



# Newsletter 2017



## KNYSNADOC INVESTMENT HOLDINGS (PTY) LTD



### Chairman's feedback

#### Dear shareholders,

The world is crazy, with Donald Trump, Grace Mugabe and Jacob Zuma creating turmoil to keep us wondering about our sanity for years to come.

The dragon SARS has become, is lurking and hunting a vulnerable economy.

Despite all of the above we are doing very well and on a great growth trajectory.

At *The Quays Protea Hotel* we had a stunning financial year. The occupancy and profit is the highest ever. Business is booming. The steady and solid income stream attests to that. The hotel is continually being refurbished and looking great.

Please also note that we suffered no damage during the devastating fires that hit Knysna. In fact, the staff assisted residents during that week by giving accommodation, etc.

To just make a quick glance at the hotel as a whole:

As an operation we made the following profits:

2015

Profit was R 5,708,159.0. The occupancy was 61.4% and the ARR was R843.64

2016

Profit was R 7,757,051.00. The occupancy was 67% and the ARR was R941.71

2017

Profit was R 10,154,939.00. The occupancy was 73.9% and the ARR was R 974.30

From the above it is clear that we find it harder and harder to arrange accommodation for our shareholders. We ask the shareholders to view the "hotel room use" box in the newsletter to understand the process of booking.



#### The Debentures

Great returns and is growing steadily.

#### Beacon Place

The new building in George is fully let and already made a good impact on our financials. I appointed a janitor for the building, Willem Van Heerden. His addition to our team has proven very cost effective for Knysnadoc. We are fixing and maintaining and our tenants are happy.

#### Hope Factory

Our great factory in Port Elizabeth is doing well. The building is well maintained and the income stream is back on track with a 9% increase in rental.

My directors are investigating new strategic options to expand our asset base, but more about this later.

Knysnadoc Annual financials

We have had a clean audit. The NAV has grown significantly to R 46.44 per share.

We declared a fantastic dividend, yet again.

At the coming AGM, we need to vote for directors, as per our 2 year rule. Any shareholder wishing to stand for directorship, please contact me. Please attend and if you cannot, please send your proxies.

I want to congratulate Nicky on her studies. Thank you to my fellow directors for your continued support through the year. I am very proud of what we achieved so far.

Together we grow.

*Johan C Olivier*  
Chairman

**Annual General Meeting**  
**11<sup>th</sup> November 2017, 19:00**  
**Knysnadoc Investment Holdings Office**  
**107 Thesen House, 6 Long Street, Knysna**

## *Property and acquisitions report*

Once again thanks for the opportunity to present my report to the board of directors of Knysnadoc.

### **Hope Factory, 81 Cawood Street, Port Elizabeth**

On my last visit to the Hope Factory the local manager allowed me a site inspection. As per their request for a reduction in rental, they explained how they have consolidated their staff into our building. The interior is looking very good and professional.

### **Beacon Place, 125 Meade Street George**

This building has placed some extra demands on our management, however the management expenses have been well contained resulting in better results, with the appointment of Willem Van Heerden our permanent maintenance person cleaning, plumbing, electrical etc.

Willem is working directly under Dr Olivier's supervision and is staying on top of things as they arise.

Since we have on site services available this can be very beneficial to our company in the future on our growth path.

I am happy to report that with a vigilant approach to expenditure control and a proactive attitude to tenant satisfaction we will be able to produce much better results at the next year end.

### **New acquisitions**

I have been busy with due diligence on the Eagles View building in Progress Street, George as previously reported. I have viewed the building again and now that the building is fully occupied I am almost ready to submit a new offer of R 6, 7 million. This would result in an R O I on approximate 9.7 % per annum. Since we have invested in a maintenance person I believe we could cut management and maintenance costs substantially as well as a much better interest rate we could raise the return to about 11 % per annum.

I have also viewed a few buildings in Port Elizabeth and East London. With short leases and risky tenants as well as unpopular addresses the investment opportunities did not appeal to me.

I have had a few meetings with Nedbank about restructuring and re-gearing our finances according to our future needs. I will forward their report as soon as it is favourably presented to me.

I hereby thank you my colleagues and Nicolene for all the co-operation and support in our endeavours to maintain a strong company.

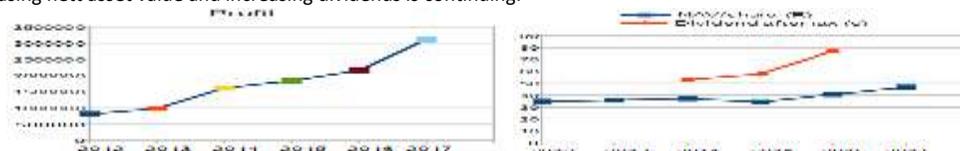
*Mike Naran*  
Director



## *Financial report*

After the good results of 2016, it was a tough act to surpass that in 2017. From a great Pre-tax profit in 2016 where we broke through the R 2 million mark for the first time, we had a profit breaking the R 3 million mark in 2017. This was done in spite of a large increase in the expenses.

I am glad to report that the trend of increasing profits, increasing nett asset value and increasing dividends is continuing.



We made an operational profit of R3.1million. This also can lead to a healthy dividend. Due to our higher Tax obligation, our after Tax Profit is 3.9% up from last year, leaving us with about the same amount available for dividends.

Dividend declared was 108.75 cent per share before dividend TAX and 87 cents per share after dividend TAX.

Our NAV is up from R 40.62 to R 46.44

Another excellent year for the Knysnadoc shareholders.

*Wilco Eloff*  
Financial director