



The Hemas Leisure Sector comprises of the Serendib Group of Hotels and Diethelm Travels, a key inbound tour operator in Sri Lanka. Overall a favourable year for the tourism industry, 2011/12 witnessed a 34% increase in tourist

arrivals to Sri Lanka, thereby driving high levels of occupancy at all our properties. As a result, our leisure businesses generated revenues of Rs. 1183Mn, a marked increase of 14.3% over the previous year.

The Hotels arm manages the four hotel properties of Avani Bentota Resort & Spa (formerly Hotel Serendib), Hotel Sigiriya, Club Hotel Dolphin and Avani Kalutara Resort & Spa. The Serendib Group achieved a record turnover of 1 billion rupees during the financial year. Achievement of this exceptional performance was supported through our partnership with one of the largest hospitality and leisure companies in the Asia Pacific Region - Minor International of Thailand. Minor International's selection of the Serendib Group as the global launch pad for the Avani brand reflects their confidence in the group and in the potential of the country's tourism prospects. Avani Bentota Resort and Spa, formerly known as Hotel Serendib, was refurbished at a cost of approximately Rs. 650 Mn and converted into a luxury hotel. Despite the complete refurbishment, Avani Bentota retains its original Geoffrey Bawa signature touch.

The Sector recorded an average occupancy of 80% for the properties mentioned above whilst posting an impressive growth of 29% in average room rates for the year under review. The Serendib Group has maintained high levels of occupancy due to strong relationships with our tour operators overseas who perceive us as a reliable partner that consistently delivers a high level of service to their customers. As testimony to this claim, Club Hotel Dolphin won the ITS Red Star award for the third consecutive year. The property was also awarded the prestigious Holiday Check award based on guest reviews, making it only one of 99 hotels in the world and the first in Sri Lanka to win this accolade.

As a group, we are proactively developing new markets and attracting guests from India, China, East Europe and the Middle East to mitigate the impact of the economic downturn in the European Union (EU), one of our key source markets. In anticipation of continued growth in the tourism industry, we continue to engage in training and development of our hotel staff, refurbishments of properties and the pursuit of service excellence.

Diethelm Travels, one of the leading inbound tour operators in the country, was able to build on the previous year's positive performance by ending this year with a revenue growth of 20% over last year. It was

pleasing to note that tourist numbers from the EU and the Middle East grew apace. The latter is fast emerging as an important tourist generating market and demonstrates a keen interest in Sri Lanka's tourism product.

Lower occupancies at city hotels during the summer months had an unfavourable impact on our travel counter business located at Colombo's five-star hotels. Fortunately, the onset of the 2011/12 winter season witnessed a complete turnaround in fortunes for this segment of our business. The healthy inflow of inbound tourists recorded from EU and other markets during the latter part of the year impacted favourably on revenue earnings from our inbound travel arm.

Diethelm Travels won key EU accounts for Sri Lanka and the Maldives, largely attributable to an aggressive sales push. Encouraged by the positive trend in the global tourism industry, we launched an office in Maldives during the 2011/2012 financial year.

We remain optimistic about the growth prospects of the Sector as the demand for the Sri Lankan tourism product continues to grow. As such, we aim to expand our portfolio of signature owned and managed properties in key tourist destinations around the Island, under the Avani brand. The Sector aims to enhance the Group's leisure footprint whilst delivering great experiences and exceptional service to our guests over the coming years.

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