

HORWATH CONFIDENCE INDICATOR

HOTEL PERFORMANCE - 1ST QUARTER 2006



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We are pleased to present our Horwath Hotel Performance Confidence Indicator publication for the 1st Quarter of 2006. The indicator aims to reflect confidence in the performance of the South African hotel industry on a quarterly basis.

For the purposes of this analysis, hotel managers throughout South Africa were asked to forecast their hotel's performance in terms of likely market demand in the 1st Quarter of 2006 in comparison to the same period in 2005 and for the calendar year 2006 compared to 2005. In total 116 hotel managers, 88% of whom were General Managers, participated in the analysis.

The results are segmented by star grading, hotel size and geographic location, which should provide for interesting benchmarking opportunities.

We would like to thank all the hotels which participated and look forward to the industry's continued support. We welcome any comments and suggestions that will make this indicator more relevant and helpful to the South African hotel sector.

Sincerely,
Joseph Aminzadeh
Director

Summary of Overall Results 2006

The overall confidence in increases in occupancy and in Average Room Rate (ARR) is high in the industry for 2006, with confidence in growth being significantly higher for the coming year than for 2005.

Of the 116 hotel managers interviewed, 82% forecast an increase in their occupancy rate and 81% forecast an increase in their ARR for the full year 2006 when compared to the full year 2005.

The hotel managers are furthermore confident in increases during the first quarter of the year, when compared to the same period in 2005, although the overall confidence is lower than the confidence for the full year 2006. Some 65% of managers forecast an increase in their occu-

pancy and 67% forecast an increase in their ARR for the first quarter of the year.

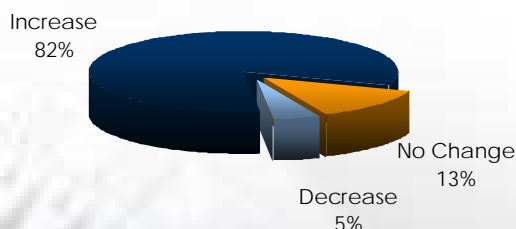
Tourist arrivals growth in South Africa has been high for the first eight months of 2005, with an overall increase of 10,7% recorded. Overseas arrivals grew at 4,3%, which was high, especially when considering the meagre increase for the full year 2004 (+0,4%).

The global tourism industry also continues to show signs of good performance, with growth in arrivals estimated at 5,9% during the first seven months of 2005.

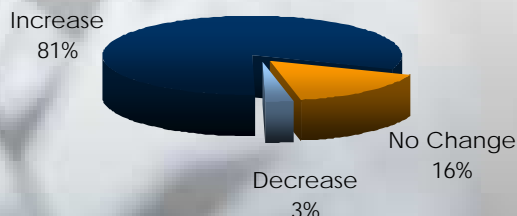
Overall we expect tourist arrivals in South Africa to increase in 2005 and forecast a strong hotel industry performance in 2006.

Overall Confidence - 2006

Occupancy



Average Room Rate



HOTEL CONFIDENCE - 1ST QUARTER 2006

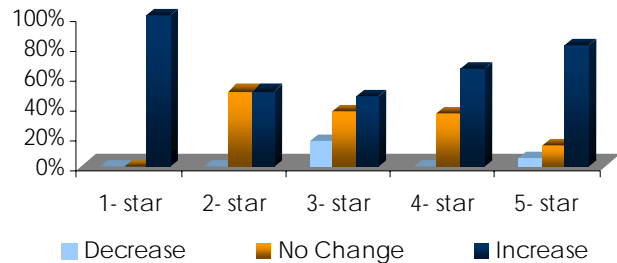
Confidence by Star Grading

All of the managers of 1-star hotels forecast an increase in their occupancy rate during the first quarter of 2006 when compared to the same quarter of 2005.

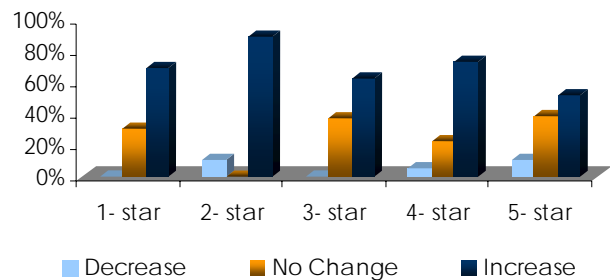
The hotel managers of 2- and 3-star hotels are least confident in growth in their occupancy rate during the period, with approximately 50% forecasting an increase, whilst the remaining portion largely forecasts occupancies similar to those achieved during the first quarter of 2005.

The confidence in an increase in ARR is high in the industry, especially in the lower end of the market, with 90% of hotel managers of 2-star hotels forecasting growth in their ARR. The confidence continues to be relatively low in the 5-star market segment, with 52% of hotel managers forecasting an increase during the first quarter of the 2006.

Occupancy Confidence Indicator by Star Grading



Avg. Rm. Rate Confidence Indicator by Star Grading



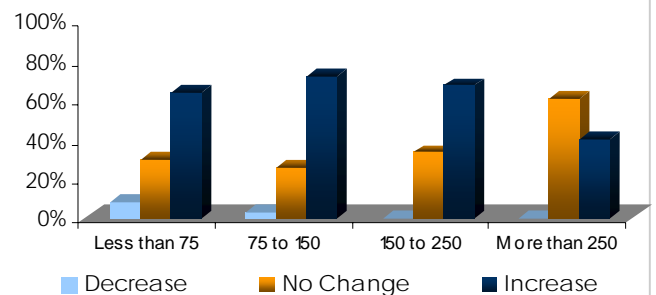
Confidence by Hotel Size

For the third quarter in a row, the managers of hotels with 75 - 150 rooms are most confident in an increase in their occupancy rate for the coming quarter when compared to the same period in 2005.

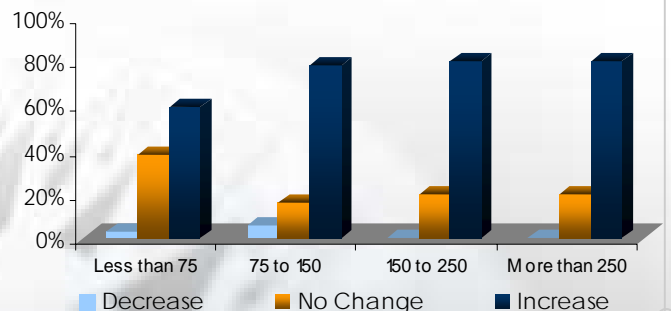
The hotel managers of large properties (more than 250 rooms) were least confident in an increase in their occupancy, with the majority of managers forecasting their occupancy to stay the same.

The managers of hotels with more than 75 rooms were all very confident in an increase in their ARR, with some 80% forecasting an increase over the first quarter of 2006 when compared to the same period the previous year.

Occupancy Confidence Indicator by Hotel Size (Number of Rooms)



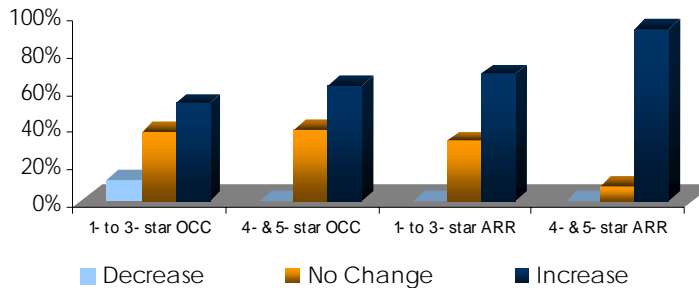
Avg. Rm. Rate Confidence Indicator by Hotel Size (Number of Rooms)



HOTEL CONFIDENCE - 1ST QUARTER 2006

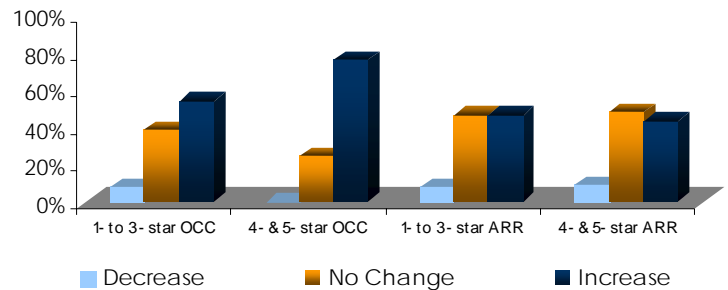
Hotel Performance Confidence Indicator - Gauteng

Overall confidence in an increase in occupancy rate in Gauteng was below the national average; yet the majority of hotel managers forecast an increase in their ARR. Some 92% of managers of 4- and 5-star hotels forecast an ARR increase in the coming quarter when compared to last year.



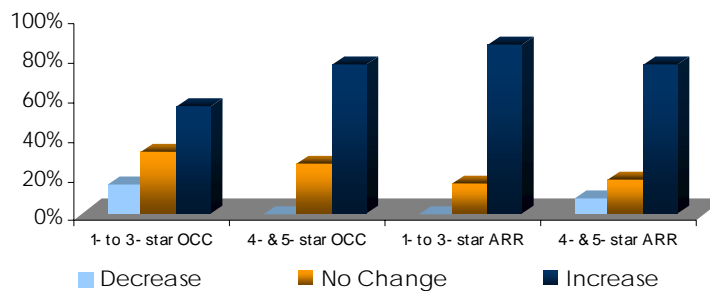
Hotel Performance Confidence Indicator - Western Cape

The hotel managers in the Western Cape are more confident in an increase in their occupancy than an increase in their ARR. It is encouraging to see that 76% of hotel managers of 4- and 5-star hotels forecast an increase in their occupancy rate during the period.



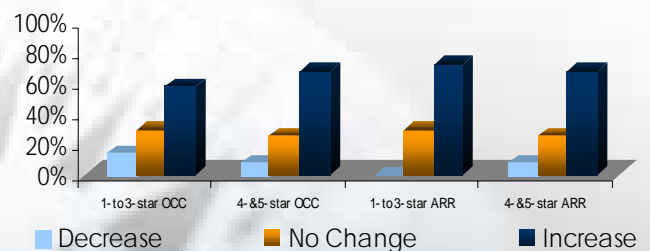
Hotel Performance Confidence Indicator - KwaZulu-Natal

The confidence in a continued improvement in performance remains high in KwaZulu-Natal, across all hotel rating categories. Although the hotel managers of 1- to 3 star hotels are less confident in an increase in their occupancy than last quarter, some 54% still forecast an increase during the first quarter of 2006.



Hotel Performance Confidence Indicator - Mpumalanga

Confidence in increases in occupancy is high amongst the hotel managers in Mpumalanga, with the majority forecasting an increase for the first quarter. The confidence in ARR growth is substantially higher than last quarter, especially amongst managers of high-end establishments.



HOTEL CONFIDENCE - FULL YEAR 2006

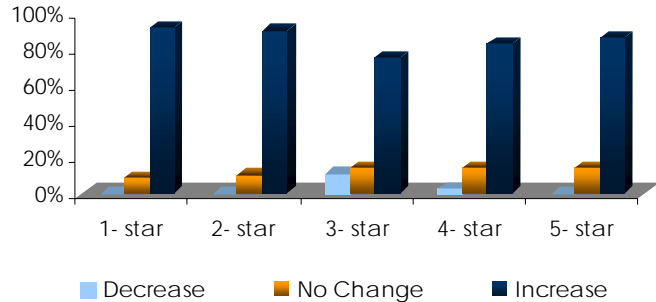
Confidence by Star Grading

There is a high overall confidence in increased performance in the hotel industry for the full year 2006. The high confidence is spread throughout the industry, with only the 3-star segment showing marginally less confidence in increases in occupancy and ARR.

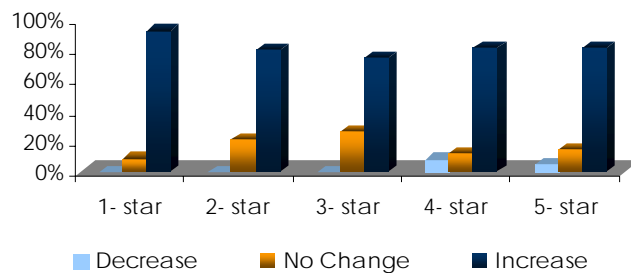
The highest confidence is amongst the managers 1- and 2-star hotels, with approximately 90% of all managers interviewed forecasting an increase in ARR and occupancy, which was significantly higher than the forecasts for the full year 2005.

The confidence in performance increases for the full year 2006 when compared to the confidence in increases for 2005 was especially higher amongst hotel managers of 5-star establishments, with 86% of managers forecasting an increase in occupancy and 81% in ARR for 2006, compared to 61% and 75% respectively last year.

Occupancy Confidence Indicator by Star Grading



Avg. Rm. Rate Confidence Indicator by Star Grading



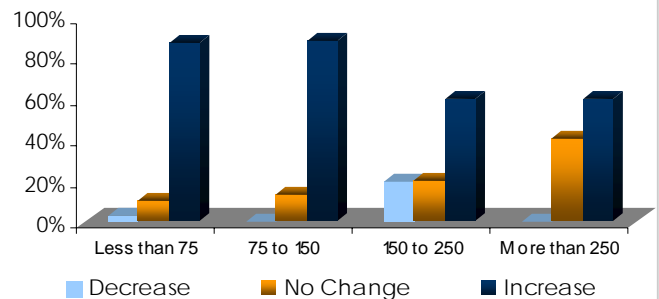
Confidence by Hotel Size

The hotel managers of large hotels are least confident in an increase in their occupancy, yet most confident in an increase in their ARR for the full year 2006, which was the same for the forecasts for the full year 2005.

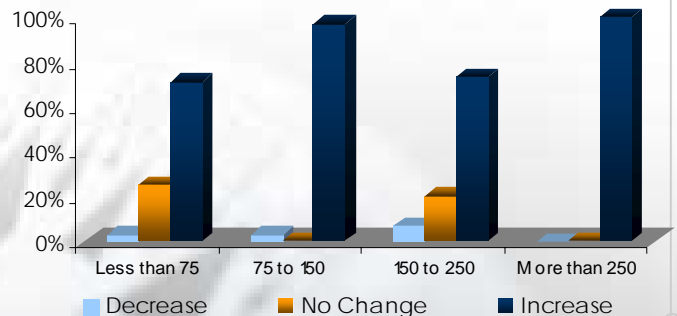
The highest confidence in increases in occupancy for 2006 is amongst the hotel managers of hotels with less than 150 rooms, with some 87% of managers forecasting an increase compared to 60% of managers with hotel with more than 150 rooms.

The confidence in ARR increases are high for hotels of all sizes, with virtually all managers of hotels with 75 to 150 and more than 250 rooms forecasting an increase in ARR in 2006.

Occupancy Confidence Indicator by Hotel Size (Number of Rooms)



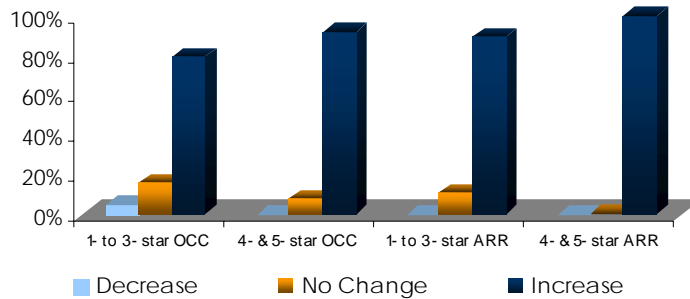
Avg. Rm. Rate Confidence Indicator by Hotel Size (Number of Rooms)



HOTEL CONFIDENCE - FULL YEAR 2006

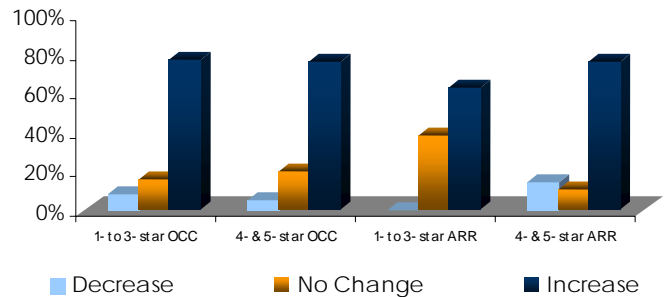
Hotel Performance Confidence Indicator - Gauteng

The confidence in a growth in performance in Gauteng is positive, with a continued forecasts of increases in ARR and occupancy by the hotel managers in the province. The confidence in improved performance was already high for the full year 2005 and it is encouraging to see a continued positive outlook for 2006.



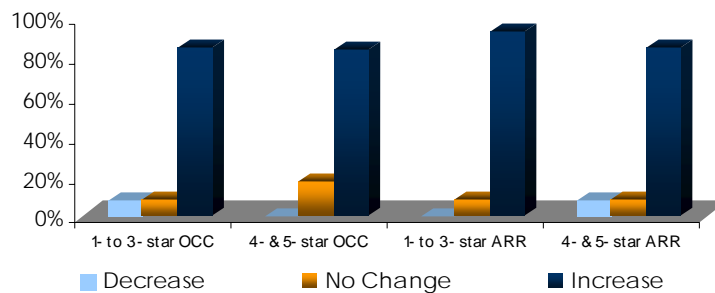
Hotel Performance Confidence Indicator - Western Cape

In the Western Cape, the confidence in increases in performance is significantly higher for 2006 than for 2005. The most significant increase in confidence in occupancy was amongst the hotel managers of 3- and 4-star properties, with 77% forecasting an increase in 2006 compared to 47% for 2005.



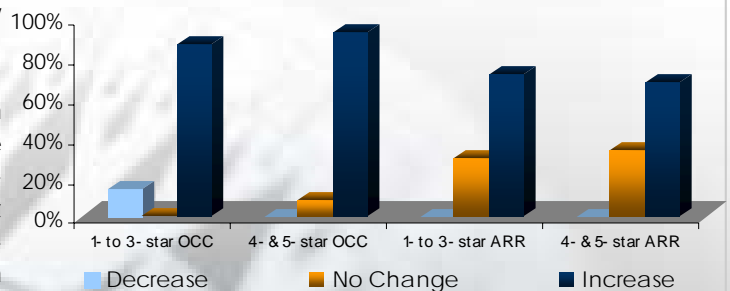
Hotel Performance Confidence Indicator - KwaZulu-Natal

The hotel managers in KwaZulu-Natal are highly confident in a growth in performance in 2006. Some 84% of all managers forecast an increase in their occupancy over the year, whilst 88% forecast an increase in their ARR over 2006. The confidence is slightly higher amongst managers of hotel of a 1- to 3-star standard.



Hotel Performance Confidence Indicator - Mpumalanga

The forecasts in terms of occupancy rate is very positive in Mpumalanga, with some 89% of hotel managers forecasting an increase over 2006. The confidence in ARR increases is somewhat lower, with 68% of managers expecting growth in 2006.



Tourist Arrivals Growth - January to August 2005

Tourist arrivals growth in South Africa for the first eight months of 2005 has been positive, especially when compared to the low increase experienced for the full year in 2004.

According to Statistics South Africa, foreign tourist arrivals grew by 10,7% during the first eight months of 2005 and overseas arrivals increased by 4,3% when compared to the same period in 2004. This compares favourably to the 2,6% increase in foreign arrivals during the full year 2004 and the 0,4% increase in overseas arrivals.

For the first eight months of 2005, tourist arrivals from Europe increased by 3,2%, which was mainly due to a 5,6% increase in arrivals from the United Kingdom and a 3,0% increase in arrivals from Germany. Tourist arrivals from France continued to decrease, with some 5,0% less arrivals during the period from the country.

Arrivals from North America increased substantially, with an additional 21 500 tourists (+13,0%) arriving during the first eight months of 2005. The main growth in this region was attributable to the United States which showed an 13,5% increase in arrivals during the period.

During the first eight months of 2005, arrivals from Asia declined by 0,7%, which was mainly due to a 11,5% decrease in arrivals from Hong Kong and China. Arrivals from Australasia increased by 4,5%, arrivals from the Middle East increased by 4,3%, whilst arrivals from Central & South America increased by 7,8%.

African arrivals increased by 16% when compared to the same period in 2004, which was mainly attributable to high increases in arrivals from neighbouring countries (92% of arrivals from the continent).

According to estimates from the World Tourism Organisation (UNWTO), international tourist arrivals increased by 5,9% during the first seven months of 2005, when compared to the same period in 2004.

The highest growth was recorded in Africa and in Asia and the Pacific, with tourist arrivals increasing some 8,7% in both regions. Tourist arrivals further increased in Europe (+4,6%), the Americas (+6,6%) and in the Middle East (+3,0%).

The UNWTO forecasts a 5% to 6% increase in international tourist arrivals in 2005, which would indicate another strong year for the tourism industry globally. In 2004 international tourism growth was recorded at 10,7%, yet this was off a substantially lower base than this year.

Although the tourist arrivals growth to date in South Africa (+10,7%) was above the global average (5,9%), the overseas arrivals growth of 4,3% was somewhat below the global average. Despite this, the growth experienced to date in 2005 is substantially higher than in 2004 and we expect that the year will end with significant increases in arrivals from the continent and from our overseas source markets.

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For nearly a century, Horwath has globally conquered the challenge of an ever-changing world market by providing a vast array of professional services in the hotel, tourism and leisure sector. Beginning in 1915, Horwath paved the way by creating a standard system of hotel accounting — a system so successful it is still in practice today. Throughout the years, we have gained unequalled experience and expertise through a combination of specialised local knowledge and international understanding.

Horwath Tourism and Leisure Consulting is driven by a single purpose: helping you, the client, to succeed in any market, whether it is local or global. Putting your needs first also dictates the network's energetic and supportive approach. While national business cultures shape the nature of this support in each country, our international offices all work towards the same end: achieving tangible success for our clients.