



Leisure



Management Discussion and Analysis

Leisure

The Leisure Sector comprises Destination Management and Hotel operations represented by Hemtours Pvt Ltd and the Serendib Hotels Group which constitutes three hotel companies listed on the Colombo Stock Exchange.

The sector posted a turnover of Rs. 945.3Mn realizing a net profit of Rs. 25.9Mn, an increase in revenue by 9.5% and a decrease in sector profits by 39.4%. In underlying terms however, this translated to an increase in profits since the previous years sector profit included a write back of negative goodwill amounting to Rs. 33.5 Mn.

The Leisure industry continued to be hampered by the security situation during the year under review with tourist arrivals declining by 7% impacting earnings in both Hemtours and Serendib hotels group. The hotel sector attempted to mitigate the impact of this by special offers to local guests with the industry witnessing an increase in local guest nights by 115% this year (SLTDA).

The Serendib Group of Hotels comprises three properties; Hotel Serendib Bentota, Club Dolphin Negombo and Hotel Sigiriya in the cultural triangle. Club Dolphin performed exceptionally well, claiming the highest occupancy level for the western coastal region of 82%. It continued to be duly recognized by customers for its excellence in service delivery and won the First Choice Gold Award for the 3rd consecutive year, an achievement that highlights the consistency of service delivery. Hotel Sigiriya performed below expectation with the escalation of hostilities deterring tourists from visiting the cultural triangle and as a result annual occupancy was down to 39%. The agreement with Minor Group Thailand to upgrade and re-launch Serendib hotel Bentota as Anantara International was deferred once again this year due to the prevailing industry situation. Serendib Hotel Bentota which was closed for business in March 2007 pending the proposed refurbishment was reopened in October 2007 and reported a loss of Rs. 13.6 Mn for the year which was minimized due to a modest winter season with occupancy averaging 65% from December 2007 to March 2008.

A number of initiatives were taken this year to improve the marketing reach of Hemtours. It entered into an agreement with Thailand based Diethelm Travel Group (DTG), a travel company with offices in nine countries in the region to promote inbound tourism to Sri Lanka and the Maldives which we expect will produce results next year. The launch of 'Holiday Asia', an online booking engine also served to improve the visibility of Hemtours among independent travelers.

Given the prevailing situation of the country we cannot be optimistic that the industry would pick up in the near future. However we believe that some of the focused marketing efforts undertaken by the newly established Tourism Development Authority would have a positive impact in the medium term. In this backdrop we will continue to develop and maintain our current properties with a focus on further improving cost efficiency and service delivery.

