

**Minutes of Knysnadoc Investment Holdings Ltd**

**2013 Annual General Meeting**

**Held 19<sup>th</sup> October 2013 at the Knysna Protea Quays Hotel**

**Executive Suite: 18:00 pm**

**1. Welcome & Apologies**

**In attendance:**

Mr. B. Andries, Mrs. S Schubert, Mrs. N. Van Loggerenberg, Dr W.B. Stephan, Dr J.C. Olivier, Dr J. Moodliar, Dr N Ureche, Mr. P.J. Bern, Mr. M. Naran, Mr. A. Da Costa, Mr. J. Makan, Mr P Chitate.

**Apologies received from:**

Ms. I. Strydom, Mrs. S.E. Venter, Mr. H. Rademeyer, Dr W. Eloff, Mr. N. Schoeman, Dr A.J Barnard, Dr T. Morar, Mrs. S. Morar, Mrs. I. Faber, Dr G. Louw, Mr. S Du Preez.

Total number of shares of all shareholders (as per information available at the time of the meeting) = 433149.

Total number of shares per proxies received = 112 550.

**2. Approval of Minutes of Knysnadoc Investment Holdings Ltd Held 20th September 2012.**

**Corrections Noted:**

No Correction done on the 2012 minutes.

The minutes of 2012 were then moved for adoption. Mover - J Makan,  
Seconded - JC Olivier

**3. Chairman's Report**

Dear shareholders

Thank you very much for making the effort to attend. It is always good to you and I hope you are going to leave this meeting well informed and as excited as I am about this company's future.

We have really turned this company around and our restructuring is starting to show!

The Quays Protea Hotel:

The hotel is in mint condition. I feel the trustees are working together well. The

bathrooms are being revamped at the moment as part of the longterm upkeep of the hotel. Verstaan van die streeksbestuurder van ProteaGroep dat die KnysnaQuaysHotel die vlagskip I die weskaap protea stal is – 'n pluimpie vir ons. Ek het Dr Moodliar gevra om ook op die trustraad van die hotel te dien – dit versterk ons teenwoordigheid daar en gee sekuriteit aan die maatskappy. Dit is so aanvaar deur die res van die trustraad. Die vooruitsig vir 2014 is 'n baie stadige groei, bykans dieselfde wat ons vanjaar gesien het.

The debentures:

Income is steadily increasing (currently at R49 000 per month).

2010	2011	2012	2013
R 506450	R 546000	R 551250	R 568661

The rooms:

The income has steadied and we should be seeing slow recovery to the previous high of 2009.

2010	2011	2012	2013
R 957194	R 850568	R 867343	R 967669

The hotel manager is very positive about the future bookings. We can thus look forward to a steady and slow growth in our income from the rooms.

The Mandela lithographs

Our great statesman was recently in ICU for may days and we, the public has no information on his current health. Unfortunately his age does not forecast a recovery. We as a board have taken the view and steps to advertise the litho's. We have contacted some galleries and put the word out to the art world.

There is no action at Pinnacle Point other than the owners are taking good control of the development. They put no pressure on us to develop and there is no movement in the market at all. Our position is unchanged: we want to sell the erf, at a loss. We can gear the loss against our profits and improve the cash flow situation dramatically, opening the door for more income producing investments.

Hope factory

The new property on our books has already contributed substantially to our cash flow. The tenant is happy and it is business as usual. We manage the invoicing in-house ad thus keep the cost to company very low.

I must thank my fellow directors for their constant hard work during the last year. Our bastion, Dr Moodliar, is retiring from the board due to personal reasons. Jay, I have to thank you for all you have done for the company during the last few years. You really lead by example. I will miss your wisdom and , as I have stated to you, I will be phoning for advice from time to time. Baie dankie.

You might have read or spoken to Nicky, our new company manager. She took over from Suzette, who relocated to Johannesburg. This transition, we hope, was a painless one for all of us. Welcome here Nicky. Thank you Suzette for taking the time out and

attending the AGM.

I must thank our Auditors, MeyerOtto, for their assistance during the past year. Together we make a great team.

Johan Olivier

#### 4. Financial Overview

Due to change in the new companies act on reporting the financials .We already incorporated in the 2012 financial year. This year we could just build on the new way of reporting that was instituted last year. Making the comparison year to year easier.

2013 Was a better year than 2012 and 2011. Expenses were less and income was more. A profit was made and not a loss as to the two previous financial years.

##### 4.1 Income statement

###### Statement of Comprehensive Income

	2013	2012
	R	R
Revenue	1,565,717	1,418,593
Operating expenses	(584,181)	(607,866)
<b>Operating profit</b>	<b>981,536</b>	<b>810,727</b>
Investment revenue	1,857	9,495
Fair value adjustments	2,000	(1,035,088)
Finance costs	(212,732)	(284,147)
<b>Profit (loss) before taxation</b>	<b>772,661</b>	<b>(499,013)</b>
Taxation	(211,330)	88,960
<b>Profit (loss) for the year</b>	<b>561,331</b>	<b>(410,053)</b>
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	<b>561,331</b>	<b>(410,053)</b>

Where did the money come from? The Knysna Quays Protea Hotel.

##### 4.1.1 Detailed income statement

	2013	2012
	R	R
<b>Revenue</b>		
Rental income – Knysna Quays Rental Pool	967,669	867,343
Rental Income – Knysna Quays Hotel Trust	586,661	551,250
Rental Income – 81 Cawood Street PE	29,387	-
	<b>1,565,717</b>	<b>1,418,593</b>
<b>Other Income</b>		
Interest received	1,857	9,495
Fair Value Adjustments	2,000	-
	<b>3,857</b>	<b>9,495</b>

Still the main contributor to our income is the Knysna Quays Hotel. We see the one month's rental income of the Cawood Street property. We hope to report next year that it is between R 360,000 – R 400,000.

#### 4.1.2 Balance sheet

	2013 R	2012 R
<b>Assets</b>		
<b>Non-Current Assets</b>		
Investment property	17,476,890	15,561,405
Property, plant and equipment	6,244	2,139
Other financial assets	22,035	20,035
Deferred tax	44,380	39,200
Investment in artwork	450,000	450,000
	<b>17,999,549</b>	<b>16,072,779</b>
<b>Current Assets</b>		
Other financial assets	2,937,776	2,974,965
Trade and other receivables	180,201	550,401
Cash and cash equivalents	509,896	181,143
	<b>3,627,873</b>	<b>3,706,509</b>
<b>Total Assets</b>	<b>21,627,422</b>	<b>19,779,288</b>

Our investment property increased from R 15,561,405 to R 17,476,890. The rest of our assets basically stayed all the same.

#### 4.1.3 Knysna Quays Protea Trust

One of our other financial asset is the Knysna Protea Quays is reported to be R 2,959,811. The trustee valuation of the beneficial interest and loans to the Knysna Quays Hotel trust is currently R 150,000 per share. The total valuation is R 5,250,000 this year compared to R4,620,000 in 2012.

This is important not as investment property, because it is specified as a loan to the Hotel Trust. For that reason we cannot apply fair market value to it.

	2013	2012
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Other financial liabilities	4,289,591	3,129,568
Deferred tax	951,700	952,299
	<b>5,241,291</b>	<b>4,081,867</b>
<b>Current Liabilities</b>		
Other financial liabilities	599,455	567,848
Current tax payable	53,780	10,956
Trade and other payables 1	35,256	82,308
	<b>788,491</b>	<b>661,112</b>
<b>Total Liabilities</b>	<b>6,029,782</b>	<b>4,742,979</b>
<b>Total Equity and Liabilities</b>	<b>21,627,422</b>	<b>19,779,288</b>

On the liability side of the Balance sheet, because of the acquisition our other financial liabilities increased from R 3,129,568 to R 4,289,591 (about R 1miljion)

#### **4.1.4 NAV (Nett asset share value)**

This is the difference between our assets and liabilities are currently R 15,624,416. NAV/Share of R 35.81(up from last year's R 34.46) as calculated with the current reporting system.

If we use the value that the beneficial interest in the Knysna Quays Hotel Trust is worth, the NAV/Share can be R41.02.

#### **4.2 Declaration of dividends**

The directors are happy to inform you that we are in a position to declare a dividend this year. Keeping to our dividend policy we use 33% of the profit. We hope this will now be the beginning of a yearly dividend. A dividend of 47.0588 cent before tax and 40cent after tax deduction per share.

##### **4.2.1 Buying of new properties**

Last year I made the comment. I

It makes no difference if we used the 'access facility' or a bond to buy a property.

The property must be self-sustainable. We cannot afford a property that is going to take money out for 2 – 3 years.

The Cawood property was brought out of our access and it is self-sustainable and puts money into our pockets from the first month.

Thank you to the PE directors for the new acquisition of this property.

#### **4.3 Approval of the financial report**

The approval of the financial report was done by Mr J Makan and Dr N Ureche.

#### **4.4 MeyerOtto appointed ensuing the year.**

All voted in favour.

#### **4.5 Directors approved and authorise to buy back shares.**

All voted in favour.

### **5. New acquisitions report**

#### **5.1 Pending/ New acquisition**

We are in the process of submitting a offer on a building in Doyle Street, North end, Port Elizabeth. The building is a double story with two tenants. The building area is + - 315.00 sq. mts. The tenants have renewed their leases until mid-2015.

The asking price is R1.15 million. At this point we are considering a offer of R950,000 Thousand Rand . The R O I after expenses is 15%.

### **Erf 2655 Lavinia street Port Elizabeth.**

This offer was rejected by the sellers who wanted R1.65 million. After considerable due diligence and with the assistance of our Bankers Nedbank, the rental income did not justify a better offer. Since then the seller has taken it off the market.

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

This acquisition is doing well and the tenants have been regular with their rentals and other payments. The present monthly rental income is R29,386.56(excl. vat). As from the 14th of December this will increase to R31737.49. The lease expires on the 14th Dec., 2016.

However, the tenant has the right to renew the lease, in which event they would have to exercise that option 6 months prior to expiry date.

Almost prophetically it is aptly named "The HOPE FACTORY".

As per a recent valuation we are about to increase the insured value from R5m to R9m this will, however, result in an increase in premiums.

## **6. Election of Directors**

The Chairman proposed the directors for the next two years.

Votes received:

Dr J. Moodliar (resigned from the board)

Dr J.C. Olivier

Dr W.J. Eloff

Mr A. Da Costa

Mr M. Naran

Mr A Da Costa was nominated as a new director. All voted in favour for the new appointment.

Mr Alfred Da Costa introduced himself to the other shareholder to motivate his nomination as new director.

## **7. General matters**

### **7.1 Salaries of the Directors**

The salaries of the Directors of the company were reviewed. Previously it was suggested that the directors could be R 100,000 worth of shares at 50% of the cost, but this year the proposal was that the directors receive 500 shares per annum in the company as to R 15,000 – R 20,000 worth in money. All voted in favour, but one shareholder.

### **7.2 Meeting fees**

All directors will receive a meeting attendance fee.

**7.3 A word or two on the use of the Hotel**

The hotel accommodation is a discretionary benefit, and can't be demanded. This benefit is not transferable (can't be changed for bookings at another hotel, B&B etc.). It is only for the use of shareholders, but we will try and accommodate you as much as possible. There are block-out times where no one can book through the office (these are: Easter, December / January Holidays and the Oyster Festival.). The availability of accommodation is thus dependent on whether the rooms are booked or not. Lastly all bookings must please be made via the KDF office. Your understanding in this regard is highly appreciated.

**7.4 No questions raised.**

**8. AGM Closure**

The chairman thanked all the attending shareholders and director.

**9. THE AGM MEETING CLOSED at 19h00 P.M.**

Signed & Accepted by: \_\_\_\_\_

Date: \_\_\_\_\_

Signed & Accepted by: \_\_\_\_\_

Date: \_\_\_\_\_