

Minutes of Knysnadic Investment Holdings (Pty) Ltd

2014 Annual General Meeting

Held on the 13 September 2014 at the KnysnaDoc Office

6 Thesen House Long Street Knysna at 18:30

1. Welcome and apologies

In attendance

J.C. Olivier	A. Da Costa	N. Van
W. Eloff	J. Donald	Loggerenberg
M. Naran		

Apologies received from

M. Chetty	A. Kehayiadakis	E. Perry
C.E. De Coning	E. Kritzinger	E.N. Pretorius
R. De Wet	J. Moodliar	M.Swanepoel
M.M. Duvenhage	S. Morar	O. Swart
B.L. Faber	T. Morar	P. Swart
G.J. Goldman	E. Odendaal	J.P. Van Der
Greyvensteyn Trust	R.M. Parbhoo	Westhuizen
D.W. Jacobs	Peakstar	S.E. Venter

Total number of all shares of all shareholders (as per information available at the time of the meeting) = 432,817

Total number of shares per proxies received = 146,070

2. **Approval of the Minutes of the Knysnadic Investment Holdings (PTY) Ltd Held on the 19th October 2013.**

Corrections Noted:

No corrections done on the 2013 minutes.

The chairman asked for a motion to adopt the minutes of the previous meeting. This was proposed by M Naran and seconded by A Da Costa

3. **Chairman's report**

i. **Overview**

Dear Shareholders

I was in Durban last week at a conference. There I met and heard a fantastic address by Ms. Haffagee, editor of The Star. She gave a great overview of our young democracy – crazy as our country seems to be at times. We actually have a robust democracy with great debate. Yes, we have great poverty and huge social needs. We actually have done very much during the last 20 years to address this inequality. She discussed Jacob Zuma and Julius who asked “when are you going to pay back the money?” .I do not like Julius, but I must concede he was at the right place and asked

the right question. Ms. Haffagee argue that this will change the current corrupt system and lead to a more open and honest government. This will reach out to the private sector and can stimulate massive growth for our country .So “when are you going to pay the money”? We just did, check your bank account. We paid our third dividend and I say, very proudly, an increase of about 22%. So we did well and are well positioned for future growth.

ii. **The Protea Hotel**

The tourist market is strong, despite burning tyres and busses! Growth in income was good this year – the forecast for next year is a growth of about 5 to 10%. The debentures continue to produce a good return.

The Hope Factory

I visited the factory recently and I must state we can be very proud of this investment! We get a great return; we are part of developing the business of emergence South Africa.

Interim 6 month review

Hotel

Our flagship is in perfect condition, functioning as a top class 4 star hotel. We are in the process of rebuilding the bathrooms (a 5 year project) – funded from the refurbishment fund (money set aside for just that). Occupancy this past season was good, running in the high 60% - showing a slight growth in numbers. Room income has also improved. The forecast for the current financial year looks rosy; we can look forward to a 5% increase off the current base.

	2013	2014
	R	R
March	164,604.98	152,793.00
April	30,769.47	85,613.35
May	22,957.29	54,387.83
June	0	0
July	0	0
August	0	0

Debentures

With an increase of 6% in July. This is a very stable long term income of R 51,540.00 per month currently.

The Hope Factory

We have a very Steady tenant with a 9% increase in rental in April R 39,437.00 per month.

We can therefore expect yet another annual dividend (my directors: no pressure).

I must thank Nicky for arranging the meetings, AGM and her sterling job with the shareholder liaison.

My fellow directors: Wilco, Mike and Alfred. Thank you for your critical role in this team. Together we grow.

I live by my credo: The harder you practice, the luckier you get.

I thank you

Johan C Olivier Chairman

Question raised by J. Donald

Why does the Hotel not pay during these three (3) months and not a percentage (%) every month?

The Hotel makes a loss in June; July pays back the June expenses and August the same. KDF is the biggest owner in the Hotel and this assist with the cash flow during these times.

4. Financial Statements for the year ending February 2014

i. Financial Overview

Good news to the shareholders

It is always good to be the carrier of good news. Here is the short version of the financials for 2014.

Assets and liabilities

Total Assets value is up with R 3.6miljon that corresponds to the value of the Cawood property.

Income

	2014	2013
Revenue	2,183,429	1,565,717
Other income	55,481	-
Operating expenses	<u>(625,211)</u>	<u>(584,181)</u>
Operating profit	1,613,699	981,536
Investment revenue	3,442	1,857
Fair value adjustment	(74,316)	2,000
Finance cost	<u>(307,872)</u>	<u>(212,732)</u>
Profit before taxation	1,234,953	772,661
Taxation	<u>(413,001)</u>	<u>(211,330)</u>
Profit for the year	821,952	561,331
Other comprehensive income	-	-
Total comprehensive income for the year	<u>821,952</u>	<u>561,331</u>

We could see the effect of the acquisition of the Cawood property on our income. An R 300,000.00 extra is always good. Even the Quays performed excellent with a year on year increase of R 130,000.00!

Expenses

	2014	2013
Liabilities		
Non-Current Liabilities		
Other Financial Liabilities	6,455,979	4,289,591
Deferred tax	<u>1,012,461</u>	<u>951,700</u>
	<u>7,468,440</u>	<u>5,241,291</u>
Current Liabilities		
Other financial Liabilities	409,863	599,455
Current tax payable	149,562	53,780
Trade and other payables	64,707	135,256
Dividend payable	<u>24,008</u>	<u>-</u>
	<u>648,140</u>	<u>788,491</u>
Total liabilities	<u>8,116,580</u>	<u>6,029,782</u>
Total Equity and Liabilities	<u>24,323,967</u>	<u>21,627,422</u>

I am really happy with the expenses, though there is an increase of R 41,000.00 from 2013 that was due to an R 80,000.00 increase of Assessment rates & municipal charges (from the PE property). This means that the rest of our expenses were in fact R 39,000.00 less than in 2013.

As always our partner with the first right on money (SARS) will take his chunk of our excellent before tax profit of R 1,234,953.00. This still leaves us with a healthy profit of R821, 000 with R 273,600.00 to be used for our shareholders as a dividend.

Nett asset value

Also here we can report a NAV of R 16,207,387.00 compared with R 15,597,640.00 of 2013.

NAV per share is R37.10 (R35.75 for 2013).

Dividend

In every aspect, this was a good year again and with the profit as per company policy, we will declare a dividend of 62.6c per share with an after tax pay out of 53.2 c per share or R 532 for every 1000 shares. R 237,000.00 set aside for dividends.

Thank you

Wilco Eloff Financial Director

- ii. To approve financial report
The approval of the 2014 financial report was done by J. Donald and seconded by A Da Costa.
- iii. To appoint Auditor of ensuing year.
The financial director proposed we retain to the same auditor for the ensuing year. This motion was proposed by JC Olivier and seconded by W Eloff
- iv. To Approve and authorize directors to buy back shares for the ensuing year.
The motion was proposed by M Naran and seconded J Donald.

5. New Acquisition Report

i. Pending/New acquisitions

Once again it gives me great pleasure to submit the following report.

As you will note from the financial statements the company is on much better growth path. We have attempted to control expenses without comprising our fiduciary duties and responsibilities.

This is not easy in a difficult business environment. We have also been fortunate that we have no vacancies in our properties.

Currently we are busy with due diligence on a building in Pickering Street Newton Park, Port Elizabeth. The lettable area is 830 sq. mts.

The building is occupied by Chubb Security and Otis lifts both of which have an international foot print. This property is in excellent condition with ultra-modern facilities and will require very little maintenance in the immediate and medium term. The asking price is R6.3 million rand. On advice from our bankers who found a value of R5.80 million we have submitted the offer. The anticipated R O I is 10.80 % .The leases have been renewed in June for five years with an option to renew for a further five years.

Last week I viewed a portfolio of three smallish buildings in Jeffrey's Bay. Two are retail and the third is a small industrial park with 14 workshops.

All the buildings are in excellent condition and I have signed an M O U with the seller that we can submit an offer after intensive due diligence.

The asking price is R4.35 million rand. The current rental income is R 816,000.00 pa. The expenses approx. R 145,200.00 p/a.

We are hoping to negotiate a good deal with the seller as he has a large portfolio which he is very keen to sell on a piece meal basis.

We have had many distressed commercial properties offered to us; however we could not find good value in them. Having learnt some costly lessons in the past we will only invest in income bearing opportunities.

We thank you for your confidence and support and look forward to report even better results next year.

ii. 81 Cawood street

The Hope Factory

This building is doing very well and we recently signed a new lease which is going to run until April 2019 .The rental escalation is 8.50% effective May 2014.The tenant has spent R 900,000.00 on interior renovations which included a very nicely designed ablution block.

During these negotiations with the tenants they requested that we provide air conditioning to the building. This we did at a cost of R 110,000.00 .This property has accrued substantial value.

The tenant "The Hope Factory" is a national tenant which runs entrepreneur development programmes funded by the South African Institute of Chartered Accountants.

The acquisition team,

Mike Naran and Alfred da Costa

6. General matters

i. To Approve the remuneration of the directors

A proposal from the directors was received for the yearly increase of their remuneration.

The directors travel a lot for Knysnadic and can be reimbursed on the AA rate for traveling, but that is a costly solution.

Suggestion received:

Directors' salaries will be increased by an R 1,000.00 and then annually with CPIX (than no traveling for local business or extra fees will be applied).

Directors attendance fees will go up by 10% this year and CPIX in following years.

Directors get 500 shares per year (discussed and approved at the 2013 AGM).

Proposed by J Donald and S Du Preez

7. AGM Closure

AGM was closed by JC Olivier at 19:45.

Signed and Accepted: _____ Date: _____

Signed and Accepted: _____ Date: _____