

KNYSNADOC INVESTMENT HOLDINGS (PTY) LTD

Chairman's feedback



Dear Shareholder / Geagte Aandeelhouders,

Protea Hotel Knysna Quays

The Hotel is performing well despite some obstacles in tourism (unabridged birth certificate, SAA reduced flights to India, visas for India-tourists, E-bola, Xenophobia, and Eskom). Occupancy remains robust.

We are doing a complete revamp of the hotel bathrooms in order to keep the hotel in top form and to retain and grow our market share.

Parts of the roof have been replaced. There is a process started to renegotiate the management contact with Protea and I will update when more detail is available.

Debentures

This is still our solid return. This hotel is still a very good asset and we should

Johan C Olivier, Chairman

The last year was basically business as usual with very little changes.

remain in this business. With a slight improvement in the South African government's attitude to tourism and improvement in global economy, we will see healthy growth here.

81 Cawood Street – The Hope Factory

Our other big investment is the Hope Factory. We have a great tenant and a solid working relationship. We commissioned some needed maintenance and painting work on the building.

Nelson Mandela Lithographs

There is some interest in our Mandela Lithographs and perhaps we will be selling them in the near future.

Current projects

Currently we are considering the purchase of 2 buildings. Finance remains

All our income producing assets performed well.

a very big obstacle and we are looking at new ways of suretyship. In some companies those who are willing to sign surety, get a 1% return for the duration of the surety. That way the company get the finance, is motivated to pay off the loan and the surety holder also get something in return for the exposure. We will vote about that at the AGM. Dit is nou weer tyd om vir direkteure te stem. I invite interested parties to consider standing r election as directors. All the current directors are willing to continue and will stand as well.

The new board members will be elected at the AGM.

I hope to see you all at the AGM. Until then, enjoy the beauty of spring.

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AGM

Annual General Meeting 2015

Knysnadoc Investment Holdings AGM

24th October 2015 at 16: 30 at Protea Hotel Knysna Quays, in the Executive Suite, Knysna Quays, Knysna



HOPE FACTORY AND ACQUISITION REPORT



Good day everyone,

Once again we take the pleasure in presenting our Annual Reports of

activities within our portfolio. This has not been an eventful year. We have been busy consolidating our investments

and attempted a few offers on investment opportunities.

The Hope Factory Property, 81 Cawood Street, Port Elizabeth.

During the early part of the year the tenants (The Hope Factory) approached us to request internal renovations to accommodate their restructuring. On inspection we found this to be a reasonable request since it added immense value to the interior of the building. We also approved the painting of the front façade of the building as well as a few material upgrades. We are happy to report the satisfactory completion of the undertaking. The tenants who are funded by SAICA have indicated their satisfaction of the project.

You will note that the valuation of the building is now placed at R 2, 90 million. Original purchase price was R 1, 90 million. We have secured the building at the replacement value of R 11,184,030.00. This has turned out to be a good investment.



Acquisitions

We pursued a number of investment opportunities most of which were not

worth looking at. Superficial due diligence resulted in the following:

- 1) Very short leases in place
- 2) Price not in line with market valuations.
- 3) Tenants with no track history or payment record.

We did however submit an offer on a building in Third Avenue, Newton Park, Port Elizabeth. The building was in mint condition and both Mr Da Costa and I felt this was ideal for our stable. It has got three fairly reliable tenants whose leases will run for three years. After some thorough due diligence we approached our Bankers Nedbank who did not show any serious intent, forcing us to refer to other banks. First National Bank could not find sufficient value and required a very high deposit. We also applied to Bidvest Bank who conditionally approved our loan application. The conditions of the contract and a very contentious suretyship led us to cancel the application. We subsequently dropped our offer and proceeded with an opportunity in Meade Street George. The building is called Beacon Place. It houses three tenants of whom two have signed current lease agreements until 2017 (Anglo Vaal and Alexander Forbes). The third tenant, which is the anchor tenant is SEDA (Small Enterprise

Development Agency). The lease has been renegotiated and will be renewed until 2019. The seller awaits the signed documents. Again a very thorough due diligence process was followed and all the preconditions have been met. Our offer has been accepted at the price of R 7, 0 million with the deposit of R 2, 0 million. The ROI (Return on Income) should finally be 14.00%. The Bank has approved the loan subject to the satisfactory signing of the lease agreements. There will be suretyship required from the Directors.

As the market is not conducive to safe investment and very risky property regulations we have decided to approach growth cautiously.

Apology for the extreme resistance to risk, but we prefer to survive another day.

Thank you for your continued support and confidence, we wish all our Shareholders a pleasant and safe festive season

Mike Naran and Alfred Da Costa



Good news to the shareholders



Financial Report 2015

Income sheet

It is good now to call it an Income sheet. More than half of our income for this period was from fixed income (Debentures and Cawood). Even through the 4 months with no rental return from the Quay's, our income covered our expenses every month (not including bond repayments) Income for the year was nearly 10% up to R 2.4 million and operating profit up by 14% with a nett income of R 1.84 million.

Balance sheet

On the side of the balance sheet, we are at last rid of Pinnacle Point that turned out over time a liability and not an asset. It will no more take money out of our pocket. There was a drastic reduction in our asset book value. This was due to

the sale of Pinnacle Point and a change to the value of the rooms in the Quays. For the last 2 years there were no sales of rooms and due to that we reduced the valuation to fit a more realistic value should one be forced to sell. Because of the number of rooms we have, it came to a large figure of R 2.17 million. This is a book value adjustment and not a real decrease in value. An added benefit was that it also reduced our tax liability on the bigger operating profit. Our Nett Asset Value decreased to R 14.9 million with then a Nett Asset Value (NAV) of R34.24 per share (without the revaluation it would have been R 39.00). Should one add back the real value of the beneficial interest and loans to

Knysna Quays Hotel Trust, it does bring the NAV to R 39.50 per share.

Dividends

With the good operating profit the directors felt that we could continue with the good trend of declaring an annual profit. A profit of 68c per share before dividend tax was declared.

Wilco Eloff Financial Director

