



Heritage Lodge Scheme

Responsible Entity's Report

December 2018

Summary

December quarter results were an improvement on the previous quarter. Hotel management continue to remain committed to a full year budget result with Q3 bookings presenting the opportunity to recover from the poor Q1.

The result for the first half year was \$353,767 below budgeted revenue and \$261,308 behind last year's revenue however due to strong cost controls in place the Hotel operating profit was \$179,842 behind the operating profit and \$155,220 behind last year's operating profit.

After Scheme expenses the Q2 net profit was \$171,541 compared to a net loss of \$42,329 for Q1, leading to a distribution being payable.

Room Sales

There were no room sales during quarter two.

Summary Financial Results

As you will see from the table below, total revenue has decreased by 14% in comparison to the first half last financial year. The Net Profit for the half year decreased by 53%.

	Change	H1 2019	H1 2018
Room Revenue	-13.74 %	\$1,510,372	\$1,750,869
Total Revenue	-14.62%	\$1,525,526	\$1,786,834
Scheme Costs	-6.02%	\$81,302	\$86,510
Net Profit/(Loss) for H1	-53.58%	\$129,988	\$280,001
Distributable Profits		\$129,988	\$280,001
Distributions per Room		\$1,228	\$2,646
Distributions per Suite		\$2,010	\$4,329

Hotel Management

The Lancemore Group has managed its way through a difficult period which tends to arise in this industry from time to time. The series of events that included the loss of General Manager, Front Office Manager, Business Development Manager and Food & Beverage Manager through natural attrition compounded by the Director of Sales on maternity leave and perhaps

inappropriate appointments in some roles, negatively impacted on Q1 and into Q2. The strong fundamental structure of the management company has effectively completed the transition and recovery into Q3 and Q4 well underway.



General Manager Overview

Highlighted for December is a financial performance marginally short against budget in revenue but a pleasing recovery above budget in profit. Revenue was influenced by downward market pressure on accommodation rates that negatively impacted consumer demand (occupancy).

Despite this the hotel maintained levels achieved the same time last year (STLY); highlighting the confidence in control of the business. February and March hold a strong base business and these will be used to focus on revenue recovery YTD. February will be a record revenue month.

Conference and event volume is forecast to achieve budget that will provide the accommodation volume mid-week. The weekend conversion of Leisure market segment is our priority as it will provide the opportunity to drive revenue through to the end of the year.

General Manager (Niel Mason) was appointed to Yarra Valley Lodge on the 10th December following Anthony LoGiusto caretaking in the role for the month prior. The first 30 days was focussed on recruitment of the right staff, property pricing and revenue, conference demand volume increased and marketing and distribution to increase room night conversion. Staffing commitments of note also include the recruitment of a Financial Controller, Food & Beverage Manager and the return of Director of Sales from maternity leave (two days a week with full time in February).

Comment has been received from owners and guests about the menu. I also reflect on a successful Christmas Day lunch event and a NYE event we will manage differently next year. It is noted that the food offering throughout the business will change after the major event in February (menu engineering is underway now as a priority for the incoming Head Chef). The product proposition will change to reflect locally available seasonal produce. Bella menu will reflect brand and sense of place; simple, elegant and local. Conference menus will follow in the same design and intent. Our events and Food & Beverage service delivery under the management of our Food & Beverage Manager presents an exciting future for the property that will complement the accommodation experience.

Guest service delivery, and in turn guest review results, stalled during the senior management transition. This has been addressed and accountability taken up by the General Manager directly. Within the first 30 days the response rate through TripAdvisor, Google, Expedia and booking.com has increased in rating and the positive momentum expected to influence accommodation demand.



Occupancy

Occupancy numbers for the quarter were: October, 49.9%, November, 54.7%, December 48.0%.

This compares to the corresponding period in 2017 of: October, 55.5%, November, 58.2%, December 48.8%.

Overall occupancy for first half of the year is down 8.1% on last year.

Facilities

During the December quarter the following maintenance works have been undertaken at the Hotel:

- Kitchen Extension Project is complete. All compliance approved.
- OC2 funded project, door trim installation is complete with great improvement to the aesthetics of the guest wings.
- Stage 1 of the YVL Sustainability Project, funded by OC2 and a Sustainability Victoria (SV) Better Commercial Buildings Program is complete. SV to match dollar for dollar in this stage up to \$5k. The results to be provided to the OC2 in the first half of December. Stage 1, produced a Type 2 Energy Audit of the hotel and has highlighted a number of areas for improvement with perspective cost estimates. Stage 2 could see further funding from SV, dollar for dollar up to \$20k and Stage 3 a further \$5k, should further commitment to this project be approved by OC2. More information to follow in future months.
- Rooms preventative maintenance program 60% complete – ongoing.
- Chiller failure occurred prior to Christmas. Temporary chiller installed until parts could be procured from France. OC2 and HVAC service providers expense
- The following inspection and testing of the hotels essential services were carried out in accordance with the Occupancy Permit, relevant Australian Standards, BCA and Legislative requirements.
 - Sprinkler System – NFS – Monthly
 - Fire Alarm System & EWIS – NFS –Monthly
 - HVAC Maintenance – Chillmech – Monthly

- Pest Control – Propest - Monthly
- Cooling Tower
- Chemical Treatment - Hydrochem – Monthly
- Cooling Tower Clean – Hydrochem - Quarterly
- Micro Testing – IMC – Monthly
- Kitchen Exhaust Filter Exchange – Kleenduct – Fortnightly

Heritage Golf Course Club

There appears to be a greater level of stability since the transition from the previous management of the Club. The new management are very open to engaging with the Hotel to promote greater use of the Golf Club venue however the Hotel management are proceeding with caution and are not yet ready to promote the facilities for longer term functions