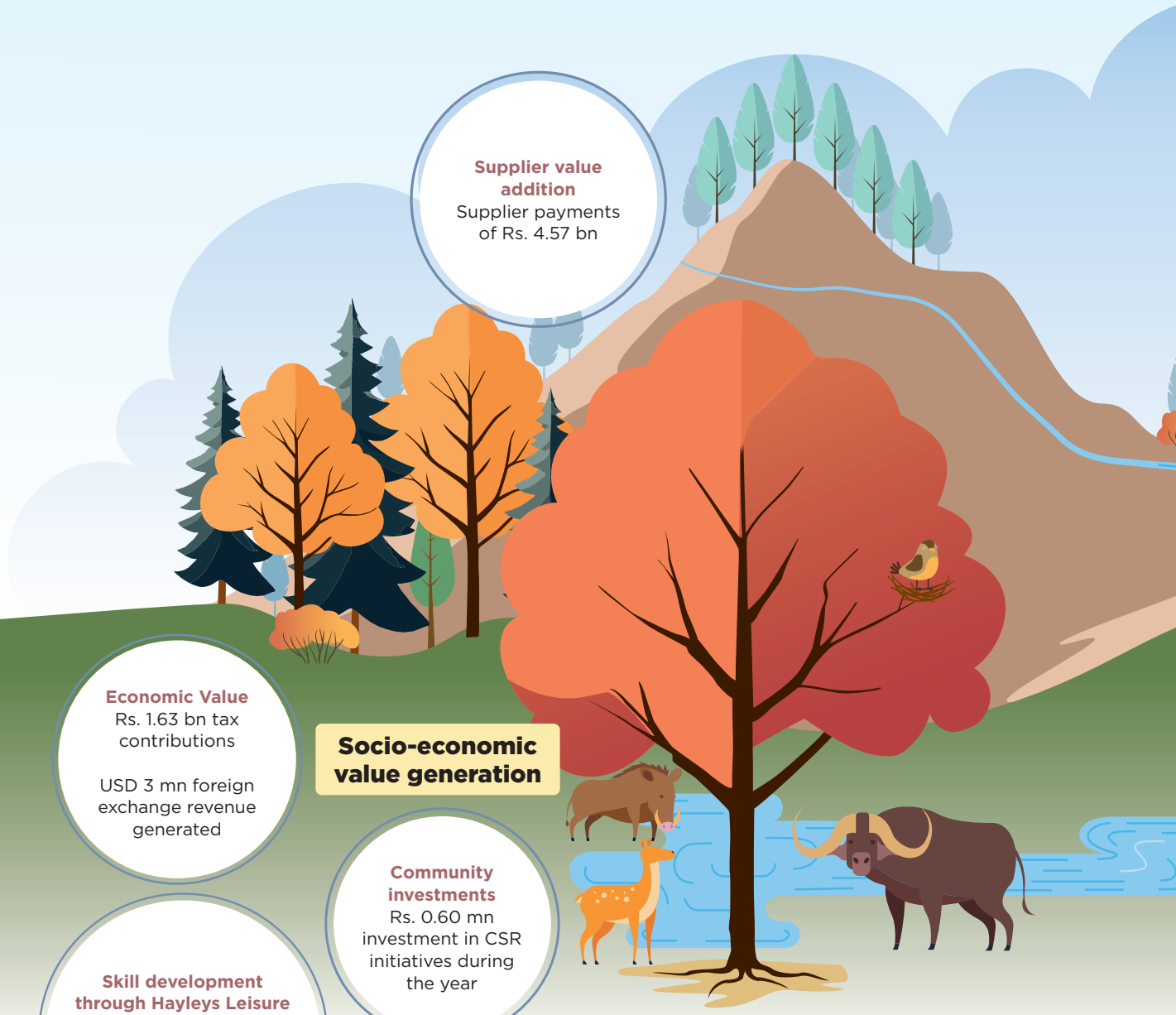




## LEISURE

As a leading player in the country's hospitality industry, the Leisure Sector drives significant socio-economic value through direct employment generation, local procurement and foreign exchange generation. The Sector also contributes towards skill development in the industry, enhancing the employability of aspiring youth from communities in which we operate.

# LEISURE



**Supplier value addition**  
Supplier payments of Rs. 4.57 bn

**Economic Value**  
Rs. 1.63 bn tax contributions  
  
USD 3 mn foreign exchange revenue generated

**Socio-economic value generation**

**Community investments**  
Rs. 0.60 mn investment in CSR initiatives during the year

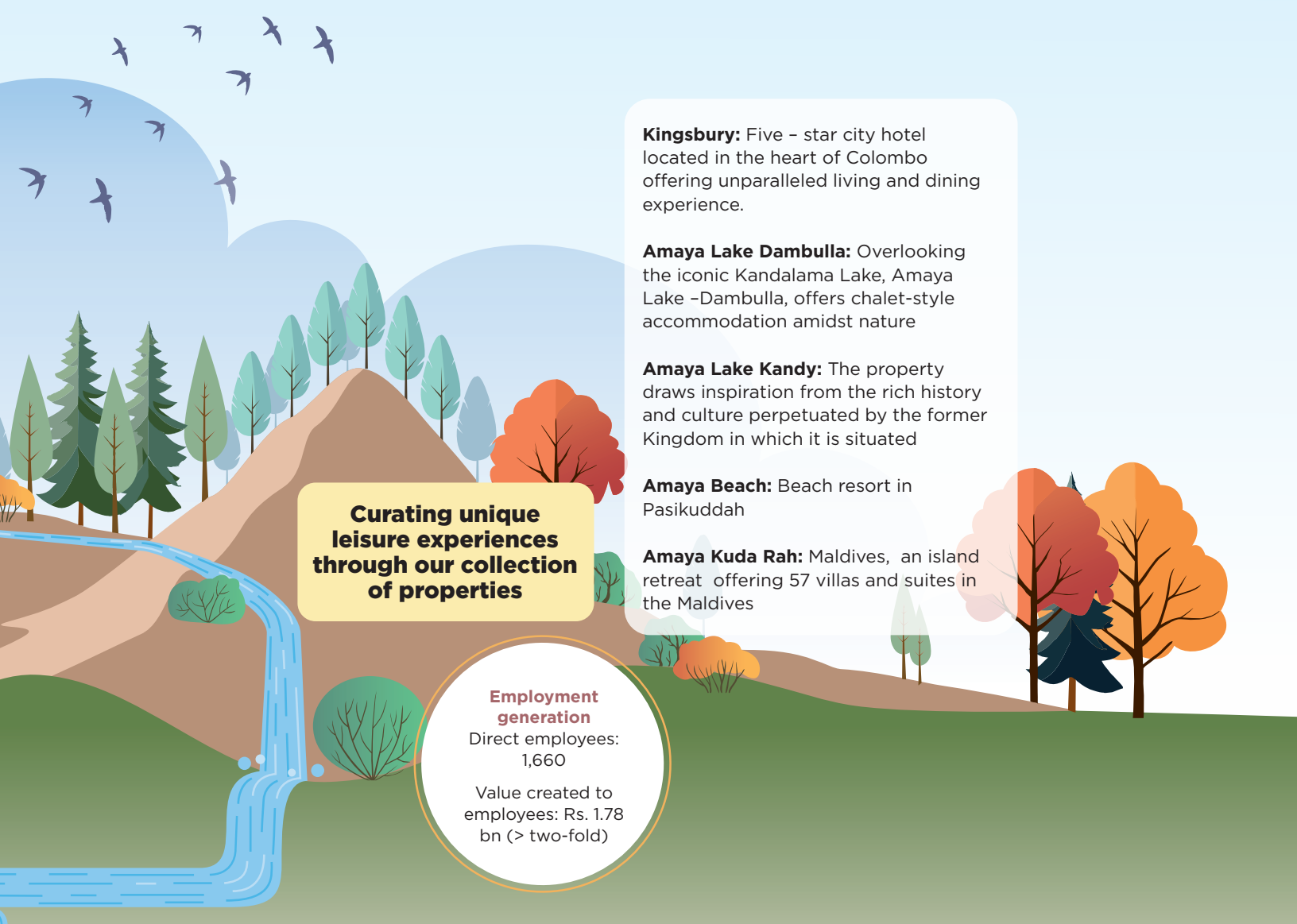
**Skill development through Hayleys Leisure Training Academy,**  
Batch 1 - 40 graduates  
Batch 2 - Intake of 60 graduates



**Rs. 3.77 bn**  
Economic value added










**2%**  
Contribution to Group's value creation



**Curating unique leisure experiences through our collection of properties**

**Employment generation**  
 Direct employees: 1,660  
 Value created to employees: Rs. 1.78 bn (> two-fold)

- Kingsbury:** Five - star city hotel located in the heart of Colombo offering unparalleled living and dining experience.
- Amaya Lake Dambulla:** Overlooking the iconic Kandalama Lake, Amaya Lake -Dambulla, offers chalet-style accommodation amidst nature
- Amaya Lake Kandy:** The property draws inspiration from the rich history and culture perpetuated by the former Kingdom in which it is situated
- Amaya Beach:** Beach resort in Pasikuddah
- Amaya Kuda Rah:** Maldives, an island retreat offering 57 villas and suites in the Maldives

						
<b>Revenue</b> Rs. 9.02 bn (+35%)	<b>Profit Before Tax</b> Rs. 1.90 bn (-22%)	<b>Loss After Tax</b> Rs. 1.88 bn (-21%)	<b>Assets</b> Rs. 19.59 bn (+0%)	<b>Liabilities</b> Rs. 19.66 bn (+7%)	<b>Employees</b> 1,660 (+8%)	<b>Carbon footprint</b> 12,744 tCO <sub>2</sub> e (+19%)

+ denotes y-o-y growth - denotes y-o-y decline

# LEISURE

## SECTOR OVERVIEW

The Group's Leisure Sector is a leading player in the country's hospitality sector, with a network of hotels, resorts, wellness retreats and collection of managed boutique properties in Sri Lanka and Maldives. The sector's property portfolio comprises 5-owned and operated properties including the five-star city hotel, The Kingsbury, and 6 managed properties in Sri Lanka through the Amaya Resorts chain.

## OPERATING ENVIRONMENT

Following consecutive years of extraordinary challenges, Sri Lanka's tourism sector posted strong recovery in 2023. Tourist arrivals into the country increased by 106% to reach 1.47 mn during the year driven by stabilising macro-economic fundamentals and the release of pent-up demand from key markets. Sri Lanka witnessed a growth in demand from countries such as India, Russia, Germany and the United Kingdom. Despite the improvement, arrivals and rates remained lower than pre-pandemic levels, which coupled with the sharp escalations in labour migration continued to impinge on sector profitability. Meanwhile, competition is expected to intensify among city hotels with the 5-star room inventory projected to increase by over 60% given the strong pipeline of projects. Against this backdrop, the shortage of skilled labour in the industry remains an acute challenge with intense competition for skilled labour among new and existing operators resulting in high turnover levels and escalating staff costs.

## COMPETITIVE POSITION



Our offering centers on creating experienced aligned to our **purpose of curating happiness**

The Sector's **multi-channel strategy includes destination management** companies (DMC), online travel agents, direct bookings and online reservations among others

**Best-in-class F&B offerings** through highly-rated restaurants at the Kingsbury

Amongst the most popular and top-rated banquet operators in Colombo

**Highly rated portfolio of properties**

**Trip Advisor ratings**

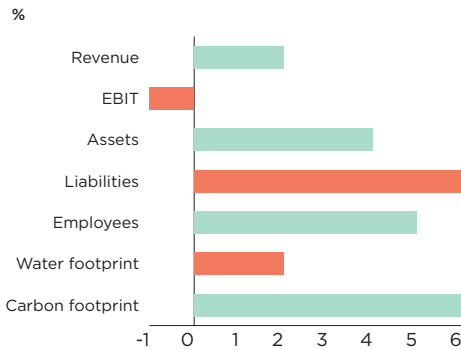
- Amaya Hills: 4.0/5
- Amaya Lake: 4.5/5
- Amaya Beach: 4.5/5
- The Kingsbury: 4.5/5
- Amaya Kuda Rah: 4.5/5

## Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the Sri Lankan Rupee	M	- Increased cost for foreign tourists resulting in decreased international competitiveness + Higher rupee revenue on foreign currency earnings
	Increased taxation	M	- Adverse implications on buying power of domestic consumers - Significant increase in prices following the imposition of VAT from January 2024
Industry context	Impacts on consumer spending	H	- Reduced disposable income of domestic guests following prolonged implications of economic crisis
	Intensifying competition in city hotels	H	- Acute challenges in labour attraction and retention - Sharp increase in labour costs
	Implementation of minimum room rate for star-class establishments	M	+ Limits ability of operators to drive down prices to attract guests + Drive positive yields for rooms
Sustainability context	Preference for authentic experiences Growing informal sector	M	+ Opportunity to sharpen competitive edge through unique offerings
	Implications of climate change	M	- Impacts of natural disasters on physical infrastructure and attractiveness of locations
	Increasingly eco-conscious customers	M	- Necessitates rewiring of business models to cater to increasing environmental and social consciousness of the younger demographic

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

**CONTRIBUTION TO GROUP**



**STRATEGY AND INTEGRATED PERFORMANCE REVIEW**

The Sector's reflected the recovery of the country's tourism industry, with an average increase in occupancy levels enabling the Sector to achieve a 35% growth in Revenue to Rs. 9.02 bn. Meanwhile, Operating Losses and Loss Before Tax also declined by 53% and 22% respectively, driven by the improvement in the core performance of The Kingsbury and the Sri Lankan Amaya Properties. The Kingsbury delivered its first year of profitability since 2019 upheld by increasing footfall as it leveraged its strong F&B proposition and positioning as the preferred venue for restaurants. The Sri Lankan Amaya Properties also delivered a commendable

improvement in performance while Losses reducing during the year. The Sector's overall profitability during the year was hampered by the weak performance of Amaya Kuda Rah which was partially closed for repairs during the year.

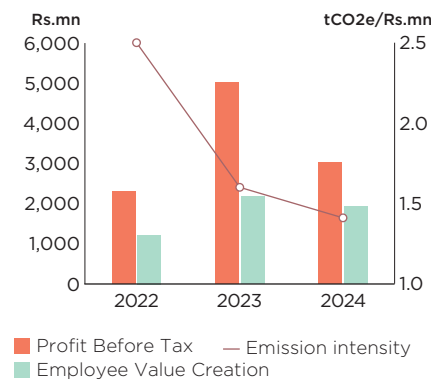
In recent years, the Sector has placed strategic emphasis on sharpening its competitive edge through mastering product delivery which has enabled our properties to consistently achieve relatively high customer ratings. During the year, the Sector also opened its 1st outdoor, high street café, 'The Nosh' adjacent to a premium commercial zone, the initial response for which has been extremely encouraging.

The acute shortage of skilled labour remains a critical challenge for the Sector, given the exodus of staff from the industry in recent years and intensifying competition for labour following the entry of new international operators, particularly in Colombo. In addressing this challenge, the Sector has focused on multi-skilling its employees thereby contributing towards a leaner operating model. The Sector also continues to benefit from the strength of the Hayleys employer brand and the unique value proposition offered.

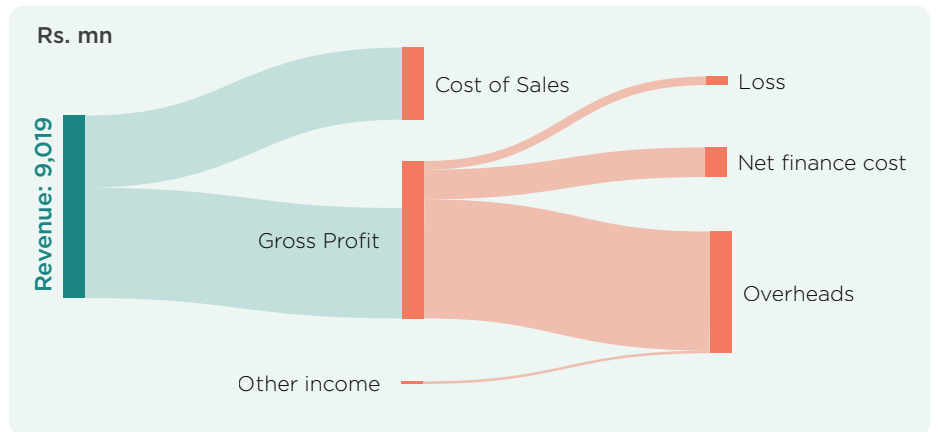
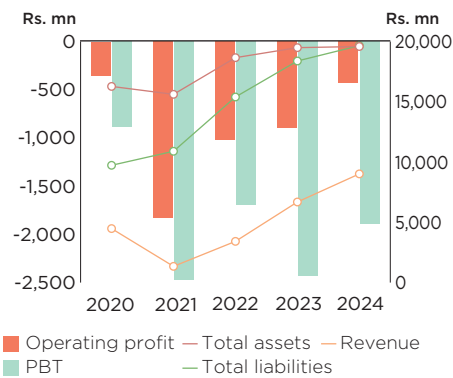
**ESG IN ACTION**

The Sector's sustainability aspirations are guided by the Hayleys Lifecode and during the year measures were taken to strengthen the Sector's ESG monitoring and reporting mechanisms. The Sector also improved its GHG emissions computation, as part of the Group's initiative to obtain third party verification on its GHG inventory. The Sector will seek to formulate its ESG targets in line with the parent's aspirations over the short-to-medium term.

**INTEGRATED PERFORMANCE**

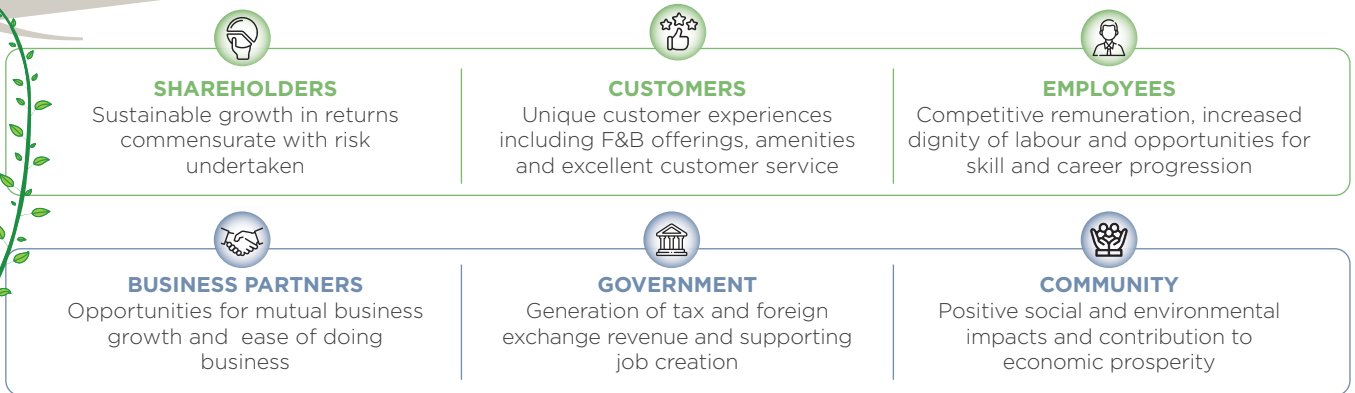


**SECTOR FINANCIAL PERFORMANCE**

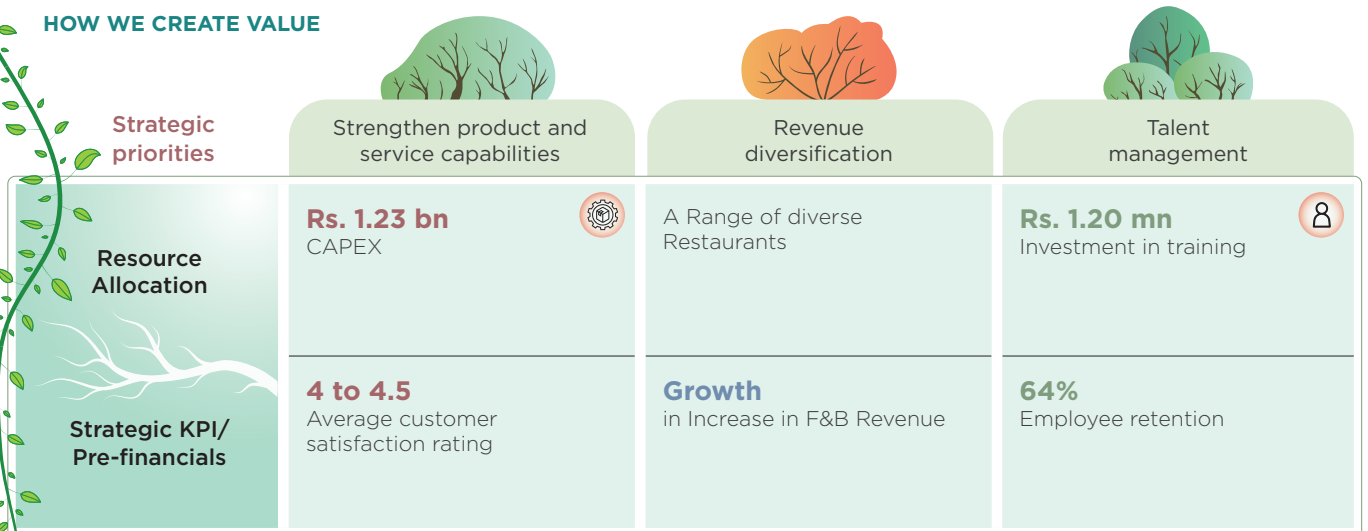


# LEISURE

## HOW WE DEFINE VALUE



## HOW WE CREATE VALUE

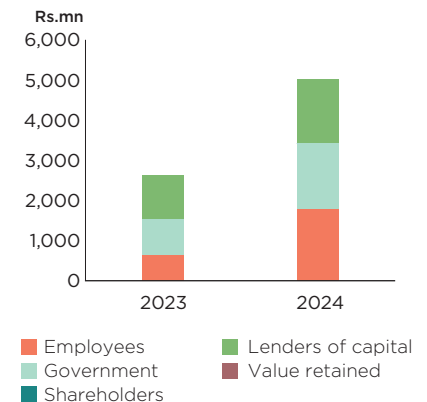


## HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year improved by 145% reflecting the recovery of the tourism sector
- Value generated to Governments amounted to Rs. 1.63 bn and 43% of the total value created
- Payments to lenders of capital increased by 45%
- Value retained in the business for future investment amounted to -33% compared to -71% the previous year



## VALUE DISTRIBUTION



## FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	9,019	6,687	35	3,420
Earnings Before Interest and Tax	(427)	(901)	53	(1,019)
Net Finance Income/(Cost)	(1,468)	(1,527)	(4)	(680)
Profit Before Tax	(1,895)	(2,428)	22	(1,699)
Profit After Tax	(1,878)	(2,385)	21	(1,675)
Assets	19,587	19,494	0	18,662
Liabilities	19,660	18,386	7	15,399
Operating Cash Flow	733	183	301	(1,222)
<b>Performance against targets</b>				
	<b>Target</b>	<b>Actual</b>	<b>Reason for variance</b>	
ROCE	>8%	(7%)	Weak performance of the Maldives property	
<b>OPERATIONAL HIGHLIGHTS</b>				
	<b>2024</b>	<b>2023</b>	<b>% y-o-y</b>	<b>2022</b>
Energy Intensity (GJ/Revenue Rs.mn)	13	14	(8)	19
Water Intensity (Litres/Revenue Rs.mn)	19,376	31,190	(38)	59,001
Carbon Intensity (tCO2e/Revenue Rs.mn)	1.4	1.6	(11)	25
No. of Employees	1,660	1,537	8	1,440
Revenue per Employee (Rs.mn)	5.4	4	25	1
Remuneration per Employee (Rs.mn)	1.1	0.4	107	1

## ESG HIGHLIGHTS



## Climate Action

During the year, the Sector sought to improve and widen the scope of its carbon footprint computation refining its calculation methodology in line with the Group-wide verification of GHG emissions.

	2024	2023	% Y-o-y	Target
Energy consumption (GJ)	117,900	94,930	+24	25% carbon reduction in 2030
Carbon footprint (tCO2e)	12,744	10,674	+19	

The properties engaged in the following environmental initiatives during the year: commemorating Earth Day 2024.



- Coral restoration in Maldives
- Bio-degradable packaging for bath amenities
- Sea erosion prevention in Amaya Beach



## SKILL DEVELOPMENT THROUGH HAYLEYS LEISURE TRAINING ACADEMY

The Training Academy offers an opportunity for aspiring youth from disadvantaged communities to obtain access to hospitality skill development, supporting employability and driving socio-economic empowerment. Graduates have the opportunity for employment within Hayleys' extensive network of hotels and resorts, contributing to the growth of Sri Lanka's tourism industry.



# LEISURE

## PROSPECTS AND PLANS

Sri Lanka is positioned for a surge in tourist arrivals in 2024, with the Sri Lanka Tourism Development Authority (SLTDA) targeting an ambitious 2.3 million arrivals during the year. This is expected to be driven by aggressive marketing efforts to promote Sri Lanka as a destination as well as further relaxation of VISA requirements for selected markets. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:

## INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

### - Escalating competition

With the city star-class room inventory expected to increase by over 60% over the next few years, competition for business as well as skilled labour is expected to intensify- particularly given the acute labour shortage in the market.

#### Response

Expansion of employee recruitment under the Hayleys Leisure Training Academy and strengthened employee value proposition

### - Exchange rate volatility

The direction of the exchange rate movement remains difficult to predict at this juncture, although some depreciation is expected during the latter part of the calendar year. Increased volatility of the exchange rate leads to challenges in setting pricing as well as volatility in profitability margins

#### Response

Proactive monitoring of USD exchange rate and close coordination with Group Treasury function

### - Domestic and international geopolitical dynamics

The upcoming elections in Sri Lanka although unlikely to have significant impact on arrivals, could lead to political uncertainty resulting in tourists deferring travel plans

#### Response

Ongoing engagement with channel partners in ensuring travel confirmations for the upcoming Winter season Leverage on diversified offerings across the island

### + Changing customer expectations

Changing demographics, advances in technology and social media influences are driving changes in traveller expectations which include an increased preference for solo travel, authentic and personalisation of experiences and recognition technology among others

#### Response

Creating new customer experiences across all aspects of operations

### Sustainability related risks and opportunities (SRRO)

#### Physical risks and natural disasters

The escalating implications of climate change are leading changes in travel patterns and attractiveness of destinations. These dynamics include significant biodiversity loss, disruptions along travel routes and changes in travel seasons among others

<b>&lt; 1 year</b>	Implications of extreme heat and natural disasters
<b>1-5 years &gt;5 years</b>	More pronounced impacts of volatile weather patterns and biodiversity loss which could impact attractiveness of locations and Sri Lanka as a tourism destination
<b>Response</b>	Long-term transformation of offering based on sustainable tourism concepts

#### Rise of the eco-conscious customers

Travellers are increasingly demanding responsible environmental and social practices from tourism sector operators, necessitating shifts in operating models and processes to ensure long-term attractiveness of offering

<b>&lt; 1 year</b>	Environmental consciousness among factors considered when selecting destination and operator
<b>1-5 years</b>	Responsible business is expected to feature increasingly prominently in travellers' decision-making, particularly among the younger demographics
<b>&gt;5 years</b>	Tourism sector operators who do not embrace responsible business will see significantly reputational impacts and an erosion of competitive edge
<b>Response</b>	Gradual transformation of business and processes to embrace environmentally conscious practices





## SASB DISCLOSURES

Table: Hotels and Lodging Industry

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Energy Management	1) Total energy consumed, 2) Percentage grid electricity 3) Percentage renewable	Gigajoules (GJ), Percentage (%)	SV-HL-130a.1	117,900 38%
	1) Total water withdrawn 2) Total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m <sup>3</sup> ), Percentage (%)	SV-HL-140a.1	174.74 mn Sri Lanka has been ranked as a highly water stressed nation
	Number of lodging facilities located in or near areas of protected conversation status or endangered species habitat	Number	SV-HL-160a.1	Two of the Sector's properties in Sri Lanka are located in areas close to rich biodiversity
Ecological Impacts	Description of environmental management policies and practices to preserve ecosystem services.	N/A	SV-HL-160a.2	The Sector aligns with the environmental policies and procedures of the Hayleys Lifecode (refer to page 102)
	1) Voluntary 2) Involuntary turnover rate for lodging facility employees	Percentage (%)	SV-HL-310a.1	36%
Labour Practices	Total amount of monetary losses as a result of legal proceedings associated with labour law violations (1)	Presentation currency	SV-HL-310a.2	Nil
	Description of policies and programmes to prevent work harassment	N/A	SV-HL-310a.4	The Group's Anti-Sexual Harassment Policy and Whistleblower Policies provide an effective tool for employees to put forward their grievances

## LEISURE

As the Sector positions itself to capture opportunities emerging from the country's revival in tourism the short, medium and long-term plans in place are summarised below:

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> <li>• Strengthen social media presence to drive increased conversion rates</li> <li>• Dynamic pricing strategy to increase competitiveness</li> <li>• Diversification of target customer segments</li> <li>• Improve employee value proposition to enhance retention levels</li> <li>• Ongoing focus on cost optimisation</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance corporate proposition of The Kingsbury</li> <li>• Soft refurbishments of rooms and other amenities</li> <li>• Strengthening service culture to retain restaurant patrons</li> </ul>
<b>Short-term goals</b> ROCE > 8%	<b>Medium-to-long term goals</b> ROCE > 15%  Gearing < 55%