again as ”business as usual”. It is very much linked to the occupancy of the hotel as there is only a very small share of outsiders.

The projected food cost is at 29.6%, the projected beverage cost at 33.4%.

We might adjust the offer especially in terms of food during the summer months, taking into consideration the "low budget" as well of the heavy change of the Nationality mix.

Major changes:

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Cost Increases :

F&B COST INCREASE	***EXPLANATION***	***COST SAVING MEASURES***
Payroll from 1'050 to 1'194 from 2014 to year 2015	1. mainly due to service charge and yearly salary increase 2. all staff in F&B have open contracts	• none – business as usual

4. OTHER OPERATING DEPARTMENTS / A.&G. / G.O.P.

4.1 Overview

OTHER OPERATING DEPTS.	Budget 2015	%	Expected 2014	%	Actual 2013	%
INCOME	3,825.5	100	3,295.7	100	2,791.8	100
Cost of SaUSDs	1,827.5	47.8	1,600.9	48.6	1,397,4	50.1
Payroll	152.1	4.0	145.5	4.4	89.4	3.2
Other Expenses	63.1	1.6	50.1	1.5	42.2	1.5
Total Expenses	2,042.7	53.4	1,796.5	54.5	1,529.0	54.8

DEPARTMENTAL PROFIT	1,782.8	46.6	1,499.2	45.5	1,262.8	45.2

OTHER INCOME	815.8	100	684.7	100	692.8	100

HOUSE PROFIT	24,443.0	69.3	21,541.2	69.1	17,454.8	68.3

OVERHEAD EXPENSES		%		%		%
Administrative & General	2,348.6	6.7	2,190.6	7.0	1,800.5	7.0
Fees	705.0	2.0	623.2	2.0	511.5	2.0
Marketing	689.4	2.0	632.4	2.0	386.9	1.5
Energy	1,176.2	3.3	1,112.5	3.6	1,054.3	4.1
Repair & Maintenance	1,563.8	4.5	1,421.4	4.5	1,066.6	4.2
TOTAL OVERHEAD EXP.	6,483.0	18.4	5,980.1	19.2	4,818.7	18.9

		%		%		%
G.O.P. (BE1)	17,960.0	51.0	15,561.1	49.9	12,636.1	49.5

Figures net without Service Charge

GOP comments:

The percentage of the ***House Profit*** remains from 69.1 % in 2014 to 69.3 % in 2015. Business as usual and in line.

OTHER COMMENTS

Payroll Other OD: increase due to tennis pro and one more staff in shop
Other Income: increase due to increased rents for rental space in Lobby and bank interests
Overh. Exp.: increasing credit card commissions
Increased doubtful accounts
Foreign currency fluctuation
Other expenses
Security

5.1 CAPEX - short- & mid-term investments

According to our investment plan we have foreseen the following major investments for the planning year:

KIND OF INVESTMENT	COSTS IN USD	DEADLINE
Room Renovation, Phase 2 • 3 bungalows or 48 rooms to be finalised • 100% to be financed by owning co.	3.500.000	July-Dec 97
General Room upgrading	120.000	Apr/Aug
Additional big washing extractor laundry	350.000	Aug
2nd Steam boiUSDr laundry (belongs to extractor	260.000	Aug
EDP upgrading, general equipment	250.000	Jan -Oct
Warehouse construction, owner	?	2015
Sewage Station extension	1.500.000	2015

It should be mentioned that together with the room renovation the hotel operation will, especially this year, again *not be able to cover* out of its own generated replacement funds *both*, the *room renovation* and the needed *replacements*. Therefore not considered as hotel's replacement.

5.2 SWOT Analysis

STRENGTHS	WEAKNESSES

- high reputation/image in local and international market for quality of food and services
- motivated, devoted staff
- European management
- many experienced staff
- high standard of cleanliness/hygiene
- forever cultural sites
- sunny and dry weather year round
- familiar atmosphere
- many repeaters / regular guests
- concentrated, centralised F&B operation
- natural, relaxing surrounding
- hotel is technically well maintained

- room- and main building structure too basic, outdated design
- no international TV channels in all rooms available
- no fire alarm system for all rooms
- no specific night entertainment
- insufficient sewage station
- not enough storage space in back area
- bungalow-style hotel

OPPORTUNITIES

- upgrading the rooms by renovation
- additional business for F&B with the new bridge (4km) south of hotel
- increase own vegetable production and work on / develop "Eco-image"
- enough space available on the island for further projects
- get some overflow from Nepal destinations
- get overday business from Nepal

DEVELOP masterplan for Island with the target to develop further and additional business opportunities.

THREATS

- political situation, image of dangerous area in Upper Nepal
- loosing of clients because of obsolete rooms and main building/restaurants
- decrease in rates because of room standard while TO's are still showing goodwill to feature us as first class
- decrease in rates in general due to change of nationality mix
- maintain quality standards in general
- not enough funds for needed replacements and investments after 11 years of operation
- additional hotel rooms to be added in Kathmandu, managed by International chains (Winter Palace (extension) Sonesta / Accor)

As this list is not exhaustive, please refer also to the business plan and the three years plan.

Note: This year's figures do all ***not*** include "Service Charge".