THE OVERVIEW

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What are the challenges facing the hospitality industry today?

New VAT treatment for vouchers

Accounting for change in the hotel sector

Welcome to THE OVERVIEW

According to the April HotStats survey of approximately 560 full-service hotels across the UK by TRI Hospitality Consulting, hotels in the Provinces have achieved their first year-on-year increase in profit per room since August 2011. Does this result signify light at the end of the tunnel in terms of our economic malaise or just a seasonal blip? For a full update on performance across the UK turn to page 19 for all the details. Further data for hotel performance around Europe can be found on the HOSPA website.

This month we focus on some of the latest compliance issues arising from the HMRC and our patrons and advisors put forward advice in a series of articles to provide you with an update on Real Time Information and VAT and Vouchers whilst proposed changes to employment law are reviewed by Liz Buchan at Watson Farley and Williams. Other features include a summary from the hugely successful Revenue Management Debate for members which took place in June on the topic of 'Flash Sales' as well as reflections on the current developments in the world of hotels in two separate articles from Paul Dukes and Jillian Malone.

For further debate and discussion do join us at the HOSPA blog at www.hospa.org

Debra Adams

Editor | debra.adams@hospa.org

In June's issue...

HOSPA

Hospitality Finance, Revenue and IT Professionals

BAHA Moving Forward

Editor

Debra Adams
+44 (0) 1202 842809
debra.adams@hospa.org

Membership, Subscriptions & Events

Rob Maloney, Membership Officer
rob.maloney@hospa.org

Wayne Gosden, Membership Services & Events Marketing
wayne.gosden@hospa.org

Education Coordinator

Jane Scott - jane.scott@hospa.org

Publisher
The Overview is published by:
Hospitality Professionals Association
Suite 6, Merley House Business Centre
Merley House Lane
Wimborne
Dorset
BH21 3AA
+44 (0) 1202 889430
www.hospa.org

Design and Production
Unstuck Design Ltd
Renshaw Barns
Upper Woodford
Salisbury
Wiltshire
SP4 6FA
hello@unstuckdesign.com
+44 (0) 1722 782873
twitter.com/unstuckdesign

Printer
Dorset Digital Print
16 Glenmore Business Park
Blackhill Rd
Holton Heath
Poole,
Dorset
BH16 6NL
+44 (0) 1202 332 044

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HR implications of "the new reality"

Lesley Reynolds
Chief Executive of Portfolio International

Paul Dukes
Chairman of Kew Green Hotels and HOSPA

Lesley Reynolds, CEO of Portfolio, talks with Paul Dukes

As chairman of Kew Green Hotels and HOSPA, and an experienced non-executive director, Paul has an invaluable perspective on the current climate and how this influences the critical relationship between the banks and management teams.

LR: How would you summarise the overall situation. What is the background?

PD The hotel sector, whilst inherently cyclical in nature, has failed to bounce back after four years of downturn since its peak in 2007, in line with the economy as a whole. The general consensus of opinion in 2009 seemed to be that recovery would commence in 2011. It has not, and remains flat at best. Where we are in the business cycle is, frankly, anyone's guess (assuming there still is "a cycle"!). The sector's fortunes have historically been closely correlated with movements in overall GDP and there is now no clear visibility of the timing of an eventual economic recovery, which could well take at least two years to come through. Some financial pundits are even less optimistic. Given the over-lending to the sector up until 2007 and the subsequent sharp fall in performance and property values, many individual hotels and groups of hotels are significantly over-leveraged, have breached covenants and have been in this parlous condition for some time. Transactions in the sector have been minimal, largely negated by the continued lack of availability of bank finance from nil at best, to now anything at more than a maximum of 50% of LTV (or 5-6x EBITDA) in prime locations. There have been some high profile flops in the past two years and subsequent piecemeal disposals (for example, Von Essen), but by and large the lending banks have sought, so far, to avoid hoisting the "For Sale" signs or placing hotels into administration or receivership. There now seems to be a realisation that the banks and their clients post re-financing of their portfolios in some cases, will need to learn to live with their heavily-indebted hotel companies until the market recovers some time down the line. This "new reality" for the banking sector is unfamiliar territory (and indeed, an unknown and uncomfortable space).

LR: From your perspective, what are the HR implications of the current situation?

PD Whilst post re-financing, the banks may have board representation, but the quality of the management teams in the hotel companies is crucial. Banks are not renowned for their hands-on management skills, and indeed, have needed to incentivise key players at hotel management team level who can recover value over time and share in the overall economic interest. Management teams will need to be strengthened in some cases with an emphasis on financial awareness, solidity and experience. Where there are several different lending banks involved in financing the company and different sections of each bank providing debt or equity finance, all with differing priorities, it requires a skilled bank-appointed chairman or non-exec to navigate the company forward, whilst binding in the executive team to the achievement of the agreed, sometimes diverse, objectives. Often, the only route to value-enhancement in the short and medium term is to be able to demonstrate to the banking community that other portfolios under their wing would be better managed by one of their other investee companies. The free availability and the plethora of independently benchmarked sector relevant KPIs have enabled this analysis to be performed at an arm length. This new set of relationships requires an understanding that the next few years will require a partnership between lending banks and management to work through to a position of mutual benefit.

LR: Do you see the trend of banks taking on industry advisors as an ongoing trend?

PD Yes. Whilst expensive in the short term, it seems eminently sensible to seek advice from industry specialists when the banks are considering their strategic options. I see this trend as welcome and ongoing.

LR: As chairman of Kew Green Hotels, what have been the biggest challenges faced by the company in the last year?

PD Following the re-financing of the company in March 2011 with Lloyds and Barclays, the management team have had their heads down maximising returns and nailing down the cost base given the weak economic outlook, with little available organic growth. This has made the company much leaner, with industry-leading profit conversions. This now gives all parties the confidence to move forward, albeit in a flat market. All but one of our properties carry a major brand flag and each of our franchise partners have "played ball" and been supportive. Similarly, all of our leasehold properties have had their leases re-negotiated in the last year. We have been active with the banking community in growing the company through management contracts, being able to demonstrate our superior profit conversions. The shortage of capital has prevented us from other forms of expansion and value creation and this drought is likely to continue.

LR: What do you think are the key attributes for an effective non-exec or chairman?

PD In the current and uncertain economic malaise, I see the key qualities are, inter alia:

- A strong financial background
- A good listener
- A good facilitator
- Good networking skills
- A widespread contact base
- Strong diplomatic skills
- Persistence
- Personal and professional integrity
- Above all, widespread and extensive experience in the sector, in understanding the bank's requirements, and in what motivates the management team.

LR: And with your crystal ball firmly in place, what is your prognosis of the next 24 months?

PD Tough! Very! It will be a long and hard road to recovery, with little or no visibility! Both operators and banks will need to learn to live with this new reality.

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Real Time Information:
Ready To Inform?

Real Time Information ("RTI") has quickly transformed from an initial concept to a key HMRC programme which will require all UK employers to provide details about tax and other deductions automatically to HMRC each time they run their payroll rather than at the end of the tax year. HMRC will start to mandate the use of RTI from April 2013 but by 6 October 2013 all Employers, large and small, will be using RTI ready for the introduction of the Government's Universal Credit system – which replaces the current means tested benefits.

However before moving to RTI, every PAYE scheme with over 250 employees must undergo "Employer Alignment" to ensure HMRC and the Employer hold the same information on the taxpayer. HMRC are set to provide further information and guidance on Employer Alignment in due course but some examples of the types of inconsistencies which HMRC have faced in one tax year included;

- 824 employees with the surname "Unknown"
- 40 people who are apparently 200 years old

Are you one of the 54% of business who have NOT thought about Real Time Information ("RTI")?

KPMG's Employer Club survey has revealed that 54 % of Employers have not even considered the impact of RTI on the administration of their payroll. This should be 0% and HMRC have confirmed that they have now contacted all Employers via their Client Relationship Managers (CRMs) to ensure they are aware of the impact of the significant changes to the draft PAYE Regulations which were release on 14 November 2011.

This is the biggest shake up to the PAYE system since 1944, but there are many Employers who still do not know or understand the full implications and impact the RTI programme will have on their business.

Most employers are not prepared

- 18% are not aware of the RTI deadlines
- 66% have not started to plan for RTI
- 40% have data missing from their payroll
- 34% have specific concerns regarding RTI implementation
- 42% have four or more payrolls
- 62% have no interface between their expenses systems and the payroll

[Source: KPMG Employer's Club Survey 2011]

The key RTI area facing hospitality businesses in the next year is data collection and although the majority of businesses have most of the relevant information already, it is often the case that it is held by different departments and so new internal procedures and processes need to be developed and more importantly embedded, to gather the right information at the right time.

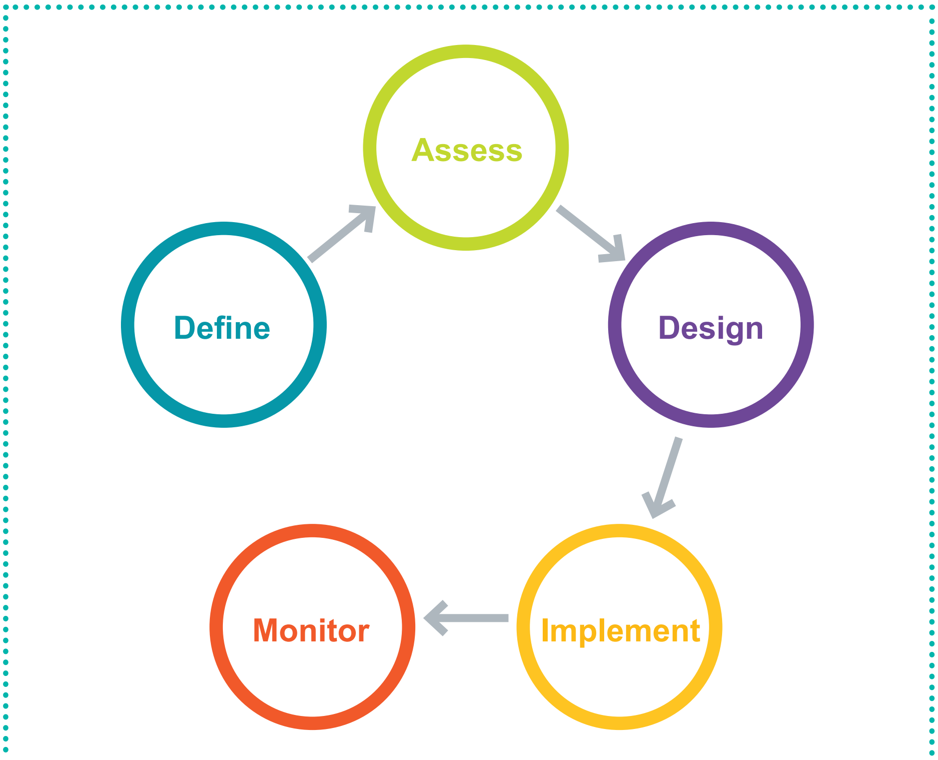
The problems of data collection faced by Employers were illustrated when HMRC recently amending the data items to be submitted under RTI following consultation. It was acknowledged that hours worked, passport number and holiday pay were data items that some Employers did not have readily available on their existing systems. The amendments which now form part of the draft Regulations now only require the Employer to state the number of hours worked within a specific banding; “up to 15.99 hours”, “16 to 29.99 hours”, “30 hours or more” or “Other”. A passport number is an “encouraged” completion field and holiday pay is no longer a required data item but instead the number of pay periods to which the payment relates must be provided.

Unfortunately one area that is intrinsically linked with the removal of well established processes is the threat of fraud and associated security risks. Employers may need to develop additional levels of quality assurance especially when looking at new joiners.

Reduce The Impact of RTI

RTI reporting is intended to become part of the Employers' normal payroll activity with a view to reducing the administrative burden, however an over whelming 69% of respondents from the KPMG Employer Club survey thought that the introduction of RTI will increase the cost of operating the payroll. There is no doubt that there will be immediate costs associated with embedding the new processes within an organisation, but in the long term it is hoped that the overall administrative cost will fall. However with department budgets being constantly challenged and management looking to reduce costs on a daily basis how long will it be before businesses notice the difference?

Our recommended approach to managing the introduction of RTI is based on a three step compliance model allowing employers to diagnose, through gap analysis, their existing capabilities, develop a roadmap for delivery and then work to implement this. Underpinning the above route to RTI compliance, this approach follows a proven sequence to ensure that any implementation project is successful and leaves a stable legacy.



There is an opportunity for every Employer to turn these immediate costs into immediate results for cost reduction. A proactive approach to Reducing The Impact of RTI is to align any current review of the processes to include the Auto-Enrolment process for pensions which comes into effect from 1 October 2012, revisit expenses or other payroll processes which will not be impacted by RTI such as P11D's or PAYE Settlement Agreements ("PSA") but could still deliver savings. In addition these reviews may highlight the opportunity to outsource areas of the payroll to free up valuable management time for RTI.

Employers should not fall into the comfortable trap of assuming that RTI can be easily addressed by, for example, a software solution or payroll upgrade. Employers will need to gather new data and consolidate what you already have from separate sources. Managing change on this scale will involve multiple (and layered) stakeholders who need to be engaged from the outset. Even small changes could become problematic because any fixes need to be sustainable and solutions will need to be tested, which requires additional time and resource.

About Stephen Baker

Stephen Baker is a Manager within KPMG's People Services department specialising in Employment Taxes and advises a number of clients in the leisure and hospitality sector. He is a former Inspector of Taxes with HMRC and has been working in the area of Employment Tax for ten years. Should you wish for more information on any of the above issues or would like to discuss Real Time Information in more detail please contact Stephen via stephen.baker@kpmg.co.uk or on +44 207 694 1908. KPMG is proud to be a Gold Patron of HOSPA.

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About KPMG LLP

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→ WATSON, FARLEY & WILLIAMS LLP

Proposed changes in employment law

In November of last year, the Government announced that it would be carrying out radical changes to the employment law system. Recent changes have also brought employment law back into the headlines. In this article, Liz Buchan, Partner & Head of the Employment Law Team at Watson, Farley & Williams LLP takes a brief look at the key proposals and notes also the recent change to the qualifying period for unfair dismissal.

Unfair dismissal

The qualifying period for unfair dismissal was increased from one to two years with effect from April 2012. This applies only to employees who commenced employment on or after 6 April.

Protected conversations

According to the Government a system of "protected conversations" would allow either employers or employees to initiate a discussion about an employment issue. When this idea was first mooted, the emphasis appeared to be on discussions regarding future retirement plans, but it now appears that it will cover all aspects of the employment relationship.

A number of questions have been raised about the idea of protected conversations, including:

- Discrimination cases will not be covered – will this mean that some parts of protected conversations will be permissible as evidence and some not?
- Will employers be able to nominate when a discussion is protected or will the employee have to agree, too? What does an employer do if the employee does not agree?
- Will there be a limit on the number of protected conversations that an employer can have with a particular employee? If so, how will this number be verified?
- Will there be human rights implications in making certain evidence inadmissible, on the basis that the claimant has been denied entitlement to the right to a fair hearing?
- What will be the status of a protected conversation if the employee attempts to raise a grievance about how it has been conducted, or even resigns because he/she feels singled out?
- Will the employer be prohibited from taking action against a manager if he/she is accused of bullying during a protected conversation and would the conversation be inadmissible if the manager is later dismissed and brings a claim?

It will be interesting to see whether the Government has been able to deal with some or all of the above questions when the final proposals are available.

Financial penalties for employers

Employers that have been found to have breached employment rights will pay a financial penalty (to the Exchequer) based on the total amount of the tribunal award, with a minimum threshold of £100 and a maximum of £5,000. Much like a parking ticket, the penalty will be reduced by 50% if payment is made within 21 days!

Compromise agreements

These will be known as settlement agreements and it is proposed that there will be a "standard text" for the agreements. Consideration is also being given to allow the agreements to cover all existing and future claims without the need for a lengthy list of separate causes of action.

Mediation and conciliation

A requirement will be introduced for all potential tribunal claims to be lodged with ACAS to give the parties a chance to resolve the matter through early conciliation. The early conciliation period will be one month. Where early conciliation is refused or is unsuccessful, the claimant will be allowed to lodge his or her claim with the tribunal.

Tribunal Procedure

The Government has asked the President of the Employment Appeals Tribunal to consider ways of streamlining tribunal procedure amid concerns that the current rules of procedure have become too complicated. It is also proposed that employment judges will be able to sit alone when hearing unfair dismissal claims. The limit for deposit orders will be increased from £500 to £1,000 and for costs orders from £10,000 to £20,000.

A new system for smaller claims

Consultation will take place on a new scheme to provide a quicker resolution of low value, straightforward claims such as those for holiday pay. This scheme would be an alternative to the tribunal process.

Collective redundancies

The Government has launched a "call for evidence" regarding statutory consultations on collective redundancies. Consideration is being given to reducing the current 90-day consultation period to 60, 45 or 30 days.

TUPE

Similarly, a call for evidence has also been launched in respect of a number of proposed changes to TUPE, including:

- Narrowing the service provision change obligations;
- excluding professional services from the scope of TUPE;
- removing all so-called "gold plating" by which the latest version of TUPE conferred broader rights on employees than were required under the Acquired Rights Directive;
- clarifying the relationship between TUPE and collective redundancy consultation;
- clarifying the rules governing a range of insolvency situations;
- modifying the rules on post-transfer variation of contracts where the object of such variations is to harmonise terms in the new workforce.

No-fault dismissals for small businesses

The Government will seek views on a proposal to introduce no-fault dismissals for companies with 10 or fewer employees. It is proposed that the old rules will remain so that an employer can still dismiss an employee without payment of compensation if they had a fair reason for dismissal and acted reasonably in carrying it out.

Fees for tribunal claims

Various options have been put forward and one of the stated reasons is that it will act as a deterrent to unmeritorious claims. The fees are due to be introduced either in 2013 or 2014.

Whistleblowing

The whistleblowing legislation will be amended so that employees will not be able to "blow the whistle" regarding breaches of their own employment contracts.

Maternity leave

The Government has confirmed its commitment to extend the right to request flexible working and to bring maternity leave up to date so that it becomes "shared and flexible parental leave".

Dismissal processes

The Government is looking at how to slim down existing dismissal processes and is seeking views on how to achieve this.

Conclusion

The Government was certainly not overstating the case when it described the proposals as "radical" and the Queen's speech on 9 May confirmed that a number of these initiatives will be taken forward in the next parliamentary session. In addition, further consultations have been launched recently by the Government Equalities Office on proposed amendment to the Equality Act 2010 and these will close on 7 August 2012. Clearly, an interesting period lies ahead!

Liz Buchan
Partner & Head of Employment Group
Watson, Farley and Williams LLP
E: ebuchan@wfw.com T: 020 7814 8065

Jillian Malone
Managing Director of FM Recruitment

Jillian Malone is Managing Director of FM Recruitment, a long standing specialist financial recruitment business in the hospitality sector responsible for placing hundreds of candidates into key finance roles globally. With over 20 years focussing purely on finance roles, Jillian's knowledge of the field is unrivalled. FM Recruitment is part of the Hospitality People Group and can be found at www.fmrecruitment.co.uk.

Accounting for a Change in the Hotels Business

"Sweat the assets" is a sound business principle, says Jillian Malone of FM Recruitment. Whether it is retail stock turn or production line machinery throughput, getting the most out of business assets is essential. She then asks the question: "How many assets get sweated as heavily as hotels? Hotels are open 24/7 for years at a time, only stopping for makeovers or re-branding after several years of continuous operation. Cruise liners are, in many ways, the nearest equivalent, but even they take breaks between cruise programmes."

Optimising the use of the assets relies on another business aphorism which Jillian reminds us of: "You have to measure it to improve it." The successful management of a hotel presents many challenges – it mixes a wide range of service activities with manufacturing (food preparation) around the clock – and on that hangs the complexity of accounting in the hotels sector.

Historically, standardised approaches to financial and management accounting in hotels evolved over the 20th century and most hotels – units – are responsible for the full suite of internal and external accounting requirements on site. That is now changing as recent structural changes in the hotel business have brought increasing focus on accounting and performance measurement.

Ownership and Operating Structures

In the case of many major hotel groups, ownership of the physical hotel assets might be by a venture capital group, private investor or financial institution - some of these being pooled funds managed aggressively on behalf of high net worth individuals by teams of 'asset managers'. This has led to a clear divide between ownership and operation of hotel businesses, as a hands-off approach to 'sweating the assets' is adopted by the owners of the physical building. For them, it may be just another component of a property estate to be managed.

The owners might engage an operator to run the chain of hotels or lease the building to a hotel chain – there are a number of models – but whichever one applies, the guests have to be found and serviced if the investors ultimately are to be satisfied. So, at the sharp end, pressure is becoming much more intensely focused on unit managers and their teams to deliver on an increasing variety of targets imposed by the owners' representatives, the management companies, the brand standards – and their own internal targets.

There may be several sets of financial and management accounts relating to one hotel if there is a multi-layered ownership/operating structure – though of course they are legally discrete. In fact, what the public sees as a unified hotel might have several owners, in the sense that there will be a building, a brand, an operating company and a service company all separately owned – an iced cake outside, but layered internally.

The net effect of this complexity of ownership and operational restructuring has been a major increase in demand for management information and analysis, compounded by the penetration of technology, social change and customer demands – fuelled as always by competitive pressures.

Facilities and Services

Where did it start? Was it the in-room trouser press or the electric kettle? There was a time where the only accessory in a room was a Gideon's Bible. Then came the drinks bar which reported to the computer, satellite TV and now the most recent technology wave has been wifi – provided free of course. Even the wifi service has to be accounted for at a detailed usage level. As hotel rooms contain even more electrical facilities and gadgets, the cost burden increases, as in-room electrical equipment has to be tested and certified, often annually. Then, there have to be spares kept to cover for failures.

At the most complex of hotel operations, where there might be an in-house casino, the financial management challenges are of a whole new order. Although these establishments are a rarity in the UK, there are signs now that this all-inclusive 'resort hotel' concept is reaching into other sectors of the hotel business, as operators seek to increase the 'take' per guest and thereby sweat the assets even more.

New Models

The increased range of services and facilities has led inevitably to an upward drift in room rates, but has, at the same time, opened a gap for basic 'room only' hotels. These budget bedroom hotels operate along the lines of the budget airline business model, with absolutely no thrills. Room rates are dynamic and, depending on the specific business model, may increase or decrease for late bookers. This dynamic sub-sector with last minute room pricing to optimise yields has introduced its own accounting challenges.

Branding

The largest hotel operating companies each have a range of brands, with each brand positioned for a specific market segment, for example: premium business, premium leisure, budget business, motel. The facilities and services in each brand are set to match a price point. There are advantages of strongly segmented brands which customers trust, particularly in the business and premium leisure sectors. As the hotel sector changes, brands are redefined and refocused. Typical questions for the management accountant are: "What will be the effect on the bottom line if we offer MTV and a sports channel to each guest free of charge?"

Strong brands are defined by high customer loyalty, which means lower marketing costs, because regular customers make up more of the yield. That does mean that besides regular marketing, there has to be a customer loyalty programme - which costs money to run. How does one measure its efficiency against regular marketing? It is axiomatic that it is more efficient, but that belief has to be regularly tested and borne out by the numbers.

New Marketplaces

In recent years, the emergence of marketplaces such as lastminute.com, online price comparison and hotel finder sites have added more complexity to the accounting task. Of course, there have always been hotel booking agents, but the nature of these new and fast moving electronic marketplaces has added a whole set of systems and accounting requirements.

Closing Words

As Jillian continues: "These structural ownership changes are taking place in a society which is moving forward technologically and socially, with a continual demand to install or upgrade service features for ever more demanding customers and unceasing pressure to improve financial returns. This increases the challenge to the management and accounting professionals in the sector and the need for "out-of-the box" thinking, whilst offering tremendous variety to the clients."

This article is one of an occasional series about the accounting challenges of rapid change in the Hotels sector. Next month, we will be taking an in-depth look at Hotel Group Ownership from small, family-run units to the megabrand groups.

TAXATION SERVICES

New VAT treatment for vouchers

Hotels that sell 'face value' vouchers are amongst those affected by new VAT rules announced by HMRC recently. Some changes take effect immediately, with more to follow in 2015. Make sure you know if your voucher schemes are covered.

Vouchers and other promotion schemes have always been a contentious and complicated area of VAT for businesses to deal with and the issue is now back in the headlines following the recent European court decision in Lebara, which concerning the sale of pre-paid phone cards.

HMRC believes the implications of this judgment go beyond the telecoms market, and has issued Revenue & Customs Brief 12/12, introducing a new VAT treatment for some types of voucher.

What's changed and which vouchers are affected?

The changes affect **'single purpose face value vouchers':**

- A face value voucher is a hard copy or electronic voucher that represents the right to receive goods or services to the value of an amount stated (or recorded) on it.
- A single purpose face value voucher is defined by HMRC as 'one that carries the right to receive only one type of goods or services which are all subject to a single rate of VAT'.

From 10 May 2012, VAT must be accounted for on single purpose face value vouchers at the time they are sold. Before that date, VAT was accounted for at the time the voucher was redeemed in exchange for goods or services.

How does this affect hotels?

Although not included in the list of examples in HMRC's brief, the announcement will have implications for hotels who sell vouchers, e.g for overnight stays or use of facilities, such as spa treatments. As these vouchers can only be used for services that are subject to VAT at 20%, they will be covered by the new rules. Hotels must now account for VAT when the vouchers are sold to a customer or distributor, not on redemption.

Some vouchers will fall outside the definition and be unaffected by the changes, such as those that do not disclose a specific value to the customer (e.g. a coupon for a free spa treatment, or a 'two for one' offer) or vouchers that are given away for free.

The new rules will be enacted in Finance Act 2012, which will become law on Royal Assent in late July. However, their implementation will be backdated to 10 May 2012, giving businesses no advance notice of the change. However, HMRC will allow businesses the choice of changing their accounting practice now or waiting until Royal Assent and making an adjustment to cover the intervening period.

The current changes do not impose VAT where no VAT was charged before. Instead they mean that VAT will be accounted for at an earlier stage, potentially creating an accounting and cash flow issue. Failure to implement the new rules correctly could expose the business to a 'careless' penalty from HMRC of up to 30% of the tax that is paid late.

What will happen in 2015?

Meanwhile, the European Commission has announced more wide ranging proposals to update the VAT position of vouchers. It plans to introduce a uniform VAT treatment of vouchers across the European Union, to take effect on 1 January 2015.

There are likely to be various amendments to the proposals in the intervening period but, based on the current document, the headline changes appear to be as follows:

- Vouchers will be classed as:

  'single purpose' (only redeemable for goods/services subject to a particular VAT rate) - subject to VAT at the time of issue.

  'multi purpose' (VAT rate of goods or services cannot be identified at the time of purchase) – subject to VAT at the time of redemption.

- Where multi purpose vouchers are sold through a distribution chain, each reseller's mark-up will be treated as payment for a supply of distribution services.
- Where a voucher is honoured by someone other than the issuer (a 'redeemer'), the reimbursement between the parties will be treated as payment for a supply of services from redeemer to issuer.

The proposals for taxing supply chains which include distributors and redeemers are entirely new concepts and a step into the unknown. However, it seems likely that such charges between UK businesses will be subject to VAT while cross border charges will be taxed under the 'reverse charge' mechanism.

In the long run, these harmonised definitions should bring consistency and hopefully a degree of simplification to the VAT treatment of vouchers – for many years a rich source of disputes between businesses and tax authorities around Europe. All businesses involved in the issue, distribution and redemption of vouchers should keep a watch on developments between now and 2015.

What should I do now?

The immediate issue for UK hotels is the implementation of the changes announced by HMRC in its recent brief. Operators should ask themselves:

- Do we issue vouchers and if so are they 'single purpose face value vouchers'?
- What system changes need to be made to ensure VAT is accounted for on the date of issue?
- Given the complexity of voucher schemes in general, should we review vouchers that are not covered by the change to make sure their VAT treatment is correct?

For more information on how we can help, please contact:

Nick Warner
E: nick.warner@uk.pkf.com
T: 0207 065 0333
www.pkf.co.uk

By HOSPA Chief Executive
Carl Weldon

Revenue Management Committee provide snapshot on Flash Sales

On 18 June, HOSPA hosted a Revenue Management Community discussion at Le Méridien Piccadilly, London, on a highly debatable topic that currently is strongly dividing opinion in the UK hotel industry – the use of 'Flash Sales' to boost business.

At the event, Suzie Wotton – Vice President of Marketing, Red Carnation Hotels – chaired a panel of leading 'Flash Sales' practitioners to enable hoteliers to find out more about the issues involved. The expert panel comprised: Nick Stafford, General Manager, Escapes Europe – Living Social; John Bevan, Managing Director – Voyage Privé; Richard Singer, Commercial Director, Europe – Travelzoo; Dr. Remo Gerber, Director – Groupon; and Dan Evans, Head of Contracting – Secret Escapes.

Introducing the discussion, Suzie Wotton said: "Flash Sales may be hugely popular among budget-minded travellers, but the hotel industry is still strongly divided. A recent survey by the Cornell University School of Hotel Administration determined that 42% of hotel operators had at least tried flash deals, but 46% of hotel operators said they had no intention of offering them. The remaining 12% were considering using flash sales. Flash Sales boast incremental revenue, brand exposure and new customers for hotels. However, hotel representatives claim the drawbacks to flash sales are that the discounts may be too deep, don't necessarily entice guests to return and may create false expectations for lower rates in the future."

Some of the key outcomes from the discussion included:

- Not all Flash Sales on offer are the same – for instance, they can cater for different markets and are not necessarily just room night rate focussed and can include, for example, attractive packages offering add-on experiences such as visits to museums or theme parks

- Flash Sales do not involve necessarily a standard hotel room offer – this can include all other types. The important point is that the guest perceives that they are getting 'value for money'

- The panellists claim that the key to a successful deal comes through working closely with hoteliers, tailoring a deal to their needs whilst ensuring that the discounts are sustainable and the offers suit and work for all parties concerned

- Hoteliers need to decide which Flash Sales partner suits them best and to find this out they need to do their research through referrals, testimonials and the like

- Though Flash Sales are heavily discounted, they can bring in additional revenue through guests using the hotel's services and facilities once they are on the premises – there is always room for up-selling

- Panellists claimed that Flash Sales can bring access to new markets for a hotelier (from local to global); and not all guests taking up Flash Sales offers are necessarily 'bargain hunters' looking for a one-off experience, as many hoteliers fear, and there is a good chance that they will return to the hotel for a repeat visit. Flash Sales partners can provide, therefore, an important new source of carefully targeted clientele

- One of the most talked about topics when it comes to Flash Sales is the cost. Discount plus commission is a large chunk of a Revenue Manager's Average Daily Rate (ADR) and often the reason hoteliers shy away from this model. Panellists claimed that usually there was no cost to the hotel until the guest took up a Flash Sales offer; and cost issues could be resolved to everyone's mutual benefit through working closely with the hotelier and putting together the right deal

- Most Revenue Managers are keen to protect rate integrity through parity across all channels – fearing Flash Sales will compromise this 'best practise' Panellists answered this concern by claiming there was usually no overlap between their targeted membership lists and a hotel's existing loyal guest data base which would alienate existing customers – many hoteliers are fearful of their loyal guests being contacted and alienated by a heavily discounted Flash Sale offer when they have just paid (or are used to paying) the 'going' hotel rate

- Flash Sales partners can occasionally come up against online travel agencies (OTAs) that undercut their offers

- Mobiles and social media generally are becoming increasingly significant sales channels for many online retailers and this is no different for Flash Sales partners, though they warned about texting offers for reasons of quality and poor response – saying that a sales message needed to inspire potential customers and people were increasingly looking to Apps in this respect. Also with use of email marketing, avoid email messaging fatigue!

In a straw poll, only a small proportion of the audience put up their hands to confirm that they use 'Flash Sales' – possibly demonstrating that it is a sales mechanism still in its infancy in the sector, as well as revealing an element of scepticism from hoteliers as yet about its benefits.

Suzie Wotton concluded the evening by thanking all the panellists for their contributions; and Le Méridien Piccadilly for hosting the discussion.

Alan O'Riordan
Managing Director – UK & Europe
Xn Hotel Systems Limited
07833 250806
alan.oriordan@xnhotels.com
www.xnhotels.com

Xn supplies a true "one stop shop" solution to Mama Shelter, including PMS, POS, BI, distribution, hosting and MPLS infrastructure.

Mama Loves Marseille …. and Xn Loves Mama!

The owners of the multi award winning Mama Shelter Paris opened their second concept in Marseille on 13th April 2012. The new 127 room property is located in the city centre near the Cours Julien district, an area known for urban art, concert halls, young designers and sunny terraces. Mama Shelter Marseille also boasts a 132 seat Mediterranean restaurant and 60 seat outside terrace serving a range of culinary dishes by French celebrity chef Alain Senderens.

Created by the Trigano family (co-founders of Club Med) and French philosopher Cyril Aouizerate, Mama Shelter was designed by Philippe Starck, who created the Royalton in New York, St. Martins Lane in London, the Delano in Miami Beach and numerous other successful hotels and restaurants.

Xn Hotel Systems is proud to have a working partnership with Mama Shelter that dates back to 2008 when the first Mama property opened in Paris with online reservations, electronic distribution and GDS connectivity provided by Xn's Xn globalRES solution. With the opening of the second property in Marseille, Mama Shelter has further extended its relationship with Xn Hotel Systems by implementing an extensive range of solutions and services.

Xn has supplied protel's Multi Property Edition Property Management System to both Paris and Marseille which allows Mama Shelter to benefit from the efficiencies of centralising key functions such as reservations and finance.

Xn Hotel Systems is providing hosting services for all the applications being supplied to Mama (including the protel PMS and Mama's new ACOM accounting system) from its new UK data centre, negating the need for costly hardware and skilled technical resources at each individual hotel. As a VISP provider, Xn Hotel Systems has also been contracted to provide an MPLS network between the Mama Shelter properties, Mama HQ and Xn's Data Centres.

For the management of its food and beverage outlets, Xn dotPOS was selected by Mama Shelter as its centralised EPoS solution for the benefits provided by its flexible functionality plus the ability to provide centralised reporting, trading alerts and data management via an online portal.

Soon to be launched is the next generation of Mama Shelter's online web booking system developed by Xn globalRES, which will bring a number of new and exciting features inspired by Mama Shelter's ingenuity and forward thinking.
Xn Business Intelligence is the latest addition to the range of solutions provided by Xn Hotel Systems, which Mama Shelter is implementing to provide online centralised KPI dashboard reporting and management analysis. Data is extracted and consolidated from multiple sources including protel PMS, Xn dotPOS, Xn globalRES and ACOM back office solution to provide a truly holistic view of the group's performance.

Jérémie Trigano of Mama Shelter says of the Xn Hotel Systems relationship:

"Xn Hotel Systems is developing customised, cutting edge, user friendly tools so that our operational staff can focus on guest satisfaction, our off-site management teams can easily access real-time financial information and, most importantly, so that our guests can enjoy a unique online experience. In addition to these great products, Xn's 24/7 customer service is unparalleled in the industry, providing continuous support thanks to a worldwide team of friendly professionals."

VAT INCLUSIVE PRICING - LETTER FROM THE ADVERTISING STANDARDS AUTHORITY (ASA):

The BHA have received a letter from the Committee of Advertising Practice which communicates and enforces ASA rulings about its recent adjudications that hotel websites must advertise room prices inclusive of VAT "unless all to whom the price claim is addressed pay no VAT or can recover VAT." The letter acknowledges that changes may take "several weeks" and the ASA has "seen fit to apply a three month grace period" and expects advertising, including on websites, to comply by 17 September.

Please go to:
http://www.bha.org.uk/wp-content/uploads/2012/06/VAT-Exclusive.pdf to view the letter and adjudications. The BHA should particularly appreciate the views of affected members on the three month grace period- please comment to martin.couchman@bha.org.uk

Members' **News**

Considerate Hotel of the Year Awards

The 2011/12 winners of the seven categories of the prestigious annual Considerate Hoteliers Association (CHA) 'Hotel of the Year Awards' – celebrating the best in environmental, sustainable and socially responsible performance and open to all UK hotels and small accommodation operations – were announced at the end of May by the CHA at its Annual Awards and Gala Lunch, held at the 5-star Four Seasons Hotel London at Park Lane. CHA's traditional highest accolade – the overall 'Considerate Hotel of the Year Award 2011/12', again sponsored by Gilchrist & Soames Ltd., was presented to the Lancaster London.

Member moves

Our congratulations to HOSPA student member Ashish Vishwasrao. Ashish has recently relocated down to London to take up a new post as Assistant Finance Manager at the Hilton London Canary Wharf. Ashish recently attended the regional meeting in Manchester and commented:

'HOSPA has not only helped me improve my overall accounting knowledge but also my ability to network with other colleagues. Special thanks to Rob Maloney, who really helped me realise my potential. The HOSPA Members Meeting event that was arranged in Manchester last year was a great success for me and I would definitely encourage those who have not attended an event before to do so'.

HOSPA Taxation Q & A for Members

HOSPA Patrons PwC very kindly hosted this question and answer session held on 24th May with some leading tax experts and the Leisure and Tourism adviser at HMRC. The meeting took place at their building in More London, on the south bank of the Thames, next to Tower Bridge. It is the first major office in the UK to be awarded the highest award for best practice in sustainable design an environmental performance for buildings. To achieve this top rating, the PwC office had to meet or exceed strict criteria, including environmental innovations such as the use of 80% recycled aggregate within the concrete used, and the recycling of waste heat to cool and warm the building.

Some of the major issues discussed were:

- What does Real Time Information mean for you?
- Are you up to date with the latest tax and employment changes?
- Could your business be at risk?

The first of these topics is discussed in detail on page five. The remaining topics will be discussed in detail in future editions of The Overview and the presenters presentations can be downloaded from the members area of the HOSPA website.

Our thanks to the panel members:

- Alan McLintock, KPMG, Director, Indirect Tax
- Andrew Mathieson, HMRC, Trade Sector Advisor-Leisure & Tourism
- Alf Orban, PwC, Leader - Capital Allowances
- Lesley Sadler, Senior Manager, Global Employer Services, Deloitte
- Doug Sinclair, Director of Tax Investigations, BKL Tax

UK CHAIN HOTELS MARKET REVIEW - April 2012

Provincial hotels achieve profit growth for the first time in 2012

Following a torrid start to the year, hotels in the Provinces have achieved their first year-on-year increase in profit per room this month, according to the latest HotStats survey of approximately 560 full-service hotels across the UK by TRI Hospitality Consulting.

Hotels in the Provinces successfully achieved a 1.4% increase in profit per room to £21.63 from £21.33 during the same period in 2011. April was the first month in which the Provincial hotel market has achieved a year-on-year increase in profit since August 2011; and the growth this month represents the first profit increase during April since 2008.

The increase in profitability was primarily due to a 4.8% increase in Revenue per Available Room (RevPAR) as hotels in the Provinces were able to achieve an increase in both room occupancy (+1.9 percentage points) and achieved average room rate (+1.9%).

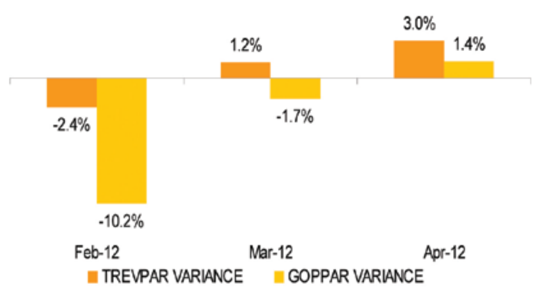
This represented the greatest margin of increase in RevPAR since June 2011, which not only illustrates the recent challenging trading period in the regions, but also a recovery from the declines suffered at Provincial hotels during the consecutive bank holidays in April 2011.

Despite the RevPAR increase in April being driven by positive movement in the achieved rate in the conference (+5.5%), leisure (+2.1%), group (+3.7%) and Best Available Rate (+2.8%) segments, locally-negotiated corporate rates remain resistant to growth with a 2.2% year-on-year drop in this sector in April to £66.49.

"Whilst encouraging, the growth in headline performance metrics this month was somewhat expected due to the disruption caused by the extraordinary string of bank holidays this time last year. It remains to be seen whether the long bank holiday in June for the Queen's Diamond Jubilee will have a similar effect on the performance of hotels in the Provinces," said Jonathan Langston, managing director at TRI Hospitality Consulting.

Despite the 3.0% increase in Total Revenue per Available Room (TrevPAR) and a decrease in payroll levels as a proportion of total revenue, profit growth in the Provinces was recorded at only 1.4% as profitability was once again impacted by rising costs in rooms expenses (+7.6%) and utilities (+12.9%) on a per room sold basis.

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES

	Apr '12	Apr '11	Var b/w	
Occ %	68.6	66.7	1.9	▲
ARR	67.08	65.86	1.9%	▲
RevPAR	46.02	43.90	4.8%	▲
TrevPAR	86.87	84.35	3.0%	▲
Payroll %	34.7	35.0	0.4	▲
GOP PAR	21.63	21.33	1.4%	▲

	YTD '12	YTD '11	Var b/w	
Occ %	63.9	63.3	0.7	▲
ARR	67.28	66.94	0.5%	▲
RevPAR	43.03	42.36	1.6%	▲
TrevPAR	81.73	81.42	0.4%	▲
Payroll %	35.8	35.6	-0.2	▼
GOP PAR	18.51	19.45	-4.8%	▼

ARR - Average Room Rate, RevPAR - Revenue per available room, TrevPAR - Total Revenue per available room, - GOP PAR Gross opertunity profit per available room.

London hotels achieve huge profit growth once again despite April showers

Hotels in London were once again toasting huge increases in profit per room this month as growth was achieved in all revenue departments, according to the latest HotStats survey of approximately 560 full-service hotels across the UK.

The 7.0% growth in TrevPAR in London was spearheaded by a 7.8% increase in RevPAR as hotels in the capital increased average room rate by 5.3% to £128.52 from £122.10 during the same period in 2011. And at 82.3%, room occupancy in April was the highest it has been for the month since 2008.

The growth in volume in London was primarily as a result of an increase in the proportion of the market mix attributed to the leisure and group tour sectors, which cumulatively comprised approximately 37% of total demand this month, suggesting an increase in the volume of leisure tourists to the city.

This is further supported by the increase in the achieved sector rates in both the leisure (+7.0%) and groups (+9.4%) sectors. The latter is potentially due to an increase in Olympic-related tour groups.

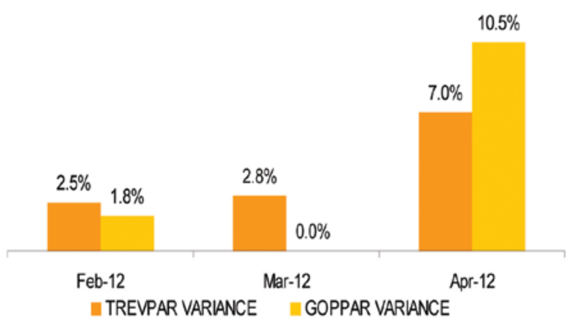
In line with the growth in rooms revenue hotels in London also achieved year-on-year increases in food and beverage revenue (+4.8%), meeting room hire revenue (+0.4%) and leisure revenue (+5.3%) per available room.

Whilst April was a washout for many industries due to the cold and wet weather, the 10.5% increase in profit per room achieved in London was the second year successive year of double-digit growth in this metric following the 12.5% increase in April 2011. London hotels are now 23% ahead of pre-recession (April 2008) Gross Operating Profit per Available Room (GOPPAR). That said, an uplift in year-on-year performance this month was not unexpected as room occupancy levels fell to as low as 46% in London over the Easter Bank Holiday and the Royal Wedding period this time last year.

"It may have been raining and pouring all month, but it looks like most of the snoring took place at hotel beds in London. Extremely high room occupancy levels, premium average room rates and growth in every revenue department meant that London hoteliers are smashing all performance records," added Langston.

The only blemish on a near perfect performance was the ongoing decline in net average room rate as rooms direct expenses at hotels in London increased by 6.9% on a per room sold basis, which was due in large part to an 18.1% increase in the cost associated with travel agents commissions.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

LONDON

	Apr '12	Apr '11	Var b/w
Occ %	82.3	80.3	2.0 ▲
ARR	128.52	122.10	5.3% ▲
RevPAR	105.71	98.04	7.8% ▲
TrevPAR	142.03	132.78	7.0% ▲
Payroll %	25.6	26.4	0.9 ▲
GOP PAR	63.72	57.65	10.5% ▲

	YTD '12	YTD '11	Var b/w
Occ %	77.0	75.6	1.4 ▲
ARR	125.28	121.31	3.3% ▲
RevPAR	96.43	91.65	5.2% ▲
TrevPAR	133.28	127.85	4.2% ▲
Payroll %	26.4	26.8	0.3 ▲
GOP PAR	57.51	54.76	5.0% ▲

HOTSTATS Briefing Data

UK Chain Hotels - Performance report Currency: £ Sterling

The month of April 2012

TOTAL UK

	Apr '12	Apr '11	Var b/w	
Occ %	73.5	71.5	2.0	▲
ARR	91.54	88.15	3.8%	▲
RevPAR	67.24	63.00	6.7%	▲
TrevPAR	106.48	101.43	5.0%	▲
Payroll %	30.3	31.1	0.7	▲
GOP PAR	36.59	34.14	7.2%	▲

LONDON

	Apr '12	Apr '11	Var b/w	
Occ %	82.3	80.3	2.0	▲
ARR	128.52	122.10	5.3%	▲
RevPAR	105.71	98.04	7.8%	▲
TrevPAR	142.03	132.78	7.0%	▲
Payroll %	25.6	26.4	0.9	▲
GOP PAR	63.72	57.65	10.5%	▲

PROVINCES

	Apr '12	Apr '11	Var b/w	
Occ %	68.6	66.7	1.9	▲
ARR	67.08	65.86	1.9%	▲
RevPAR	46.02	43.90	4.8%	▲
TrevPAR	86.87	84.35	3.0%	▲
Payroll %	34.7	35.0	0.4	▲
GOP PAR	21.63	21.33	1.4%	▲

The Calendar year to April 2012

TOTAL UK

	YTD '12	YTD '11	Var b/w	
Occ %	68.6	67.6	1.0	▲
ARR	90.36	88.40	2.2%	▲
RevPAR	61.95	59.76	3.7%	▲
TrevPAR	100.00	97.81	2.2%	▲
Payroll %	31.4	31.6	0.2	▲
GOP PAR	32.33	31.91	1.3%	▲

LONDON

	YTD '12	YTD '11	Var b/w	
Occ %	77.0	75.6	1.4	▲
ARR	125.28	121.31	3.3%	▲
RevPAR	96.43	91.65	5.2%	▲
TrevPAR	133.28	127.85	4.2%	▲
Payroll %	26.4	26.8	0.3	▲
GOP PAR	57.51	54.76	5.0%	▲

PROVINCES

	YTD '12	YTD '11	Var b/w	
Occ %	63.9	63.3	0.7	▲
ARR	67.28	66.94	0.5%	▲
RevPAR	43.03	42.36	1.6%	▲
TrevPAR	81.73	81.42	0.4%	▲
Payroll %	35.8	35.6	-0.2	▼
GOP PAR	18.51	19.45	-4.8%	▼

The twelve months to April 2012

TOTAL UK

	Rolling '12	Rolling '11	Var b/w	
Occ %	73.9	73.2	0.7	▲
ARR	94.04	91.26	3.0%	▲
RevPAR	69.48	66.78	4.0%	▲
TrevPAR	111.77	109.44	2.1%	▲
Payroll %	28.4	28.7	0.3	▲
GOP PAR	42.47	41.66	1.9%	▲

LONDON

	Rolling '12	Rolling '11	Var b/w	
Occ %	81.8	81.6	0.2	▲
ARR	132.86	125.79	5.6%	▲
RevPAR	108.71	102.69	5.9%	▲
TrevPAR	148.24	142.54	4.0%	▲
Payroll %	23.8	24.3	0.5	▲
GOP PAR	71.38	67.81	5.3%	▲

PROVINCES

	Rolling '12	Rolling '11	Var b/w	
Occ %	69.5	68.5	1.0	▲
ARR	68.92	68.75	0.3%	▲
RevPAR	47.91	47.12	1.7%	▲
TrevPAR	91.71	91.32	0.4%	▲
Payroll %	32.5	32.4	-0.1	▼
GOP PAR	26.57	27.34	-2.8%	▼

TRI Hospitality Consulting
Jonathan Langston - Managing Director | T 0207 892 2201 | E jonathan.langston@trihc.com
Ben Livingstone - Managing Consultant | T 0207 892 2205 | E ben.livingstone@trihc.com

HOTSTATS
Mark Dickens - Managing Director | T 0207 892 2207 | E mark.dickens@hotstats.com
David Stephens - Operations Manager | T 0207 486 2217 | E david.stephens@hotstats.com

HOSPA Quiz - Thursday 12th July 2012

Come and join us at The Prince of Wales, 150-151 Drury Lane (Covent Garden, London, WC2B 5TD), for the HOSPA Annual Quiz Night! This event is from 6.00pm for food with the quick fire rounds starting at 7.00pm prompt.

Book a team of 6 or book individually. Ticket price of £25 (inc VAT) per person or £150 for a team of 6 (includes a light meal and a drink).

Trophy and magnum of Champagne for the winning team!

Visit www.hospa.org/events/eventsdetails/members-quiz-night for full details.

Enrolling now for HOSPA Revenue Management Programme

HOSPA's Revenue Management course provides an entry route to Associate membership status with HOSPA. This route aims to provide a career path for revenue managers and directors in the hospitality industry. The course is developed to provide learning and development for aspiring hospitality revenue management professionals to gain the skills and knowledge required to manage hospitality revenue management divisions of the future, or to gain a more detailed understanding of the revenue management function of a hospitality organisation. Course members study whilst working, with access to an online classroom with tutor support and resources to support their learning.

The course materials have been written by experienced educators specifically to match the needs of revenue management professionals in the hospitality industry. The course will enable students to solve problems in the workplace as a part of their assessed course assignments. Support will be available from a tutor via email, telephone or the online classroom for UK and overseas based learners and is accredited by Oxford Brookes University.

Interested?

Learn more from our website www.hospa.org or phone the Membership and Education Services on + 44 (0) 1202 889430

Members' **Events**

Forthcoming events

Jul 12 **HOSPA Members' Quiz Night - London**
Come and join us at The Prince of Wales, 150-151 Drury Lane Covent Garden, London, for the ever popular Annual HOSPA Quiz! Guests welcome. The event is from 6.00pm for a light supper with the quick fire rounds starting at 7.00pm. You can book a team of 6 or book individually.

Prices for attendance are as follows:
Individual(s): £25 (inc VAT) or per Team: £150 (inc VAT) for a team of 6 (price includes a light meal and a drink).

To book, please visit the events section on the HOSPA website or contact Wayne Gosden by emailing wayne.gosden@hospa.org or call 01202 889430.

Sep 21 **HRMC Scottish Regional Breakfast Workshop - Benchmarking Social Media - Edinburgh**
The HOSPA Revenue Management Community have organised a meeting for members and guests to be held at the Apex International Hotel, 31-35 Grassmarket, Edinburgh on the subject of 'Managing your online reputation and its increasingly important role within Revenue Management' from 8.30am for a 9.00am start.

Registration is necessary to attend. To register, please visit the events section on our website or email wayne.gosden@hospa.org with your details.

Nov 22-23 **HOSPACE 2012, Sofitel Hotel, Terminal 5, Heathrow, London**

Dec 19 **HOSPA Awards Lunch 2012 - London**
Join us to celebrate the achievements of the HOSPA prizewinners with awards for the highest achieving students in the past year. Come and get your festive celebrations underway with friends and colleagues at the HOSPA Awards Lunch.

Further details, including venue information, will be released in due course.

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Guestline
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Keystep
MICROS-Fidelio
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Rate Tiger
Redstone
Rieo Communications
Softbrands, an Infor Affiliate
STR Global
Symon - Digital Signage
The NAV People
The Ritz Hotel, London
TRI Hospitality Consulting
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Xn Hotel Systems Ltd

HOSPA Partners

HFTP (Hospitality Finance and Technology Professionals)
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Hotel Technology Next Generation
Smart Report

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HOSPA thanks the following companies for being Founding Sponsors of our relaunch as HOSPA as an Association for Finance, Revenue Management and IT Professionals. These companies have enabled the development of the HOSPA brand, new members' website and other facilities.

Atos, Beacon Purchasing, Global Blue, BT Openzone, Daisy, Amex, Fourth Hospitality, Watson, Farley & Williams.

Sponsor of the HOSPA Calendar

HOSPACE Conference & Exhibition 2012

Date for your Diary...

HOSPACE 2012
22nd and 23rd November 2012

Sofitel London Heathrow, Terminal 5

HOSPACE is the Association’s annual conference and exhibition featuring an outstanding line up of internationally recognised speakers from the hospitality sector plus a series of education workshops on the latest financial topics, revenue management innovations and IT developments for the sector.

The Hospitality Technology Exhibition features a range of products and services to help you to manage your hotels information flows more effectively.

Who should attend this event?

Senior Hospitality Directors

Financial Controllers and Accountants

Revenue and Distribution Managers

IT Managers

General Managers

And all those interested in the latest developments for managing and measuring business performance in the hospitality sector!

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