

KNYSNADOC VESTMENT HOLDINGS (PTY) LTD



Chairman's feedback

Dear Shareholders

We live in interesting times. We have a world with erupting bombs. An election is at our door and by the time you read this newsletter it will be part of history. I would like to report on Knysnadoc's performance and reflect on our plans for the fund for the future.

So how are things?

The Protea Hotel, Knysna

The Hotel is doing very well this year. Its occupancy is high and the growth in income is fabulous (35.9%). The hotel's trustees constantly refurbish the rooms and make sure it is a sought after destination. Although

it costs a lot, the stays confirm that the effort pays off.



The Debentures

The debentures give a healthy return and we are very happy with that investment as well.

The Hope Factory, Port Elizabeth

Even though the rental market in Port Elizabeth has slumped and we had to reduce our rental income of the Hope Factory, we still have a good return and a great tenant.

Beacon Place, George

With a huge team effort we acquired the Beacon Place building in George. This is a Seven million rand investment. We have 3 tenants, all national. We are getting a robust return since the beginning of July. All in all, we are happy.

When I became chairman, the most important task was to retain the good properties and get rid of the rubbish with as little damage as possible. We have by and large achieved this objective.

The next thing for me was to establish a culture of an annual dividend. This year we are paying our 6th dividend if my memory serves me right, our biggest by far. This reflects both the quality of our efforts, our assets and our strict policies. We are a very proud board.

What does the future hold?

We need to maintain the growth and annual dividend, this is our primary objective. Certainly we are going to continue to hunt for great investment opportunities where it arrives, whether in Johannesburg or Knysna. We feel confident in growing the fund, maintaining our strict policies all the time. Please look at the financials, presented by Dr Eloff. See the net asset value, which is now also much higher due to the addition of Beacon Place.

The AGM will be on 12 November. Please note the date and come celebrate our results with us.

Johan Olivier

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Annual General Meeting 2016

Knysnadoc Investment Holdings AGM 12th November 2016 at 19:15 at Protea Hotel Knysna Quays, in the Executive Suite, Knysna Quays, Knysna

PROPERTY AND ACQUISITION REPORT

Once again it gives me great pleasure to submit a report which points to a successfully managed company.

With the economy in such global turmoil we have managed to steer this ship to much calmer waters. The properties are doing well and we have good returns on investment in the current year.

The Hope Factory (Port Elizabeth)

This tenant has been communicative and we are regularly posted with information on our visits to the building. On the anniversary of the new escalation date they requested a reduction in rental. After requesting financial information and with a good payment history

Mike Naran and Alfred Da Costa

we decided to assist them and encouraged them that they keep us informed annually.

Beacon Place (George)

As per our offer on this building we eventually took transfer on the 28th June 2016. This was a tedious process due to various reasons. We also had to provide personal guarantees to Nedbank. The building is in good condition and we have met the three tenants.

The occupiers currently are SEDA, Alexander Forbes and Anglo Provident Fund.

The purchase price was R 7.0 million, with an interest rate of 9% on the balance of R 4.4 million.

The total rental income is R 66,650.00 monthly. Two of the leases will terminate in 2018 and the SEDA lease will terminate in 2021. They are the major tenant.

We have decided to dedicate as much effort as possible to develop a good relationship with the tenants as we see much potential in a solid investment .Furthermore we made certain that our properties are adequately insured and all the relevant controls are in place.

We have of course made several offers on commercial properties in Port Elizabeth and district however the offers did not pass our due diligence test.

With the local government elections over we will monitor the situation carefully for investment opportunities in our sector.

I also wish to thank our co-directors and Nicolene our office manager for steadfastly sticking to the task at hand .With this positive attitude we cannot look back.

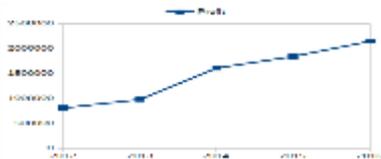
Financial Report 2016

2015-2016 was again a fantastic financial year for Knysnadoc. We had an operational profit in the 2015 financial year, but a pre-tax loss due to the revaluation of properties. This year again we had a healthy profit regardless of revaluations. I am glad to report that the trend of increasing profits,

increasing Nett Asset Value and increasing dividends is continuing.

We made a healthy operational profit of R 2.15 million. We could also re-adjust the property values upwards due to sales of the rooms in the Quays. This also led to a healthy increase

of our dividend. Our Nett Asset Value (NAV) is up from R 34.24 to R 40.62



All in all, we had another excellent year for Knysnadoc shareholders.

Wilco Eloff