

Minutes of Knysnadic Investment Holdings Ltd

2009 Annual General Meeting

Held 26th September 2009 at the Knysna Protea Quays Hotel

Executive Suite: 14:00 pm

1. Welcome & Apologies

Apologies received from: G Blackburn, Dr. W Eloff, Mr. J Makan, Dr. T Moran, Mr. H Jonker, Dr. E Odendaal, Dr. K Mwasu, Mrs. Z Fourie, Mr. W Collett, Mr. Ballot

2. Approval of Minutes of Knysnadic Investment Holdings Ltd Held 18th October 2008

Approved on a motion by Dr J Moodliar and seconded by Mr. Oelf.

3. Chairman's Report

Gaegte aandeelhouer/ dear shareholder

"Those who have enough to eat, see many problems; those who do not have enough to eat, see only one problem."

At the last AGM I alluded to the fact that we were entering a difficult trading period, it proved to be just that and I had 3 challenges for 2009:

1) Grow the Fund by Diversification

The Board investigated about 8 investment opportunities.

Unfortunately after much investigation none stood the test of our due diligence. We use a very stringent system comprising (a financial overview, site inspection, offer, bank approval), calculated to ensure that we take the minimum risk for our shareholders. Obviously the main aim is for maximum returns.

The year ahead:

We are very near the completion of a property deal, which should generate 13.5% income from day one. This is in line with our vision and mission statement - commercial property rentals.

2) **Create wealth with the Pinnacle Point stands:**

I am sure you read about the big loss ABSA made (R 931 million) in the Pinnacle Point Development. All that we could do was to take a paper loss in the value of the property - making it easier to sell later. Currently there are no interested buyers in our last remaining stand.

The year ahead: sell off this stand at R1,6 million.

3) **Keep the Knysna Protea Quays Hotel Financially Healthy:**

The Knysna Quays Protea Hotel is still making a profit and similarly, my forecast for 2009, proved correct.

The drop in come was about 8% compared to last year. This was due to the international economic crisis, the higher rates and taxes. The income for the hotel (KDF income) for the financial periods 2007/8 (R1 524 607) compared to 2008/9 (R1 404 714.46).

The debentures grew in income, by 11%, bringing in R 450 800.

The annual increase for 2009/10 is going to be 6.7% effective September 2009.

Looking at the Hotel and what it offers:

- * Our continual refurbishment is up to date (new air conditions are in, new room fridges are ordered) the refurbishment fund is R2 million strong and receives 4.5% of the monthly income.
- * The hotel maintained a strategic market share (occupancy was 59.6% for the last financial year, down from 68.3%) This is much better than the industry standard for the current financial times, making our hotel one of the top 3 Protea Hotels in the Western Cape.
- * The new booking system is growing very rapidly and is working well and the booking forecast is looking positive for the future and hopefully it will materialize.

The year ahead: Hopefully the 2010 soccer proves better than anticipated and that the 'spinoff' of the soccer creates a positive velocity for the income and sales of units. The board has approved that we sell a few units and use the money for future investments. We currently have 2 units on the market, with interested buyers.

The facility is 10 years old now and we are getting bigger maintenance expenses (plumbing in particular). The marketing budget is also high, but is unavoidable at the present time.

I will maintain these 3 challenges for the Board for 2010 and report back in 12 months time.

4. **To Receive & Consider the Annual Financial Statements**

The Balance Sheet

Mike Naran reported that the investment property portfolio had decreased from R26 075,00 in 2008 to R22 925,747 in 2009 due to re-valuation of assets and also because the non income generating assets had been sold off. We did however receive payments of outstanding loans i.e. West Dunes, Magnolia Ridge and Southern Palace .

The Mandela Art Work had also been re-valued lower this year as was Lazeron shares. The Fund did receive back deposits of R365,034,00 in 2009 from Festival Bay. Total assets for 2009 are R23 290,781.

The Fund have 1.5 authorized shares of which 425 037 were issued up until March 2008. 7 188 ordinary shares were issued during this financial period.

Due to the sale of assets and loan repayments we have been able to deposit over R5.1 million into our access facility.

Liabilities for 2009 are R5 895,385 compared to R13,595,993 for 2008. These include the current bonds we are paying off and the loans paid back to the Directors.

The Income Statement

The Income Statement showed that the revenue from the Protea Quays had decreased in 2009 to R1 350,649 as compared to R1 459,801 in 2008. Debentures received in 2009 were R738,774 compared to R930,971 in 2008 were also down. The Fund has curbed operating expenses to a bare minimum. 2009 showed a net loss of R1 303,652.

Nett Asset Value

When considering the Nett Asset Value the following was highlighted:

R33,55(2005): R36,75 (2006): R48,81 (2007) and R37,89 (2008)

The share value has decreased in 2009 due to the number of non income generating assets being sold as well as the revaluation of assets. This is not the actual value of shares as currently shares are on the market from R40,00 – R90,00 per share. Last shares traded in 2008 for R37,00 per share. The global economic meltdown has also impacted on the property market.

Tasks as Financial Director

As Financial Director my first duty is to see that investors money is safe in the Fund and then to grow the assets. During the year the non income generating assets were sold at a loss due to valuation. We did however still sell at a good price in the market. These assets if retained would have cost 61% of the Protea Quays income.

The Access facility is looking healthy at R4.2 million rand.

During this financial period we have considered many possible acquisitions i.e. Harryman Square / George, The Craddock Spar/ Craddock, Landsman Industrial park/ Jefferies Bay, Bloubersmall/Kreedow, Auto Pedigree/ Port Elizabeth. However careful due diligence did not indicate high enough returns.

The Company Vision

The Company Vision is to invest in income generating projects which will give yearly dividends to investors. The objective of the Fund is to buy investments with a yield of 12% and a gearing ratio of 66%. Expenses to be maintained at 15% - 17%;

The Macro Economic Situation

This shows a massive decline in the property market over the past 12 months and the Global economic meltdown has had negative effects worldwide. The decrease in interest rates have given some reprieve to bond repayments however, strict investment regulations instituted by financial concerns make new acquisitions more difficult and longer to materialize.

The Dividend Policy

A resolution was taken 02/08/2008 which states that in future only 33% of profit will be paid as dividends to shareholders. (This being a real profit and not a paper profit) unfortunately 2009 has not shown a profit.

The Future

The past problems of the Fund have been resolved and consolidation has been achieved with curbed expenses. Good cash reserves make new acquisitions possible and lower interest rates equal lower bond rates. There is a healthy supply of acquisitions to consider and hopefully the global economic situation is improving. 2010 is an exciting year.

The Funds Mission Statement

'Coming together is a beginning, keeping together is progress and working together is success'.

4.1 Approval of Annual Financials

The above financials were accepted by Mr. B Choat and seconded by Mr. S Du Preez.

5. Acceptance of Resolution – KDF 2009 AGM/01

All present accepted the above resolution by a show of hands.

6. Election of New Directors

There were two nominated Directors Dr. W Eloff and Mrs. G Blackburn

Dr W Eloff was voted and elected as the new Director of Knysnadoc by a show of hands.

7. Appointment of Auditors

Meyer Otto Incorporated were reappointed and accepted as Auditors.

Proposed by Mr. M Naran and seconded by Dr J Moodliar

8. General

Mr. M Naran reported that Knysnadoc Investment Holdings Ltd have been offered a very interesting acquisition in George which is a B.E.E. acquisition. Hence the Directors are currently investigating this avenue and would be in discussion with a B.E.E. Consortium. If the Fund considered this strategy it would need B.E.E. accreditation. The benefits of B.E.E. business ventures are vast and need to be considered for future growth.

THE AGM MEETING CLOSED