

HORWATH CONFIDENCE INDICATOR

HOTEL PERFORMANCE - 3rd QUARTER 2005



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3rd Quarter 2005

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We are pleased to present our Horwath Hotel Performance Confidence Indicator publication for the 3rd Quarter of 2005. 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 3rd Quarter of 2005 in comparison to the same period in 2004. In total 111 hotel managers, 91% 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 Results - 3rd Quarter 2005

The overall forecasts in the industry for the third quarter of 2005 (July to September) are relatively positive, with some 51% of hotel managers forecasting an increase in their occupancy and some 47% forecasting an increase in their Average Room Rate (ARR).

Though a large proportion of hotel managers are confident in an increase in their ARR (47%), the confidence for the last three quarters has been significantly higher, with 72%, 68% and 54% forecasting an increase in the ARR during Q4 2004, Q1 2005 and Q2 2005 respectively. This seems to indicate a trend in declining confidence in increases in ARR in South Africa.

The low end of the market seems to be most

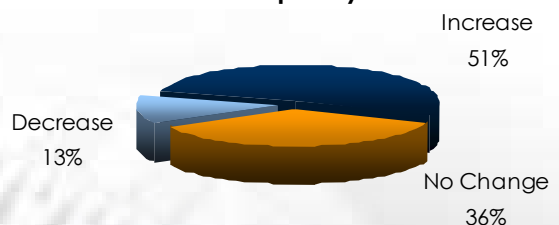
confident for the coming quarter where ARR is concerned, with a robust 86% of hotel managers of 1-star hotels interviewed expecting an increase in their ARR. The hotel managers of 5-star hotels are least confident in an increase in their ARR (30%), followed by 3-star and 2-star hotels.

Worldwide Tourist arrivals continue to reflect a positive tourism climate, with a 9,4% increase in arrivals recorded for the first quarter of 2005 and high expectations for the rest of the year.

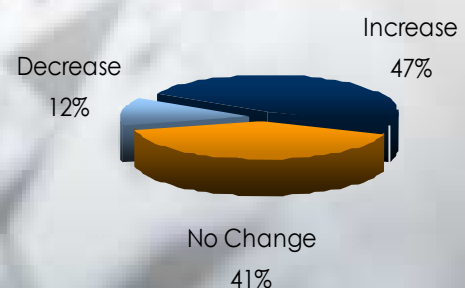
South African tourist arrivals also increased significantly during the first quarter of 2005, with an increase in foreign arrivals of 10,6%, and a 4,6% increase in overseas arrivals.

Overall Confidence - Q3 2005

Occupancy



Average Room Rate

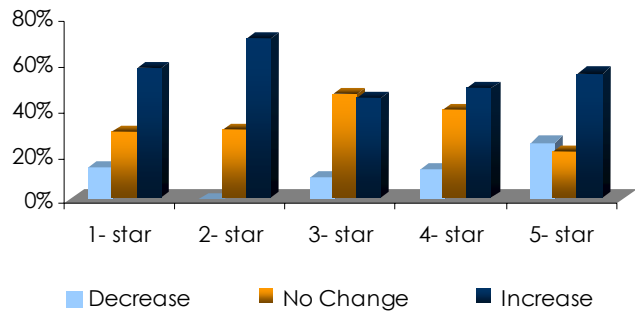


Confidence by Star Grading

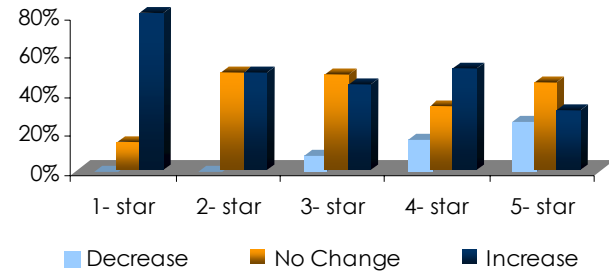
For the coming quarter the hotel managers of the lower end establishments (1- & 2-star) are most confident in an increase in their occupancies. Occupancies forecasted for the 3rd quarter 2005, when compared to the same period in 2004, showed significant promise in 2-star establishments; a marginal decrease was however indicated for confidence in 1- and 3-star establishments' occupancy.

The high end of the market (4- & 5-star) remains reasonably confident in occupancy increases for the coming quarter, with some 55% of hotel managers of 5-star establishments forecasting an increase, and 48% of 4-star hotel managers. In terms of ARR, the high end of the market seems least confident, with just 30% of 5-star hotel managers forecasting an increase in their ARR. Despite this, the overall confidence for the calendar year remains high, with some 75% forecasting an increase over 2004 in the 5-star segment.

Occupancy Confidence Indicator by Star Grading



Avg. Rm. Rate Confidence Indicator by Star Grading



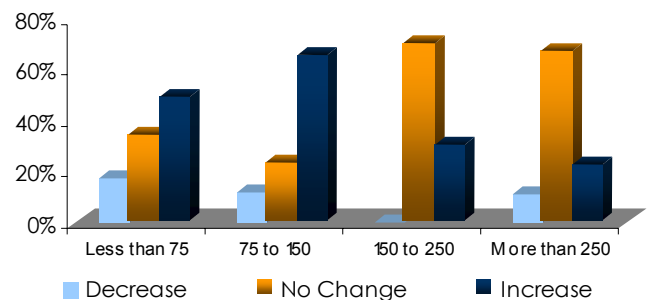
Confidence by Hotel Size

For the coming quarter, managers of hotels with 75 – 150 rooms are most confident in terms of an increase in occupancy. The managers of establishments with more than 250 rooms were least confident in an increase in their occupancy for the third quarter compared to the same period in 2004. During the previous three quarters confidence was highest amongst managers of hotels with 150 to 250 rooms.

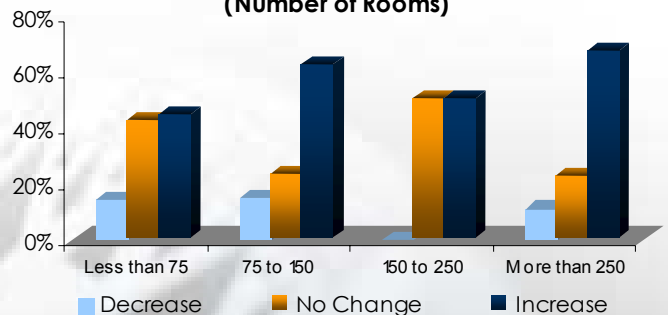
The confidence in an increase in ARR for the coming quarter compared to the same quarter last year is highest amongst the managers of mid-scale and large-scale hotels, of 75 to 150 rooms and 250 plus rooms.

The lowest confidence in an increase in ARR is amongst the hotel managers of hotels with less than 75 rooms.

Occupancy Confidence Indicator by Hotel Size (Number of Rooms)

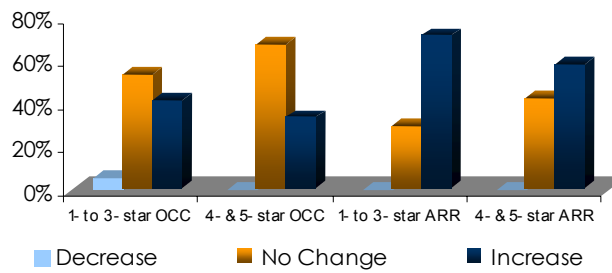


Avg. Rm. Rate Confidence Indicator by Hotel Size (Number of Rooms)



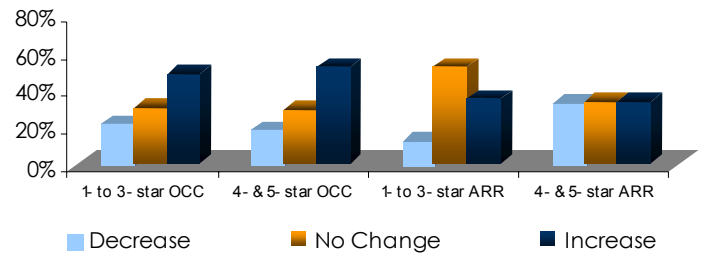
Hotel Performance Confidence Indicator - Gauteng

The confidence in an increase in occupancy for the coming quarter is relatively low in Gauteng (38% forecast an increase over the same period in 2004), yet the overall confidence for the year is high at some 78%. In terms of ARR, hotel managers in Gauteng are most confident in an increase for the coming quarter. (66%).



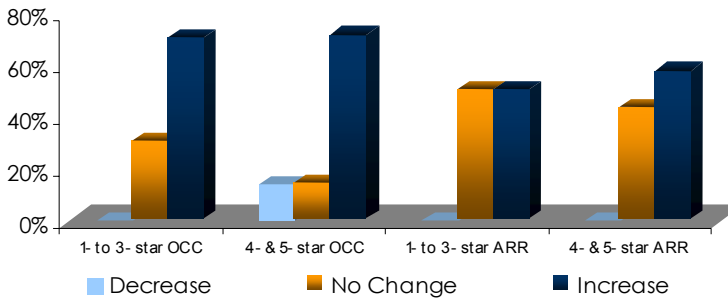
Hotel Performance Confidence Indicator - Western Cape

Confidence in an occupancy increase amongst hotel managers in the Western Cape is relatively high (50% forecasting an increase). In terms of ARR, hotel managers of lower end establishments (1- to 3-star) seem more confident that their ARR will either stay the same or increase when compared to the 4- & 5-star sector.



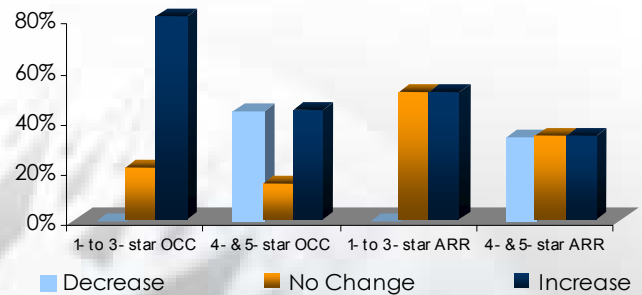
Hotel Performance Confidence Indicator - KwaZulu-Natal

Confidence in an increase in occupancy was highest in KwaZulu-Natal out of all the provinces covered, with some 71% of hotel managers forecasting an increase compared to the same period in 2004. The overall confidence in an increase in ARR for the coming quarter was relatively high (53%), and it is positive that no hotel manager forecasts a decrease in ARR.



Hotel Performance Confidence Indicator - Mpumalanga

The highest confidence in an occupancy increase amongst hotel managers in Mpumalanga was in the 1- to 3-star segment, with some 80% forecasting an increase over the coming quarter. In terms of ARR, hotel managers of high end properties are least confident, with an equal split amongst those that expect an increase, decrease and no change in their ARR.



World & South African Arrivals 1st Quarter 2005

According to the latest arrivals statistics released by Statistics South Africa, tourist arrivals in South Africa increased by a robust 10,4% during the first quarter of the year, which is significantly higher than the 2,6% increase recorded during the full year 2004.

The overseas tourist proportion of arrivals was some 30% of foreign arrivals. The growth in overseas arrivals was some 4,6% for the first quarter of 2005, which is a promising sign for the tourism industry.

Tourist arrivals from North America grew by some 13,7%, mainly due to a high increase in arrivals from the United States, one of South Africa's main source markets. Arrivals from Central & South America also recorded high growth (10,1%), albeit from a much lower base.

Tourist arrivals from Europe increased by 3,9%, mainly through a high increase in arrivals from the United Kingdom (9,7%). A continued cause for concern is the decrease in arrivals from France (-18,7%).

According to the latest World Tourism Barometer, which is published by the World Tourism Organization, the strong tourism growth in 2004 has carried its momentum into 2005.

In 2004, world tourism grew by some 10% to an unprecedented 765 million. According to the World Tourism Organization, the first quarter of 2005 showed a robust 9,4% increase in tourist arrivals compared to the same period in 2004.

The region with the second highest growth was Africa (11,8%), with Kenya, South Africa, Morocco and Tunisia all showing high growth rates. The growth prospects of Africa are high for the 2005, with the North African countries expected to perform well during the European summer holidays.

The region with the highest tourist arrivals growth for the first quarter of 2005 was the Middle East (17,9%), with particularly strong performance from Egypt. Tourist arrivals in Asia and the Pacific also grew by a reported 9,3% during the quarter of 2005.

Tourist arrivals in the Americas increased by a reported 12,0% during the first quarter of the year, with South America performing particularly well (20,7%) when compared to Central America (16,4%), North America (11,3%) and the Caribbean (4,8%).

Arrivals in Europe also increased during the first quarter of the year, albeit at a lower rate than in other regions (7,1%). It should be noted though that tourist arrivals in Europe grew off a high base, with Europe taking some 54% of the world tourist arrivals in 2004. Central and Eastern Europe continue to perform well, especially those nations which recently joined the EU.

Overall the first quarter of 2005 has proven to be very positive, both for South Africa and the World and we expect another good year of tourism industry performance in 2005.

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The Horwath Hotel, Tourism and Leisure Group is the largest global organisation in the sector — and is growing fast. The Group comprises a global network of more than 150 industry specialised consultants working from 57 offices in 32 countries. By comparison, the next largest competitor has less than one third of the global coverage. Horwath's wide representation provides us with a unique market positioning. We can offer clients an unrivalled depth of knowledge of local market characteristics, combined with an understanding of international trends.

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.