

LEISURE





Sector Review **LEISURE**

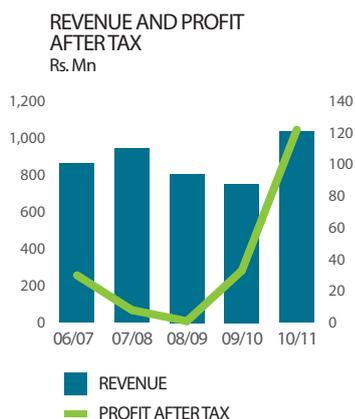
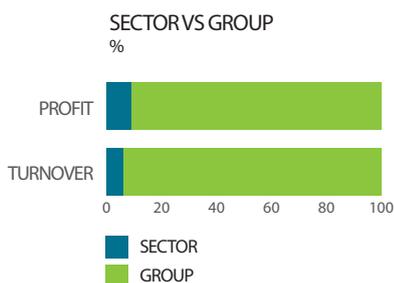
Going forward, our hotel sector expects to enter a new era in the tourism industry with unbeaten service excellence and experiences, repositioning them with a distinctive edge in the hospitality industry.

The Leisure Sector constitutes the Serendib Group of Hotels and Diethelm Travels, a key inbound tour operator in Sri Lanka. The Serendib Group, which is a 51% owned subsidiary of Hemas Holdings, includes Hotel Serendib in Bentota, Club Hotel Dolphin in Waikkal and Hotel Sigiriya located within the cultural triangle. The year saw an addition to the Serendib family in the form of Kani Lanka Resort and Spa in Kalutara, increasing the total room strength of the group from 320 last year to 422.

For the year under review, the leisure sector generated revenues of Rs. 1.0Bn, a 37.6% year-on-year growth. Sector performance marked a good year recording a profit attributable to the Group of Rs. 51Mn, compared to a loss of Rs 6Mn posted in 2009/10.

The tourism industry experienced remarkable growth of 46% in 2010 recording 654,476 tourist arrivals, the highest over the last decade (Source: SLTDA). The year saw improved yields with the end of the ethnic conflict which persisted over the last three decades. Overall occupancy rates increased by 22.0% recording an average of 70% and the industry is expected to grow considerably over the coming years. Our hotels recorded an impressive average occupancy in excess of 80% for the period under review.

Club Hotel Dolphin was upgraded at a cost of Rs. 530Mn and reopened in October 2010 with the proposition "Best of Both Worlds". The Hotel experienced improved yields during the winter season and has been endowed with a dual personality of a vibrant and active 'PLAY' area with one of the longest pools in South Asia that sharply contrasts with its peaceful and quiet 'PAUSE' area that affords guests absolute calm and privacy delivering on the "Best of Both Worlds" proposition. Club Hotel Dolphin achieved an annual occupancy of 84% backed by an increased room strength of 150 which includes charming villas and suites. For the year under review, the hotel posted a revenue growth of 12%. The hotel won the ITS Red Star Award for the second consecutive year for outstanding standards & customer satisfaction from REWE group, one of Germany's largest tour





operators and the Traveller's Choice Award in the family hotel category in 2010 by Trip Advisor. Club Hotel Dolphin was also recognized by the British tour operator, Hayes & Jarvis which bestowed Hayes & Jarvis Unmistakable Value – Preferred Partner Award for outstanding contribution and service excellence during the year.

Hotel Serendib achieved a revenue growth of 52% whilst maintaining a bottom line growth of 872%. The year saw the Hotel enjoy higher occupancy rates boosted by an excellent winter season enjoyed by most resort hotels and recorded a year round occupancy of 80%. The Group will upgrade and reposition Hotel Serendib and renovations have now commenced and are expected to be completed in time for the peak of the coming winter season, preserving the charm of the Bawa architecture of the hotel.

Hotel Sigiriya posted a revenue growth of 66% and a bottom-line growth of 945%, whilst showing an average occupancy of 71% in comparison to 53% recorded the previous year. The year saw the completion of the refurbishment on hotel rooms which commenced in late 2009, upgrading all rooms to the superior category.

The Serendib Group acquired a 19.9% stake and will manage the Kani Lanka Resort and Spa, a 105 room four star resort, adding a fourth resort to the Groups hotel arm. Under the management of Serendib Group, the hotel has maintained an average occupancy of 90%. A luxury hotel is also being developed adjacent to the current hotel, under the internationally acclaimed 'Anantara'

branded resorts and would be among the first few international luxury hotel chains to cross the threshold in post-conflict Sri Lanka.

Diethelm Travels, a strategic partnership with Diethelm Group, enjoyed a good year with the positive outlook of the country enabling growth within the destination management market space. The notable volume increase in the German and Indian markets accelerated the revenue growth of the company.

The year ahead would be part of a momentous phase for the tourism industry and the Government has declared 2011 as "Visit Sri Lanka" year, to position Sri Lanka as a premier tourist destination in Asia. The Sri Lankan tourism Industry anticipates an investment of USD 3Bn to increase the national room strength to 36,000.

Going forward, our hotel sector expects to enter a new era in the tourism industry with unbeaten service excellence and experiences, repositioning them with a distinctive edge in the hospitality industry.