

# Knights Tourist Park Fund

ARSN 108 243 947

## Financial report for the year ended 30 June 2011

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This general purpose annual financial report relates to Knights Tourist Park Fund ("the Fund") which is a managed investment scheme registered under Part 5C.1 of the *Corporations Act 2001*.

The Responsible Entity of the Fund is Valuestream Investment Management Limited ("the Responsible Entity"). The Responsible Entity's registered office is Suite 12/18, Stirling Highway, Nedlands, WA 6009.

## Directors' report

The Directors of Valuestream Investment Management Limited (the Responsible Entity of the Fund) present their report on Knights Tourist Park Fund ("the Fund") for the year ended 30 June 2011.

### Directors

The following persons held office as Directors of Valuestream Investment Management Limited during the year or since the end of the year and up to the date of this report:

Robert Marie (Executive)  
 Mike Fenech (Non-executive)  
 Kirsten Marie (Non-executive)

### Principal activities

The Fund invests in leisure properties. The overall strategy of the Fund is to provide unitholders with both capital growth and high income returns. The Fund operates in one geographical area, Australia.

The Fund had no employees during the year.

There was no change in the Fund's activities.

### Review and results of operations

The key financial results of the Fund for the financial year ended 30 June 2011 are as follows:

	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Operating profit/(loss) before finance costs attributable to unitholders	420	(579)
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Total assets	32,678	33,774

## Directors' report (continued)

### Finance costs to unitholders

	30 June 2011 \$'000	30 June 2010 \$'000
Distribution paid and payable	-	657
Distribution (cents per unit)	-	5.00
<i>Comprising:</i>		
Distributions paid (cents per unit)	-	2.5
Date paid	-	15 January 2010
Distributions payable (cents per unit)	-	2.5
Date payable	-	31 August 2010

### Significant changes in state of affairs

At a unitholders' meeting held on 15 April 2011 a special resolution was passed to continue operation of the Fund to its original term of 12 years, being April 2016.

In the opinion of the Directors of the Responsible Entity, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year under review.

### Matters subsequent to the end of the financial year

In the opinion of the Directors of the Responsible Entity of the Fund, no matters or circumstances have arisen in the interval between the end of the financial year and the date of this report to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

### Likely developments

The Fund will continue to follow its objectives of identifying opportunities to increase the profitability of the Fund and its net asset value.

Further information on likely developments in the operation of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

## Directors' report (continued)

### Interest in the Fund

	30 June 2011 No. of units 000	30 June 2010 No. of units 000
Units on issue at the beginning of the year	13,145	13,145
Units issued during the year	-	-
Units on issue at the end of the year	13,145	13,145

### Value of assets

Value of Fund assets at the end of the year	32,678	33,774
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### Environmental regulation

The Fund is subject to environmental regulation in respect of its land and property development activities. The relevant authorities are provided with regular updates, and to the best of the Directors' knowledge, all activities have been undertaken in compliance with the requirements of the planning approvals.

### Responsible Entity's remuneration

Fees paid by the Fund to the Responsible Entity (and its associates) during the year are set out in Note 19.

### Indemnities and insurance premiums of officers and auditors

During the financial year, the Fund paid a premium in respect of a contract insuring the Directors of the Responsible Entity (as named above) and the Secretary of the Responsible Entity against a liability incurred as such a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Fund has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or an auditor of the Fund against a liability incurred as such an officer or auditor.

### Rounding of amounts to nearest thousand dollars

The Fund is an entity of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investment Commission relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### Proceeding on behalf of the Fund

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the year.

**Directors' report (continued)**

**Auditor**

Moore Stephens Sydney are the auditors of the Fund in accordance with section 327 of the *Corporations Act 2001*.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.



Robert Marie  
Director of the Responsible Entity

Perth  
 September 2011

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**Auditor's Independence Declaration  
to the Directors of Valuestream Investment Management Limited,  
as Responsible Entity of Knights Tourist Park Fund**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Knights Tourist Park Fund for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

*Moore Stephens Sydney*

**Moore Stephens Sydney**  
Chartered Accountants

*Chris Chandran*

**Chris Chandran**  
Partner

Dated in Sydney this 6<sup>th</sup> day of September 2011

Knights Tourist Park Fund  
Statement of comprehensive income  
For the year ended 30 June 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
<b>Investment income</b>			
Rental income		3,178	3,276
Interest income	3	244	218
Change in fair value of derivative financial instruments		113	-
<b>Total income</b>		<b>3,535</b>	<b>3,494</b>
<b>Operating expenses</b>			
Property outgoings		34	76
Finance costs to financial institutions		1,713	1,441
Change in fair value of investment properties		971	1,989
Change in fair value of derivative financial instruments		-	58
Management fees		216	223
Other expenses	4	181	286
<b>Total expenses</b>		<b>3,115</b>	<b>4,073</b>
<b>Net operating profit/(loss) for the year</b>		<b>420</b>	<b>(579)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>420</b>	<b>(579)</b>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

Knights Tourist Park Fund  
Statement of financial position  
As at 30 June 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,980	2,024
Receivables	6	24	45
Prepayments	7	229	205
<b>Total current assets</b>		<b>2,233</b>	<b>2,274</b>
<b>Non-current assets</b>			
Investment properties	8	28,898	29,953
Loan receivable	9	1,547	1,547
<b>Total non-current assets</b>		<b>30,445</b>	<b>31,500</b>
<b>Total assets</b>		<b>32,678</b>	<b>33,774</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	10	157	206
Derivative financial instruments held at fair value through profit or loss		163	276
Provision for distributions to unitholders	11	-	329
<b>Total current liabilities</b>		<b>320</b>	<b>811</b>
<b>Non current liabilities</b>			
Interest-bearing liabilities	12	19,476	20,501
<b>Total non current liabilities</b>		<b>19,476</b>	<b>20,501</b>
<b>Total liabilities</b>		<b>19,796</b>	<b>21,312</b>
<b>Net assets</b>		<b>12,882</b>	<b>12,462</b>
<b>Equity</b>			
Contributed equity		12,454	12,454
Retained earnings		428	8
<b>Total equity</b>	13	<b>12,882</b>	<b>12,462</b>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

Knights Tourist Park Fund  
Statement of changes in equity  
For the year ended 30 June 2011

	Note	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
<b>Year ended 30 June 2011</b>				
<b>Balance at 1 July 2010</b>		12,454	8	12,462
Total comprehensive income for the year		-	420	420
Transactions with owners in their capacity as owners				
Distributions paid	11	-	-	-
<b>Balance at 30 June 2011</b>		<b>12,454</b>	<b>428</b>	<b>12,882</b>
<b>Year ended 30 June 2010</b>				
<b>Balance at 1 July 2009</b>		12,454	1,244	13,698
Total comprehensive loss for the year		-	(579)	(579)
Transactions with owners in their capacity as owners				
Distributions paid	11	-	(657)	(657)
<b>Balance at 30 June 2010</b>		<b>12,454</b>	<b>8</b>	<b>12,462</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Knights Tourist Park Fund  
Statement of cash flows  
For the year ended 30 June 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		3,354	3,282
Cash payments in the course of operations		(473)	(685)
Interest received		243	211
Borrowing costs paid		(1,714)	(1,522)
<b>Net cash inflow from operating activities</b>	21	<u>1,410</u>	<u>1,286</u>
<b>Cash flows from investing activities</b>			
Payments for capital expenditure on investment properties		(75)	(95)
<b>Net cash outflow from investing activities</b>		<u>(75)</u>	<u>(95)</u>
<b>Cash flows from financing activities</b>			
Distributions to unitholders		(329)	(1,033)
Repayment of borrowings		(1,050)	(90)
<b>Net cash outflow from financing activities</b>		<u>(1,379)</u>	<u>(1,123)</u>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		(44)	68
Cash and cash equivalents at the beginning of the reporting period		<u>2,024</u>	<u>1,956</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	5	<u>1,980</u>	<u>2,024</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## **1 General information**

This financial report covers Knights Tourist Park Fund (“the Fund”) as an individual entity. The Fund was constituted on 2 March 2004. The Fund shall terminate 12 years after the date of commencement of the Fund unless all members consent to extend the term of the Fund.

The Responsible Entity of the Fund is Valuestream Investment Management Limited (“the Responsible Entity”). The Responsible Entity’s registered office is Suite 12/18, Stirling Highway, Nedlands, WA 6009.

The financial report is presented in Australian currency.

The financial statements were authorised for issue by the Directors on 6 September 2011. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

## **2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

### **a. Basis of preparation**

This general purpose financial report has been prepared in accordance with the Fund’s Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* in Australia and the International Financial Reporting Standards (IFRS).

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

### **b. Revenue recognition**

#### *(i) Rental revenue*

Rental revenue from operating leases is recognised on a straight line basis over the term of the lease.

#### *(ii) Interest*

Interest income on deposits, performing loans and discounted securities is recognised on an effective interest rate basis.

### **c. Expenses**

#### *(i) Property outgoings*

Term and conditions of leases of the Fund’s tourist parks provide that the lessee pay for general and day to day property outgoings. The Fund therefore, has minimal property outgoings. Property outgoings include rates, taxes and other property outgoings are brought to account on an accruals basis.

#### *(ii) Responsible Entity fees*

Fees payable to the Responsible Entity are recognised in the statement of comprehensive income on an accruals basis. Fees relating to specific events or transactions are charged upon completion or occurrence of the relevant service or event.

## 2 Summary of significant accounting policies (continued)

### c. Expenses (continued)

#### *(iii) Other expenses*

All other expenses are recognised in the statement of comprehensive income on an accruals basis.

### d. Taxation

Under current legislation, the Fund is not liable for income tax, provided that the taxable income and taxable realised gains are fully distributed to unitholders each year. Tax allowances for building and plant and equipment depreciation are distributed to unitholders in the form of a tax deferred component of the distribution. Therefore, no current or deferred tax balances have been recognised in the financial statements.

### e. Leases

Under AASB 117: Leases, rental income on operating leases is to be brought to account on a straight line basis over the lease term. Where there are fixed rental reviews, future rental income is to be brought to account as a receivable and amortised over the lease term. These assets are recognised as a component of investment properties.

Incentives may be provided to lessees to enter into an operating lease. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fitouts. They are amortised over the term of the lease. The carrying amount of the lease incentives is reflected in the fair value of the investment properties.

### f. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

### g. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

### h. Investment property

Investment property is held for long term rental yields, for capital appreciation and is not occupied by the Fund.

#### *Valuations*

Investment properties are measured at fair value and revalued with sufficient regularity to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date.

## 2 Summary of significant accounting policies (continued)

### h. Investment property (continued)

#### *Valuations (continued)*

The Fund's Constitution requires the Responsible Entity to have the Fund's property investments independently valued (at intervals of not more than three years). These valuations are considered by the Directors of the Responsible Entity when determining fair value. When assessing fair value, the Directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties. Changes in fair values are recorded in the statement of comprehensive income.

Fair value is based on the price, at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

All investment properties are considered one class of asset. Accounting standards do not require investment property to be depreciated.

### i. Payables

These amounts represent liabilities for goods and services provided to the fund prior to the end of the reporting year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### j. Interest bearing liabilities

Interest bearing liabilities are initially measured at cost, being the fair value of the consideration received net of issue and other transaction costs associated with the borrowings. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

Where interest rates are swapped or hedged, the borrowing costs are recognised net of any effect of the hedge or swap.

### k. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Fund's derivatives do not qualify for hedge accounting and therefore changes in the fair value of any derivative financial instrument are recognised immediately in the statement of comprehensive income.

### l. Distributions to unitholders

In accordance with the Fund Constitution, the Fund fully distributes its distributable income to unitholders. Distributions to unitholders are determined by reference to the taxable income of the Fund.

## 2 Summary of significant accounting policies (continued)

### I. Distributions to unitholders (continued)

Provision is made for the amount of any distributions to unitholders declared, determined or publicly recommended by the Directors on or before the end of the reporting year but not paid at balance date.

### m. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### n. Rounding of amounts

The Fund is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### o. Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances are discussed below.

#### *(i) Estimated value of investment properties and derivative financial instruments*

Actual estimates are made by the Fund in respect of the fair values of derivative financial instruments and investment properties. Investment properties are reviewed regularly for impairment by reference to external independent property valuations and market conditions, using generally accepted market practices.

#### *(ii) Critical judgements in applying the Fund's accounting policies*

There have been no critical judgements made during the year.

## 2 Summary of significant accounting policies (continued)

### p. Adoption of new accounting standards

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

The following new and revised standards have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

*AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvement Project and AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project*

AASB 2009-5 introduces amendments in to the Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular items, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Fund's accounting policies and has no affect on the amounts reported for the current or prior periods.

### q. New accounting standards issued, but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

*(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

*(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Fund's financial statements.

## 2 Summary of significant accounting policies (continued)

### q. New accounting standards issued, but not yet adopted (continued)

*(iii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)*

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First-time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

*(iv) Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

*(v) IFRS 13 Fair value measurement (effective 1 January 2013)*

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Fund has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Fund does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

## 3 Interest income

	30 June 2011 \$'000	30 June 2010 \$'000
Interest income - loan to FreeSpirit Resorts Pty Ltd	156	152
Interest income - bank	88	66
<b>Total interest income</b>	<b>244</b>	<b>218</b>

#### 4 Other expenses

	30 June 2011 \$'000	30 June 2010 \$'000
Custodian fees	15	14
Auditor's remuneration	21	23
Other expenses	145	249
<b>Total other expenses</b>	<b>181</b>	<b>286</b>

#### 5 Current assets - cash and cash equivalents

	30 June 2011 \$'000	30 June 2010 \$'000
Cash and cash equivalents	1,980	2,024

Cash and cash equivalents are held at an average rate of 6.07% (2010: 3.76%).

#### 6 Current assets - receivables

	30 June 2011 \$'000	30 June 2010 \$'000
Accrued income	8	7
Other receivables	-	23
GST receivable	16	15
<b>Total receivables</b>	<b>24</b>	<b>45</b>

#### 7 Prepayments

	30 June 2011 \$'000	30 June 2010 \$'000
Prepaid interest	229	205
	<b>229</b>	<b>205</b>

## 8 Non-current assets - investment properties

Property	Type	Ownership %	Date acquired	Cost including additions \$'000	Independent valuation date	Independent valuation amount	Independent valuer	Book value 30 June 2011	Book value 30 June 2010
907 Stuart Highway, Palmerston, NT *	Tourist Park	100	Apr-04	18,834	March 2011	23,000	A.	21,774	21,829
20 Fraser St, Torquay, Hervey Bay, QLD *	Tourist Park	100	Nov-05	12,389	June 2011	7,500	B.	7,124	8,124
<b>TOTAL</b>				<b>31,223</b>		<b>30,500</b>		<b>28,898</b>	<b>29,953</b>

\* Valuations includes \$1,546,756 of chattels owned by FreeSpirit Resorts Pty Ltd for which a loan is held with the Fund. This loan is held as a non-current receivable.

Valuers' names and qualifications

- A. Anthony J West, AAPI, Certified Practising Valuer, B Bus (Prop), Valuation Director - Colliers International (NT)  
B. Robert Tye, AAPI, Certified Practising Valuer, Registered Valuer No. 2077, Valuation Director - M3 Property

The Capitalisation rates used in valuing the parks are:

Property	Cap rate 30 June 2011 %	Cap Rate 30 June 2010 %
907 Stuart Highway, Palmerston, NT	10.5	10.5
20 Fraser St, Torquay, Hervey Bay, QLD	9.00	9.00

### Non-current assets pledged as security

The title to all properties is freehold.

## 8 Non-current assets - investment properties (continued)

### Valuations of investment properties

The basis of valuation of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable, willing parties in an arm's length transaction. The Responsible Entity has internally assessed the fair value of each property as at 30 June 2011. The properties are being carried at the Directors of the Responsible Entity's fair valuation assessment.

### Reconciliations

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current and previous financial year are set out below.

	30 June 2011 \$'000	30 June 2010 \$'000
Carrying amount at start of year financial year	29,953	31,875
Change in fair value of investment properties	(971)	(1,989)
Additions during the year	75	95
Straight lining of fixed rental increase adjustments	(156)	(25)
Amortisation of deferred leasing costs	(3)	(3)
<b>Carrying amount at end of the year</b>	<b>28,898</b>	<b>29,953</b>

The fair value of investment property includes the cost of amortised lease incentives, amortised initial direct leasing costs in accordance with Australian Accounting Standards.

## 9 Non current assets - loan receivable

	30 June 2011 \$'000	30 June 2010 \$'000
Loan to Free Spirit Resorts Pty Limited	<u>1,547</u>	<u>1,547</u>

This loan is interest bearing at 10.5% (2010: 10.5%) and secured by a second ranking fixed and floating charge over the assets, undertakings and uncalled capital of FreeSpirit Resorts Pty Limited (formerly known as Australasian Tourist Park Management Holdings Pty Limited).

## 10 Current liabilities - payables

	30 June 2011 \$'000	30 June 2010 \$'000
Trade creditors and accruals	78	121
GST payable	79	85
<b>Total payables</b>	<b>157</b>	<b>206</b>

## 11 Current liabilities - provision for distributions to unitholders

	30 June 2011 \$'000	30 June 2010 \$'000
Provision for distributions to unitholders	-	329
Total distributions paid and payable	-	657

No distributions were declared for the year ended 30 June 2011 (2010: 2.5 cents). No interim dividend was declared and paid during the year (2010: 2.5 cents).

## 12 Non current liabilities - interest bearing liabilities

	30 June 2011 \$'000	30 June 2010 \$'000
<b>Current</b>		
Secured bank bill facility	-	-
<b>Non current</b>		
Secured bank bill facility	19,491	20,541
Debt establishment costs	(15)	(40)
	<b>19,476</b>	<b>20,501</b>

The debt facility is due to expire on 31 October 2012.

### Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

#### *First Mortgage*

Investment properties	28,898	29,953
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### Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

#### Bank bill facilities

Total facilities	19,491	20,541
Drawdown at balance date	(19,491)	(20,541)
Unused at balance date	-	-

The current average interest rate on the bank loans is 8.48% (2010: 6.72%).

### 13 Equity

	30 June 2011 \$'000	30 June 2010 \$'000
Total equity at the beginning of the year	12,462	13,698
Net profit/(loss) attributable to unitholders	420	(579)
Distributions to unitholders	-	(657)
<b>Total net assets attributable to unitholders at the end of the year</b>	<b>12,882</b>	<b>12,462</b>

### 14 Distributions paid and payable to unitholders

#### Timing of distributions

	2011 \$'000	2011 CPU	2010 \$'000	2010 CPU
December quarter - paid	-	-	328	2.500
June quarter – payable	-	-	329	2.500
	<b>-</b>	<b>-</b>	<b>657</b>	<b>5.000</b>

### 15 Financial risk management

The Fund's activities expose it to a variety of financial risks: liquidity/cash flow risk and interest rate risk from the financial instruments it holds. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund, are set out below.

#### (a) Credit risk

Credit risk is the risk that cash and cash equivalents held with financial institutions or receivables will not be paid when called or due.

The Fund as at 30 June 2011 and 30 June 2010 has the following concentration of credit risk:

	30 June 2011 \$'000	30 June 2010 \$'000
Cash and cash equivalents	1,980	2,024
Receivables - current	24	45
Loan receivable - non-current	1,547	1,547

## 15 Financial risk management (continued)

### (a) Credit risk (continued)

The Fund manages its cash and cash equivalents credit risks by depositing its monies with a major trading bank (National Australia Bank).

All cash amounts can be drawn on immediate notice to the National Australia Bank. No balances are considered non recoverable.

Receivables consist of:

#### 30 June 2011

	0-30 days \$'000	31-60 days \$'000	61 days + \$'000
Accrued interest	8	-	-
GST receivable	16	-	-
Total	24	-	-

#### 30 June 2010

	0-30 days \$'000	31-60 days \$'000	61 days + \$'000
Accrued interest	7	-	-
Other receivables	23	-	-
GST receivable	15	-	-
Total	45	-	-

The Responsible Entity regularly reviews receivables for collectability. None of the receivables are considered non recoverable.

The face value of interest rate swaps held by the Fund is as follows:

	30 June 2011 \$	30 June 2010 \$
Face value of interest rate swaps	10,439,500	10,439,500

The Fund has interest rate swap agreements in order to fix the interest rate on 53.6% (2010: 50.8%) of its borrowing facility.

The Fund manages the credit risk on its swaps by entering into swap agreements with a major trading bank (National Australia Bank).

Interest rate swaps are net settled and exposure to credit risk is therefore considered minimal. As at 30 June 2011, the unsettled interest rate swap agreement is \$163,000 (2010: \$276,000) as disclosed in current liabilities, derivative financial instruments held at fair value through profit and loss in the statement of financial position.

## 15 Financial risk management (continued)

### (a) Credit risk (continued)

The expiry profile of the interest rate swaps are:

#### 30 June 2011

	Face value \$'000	Expiry date
Tranche 1	5,000	31 October 2012
Tranche 2	5,440	31 October 2012
Total interest rate swaps	<u>10,440</u>	

#### 30 June 2010

Tranche 1	5,000	31 October 2012
Tranche 2	5,440	31 October 2012
Total interest rate swaps	<u>10,440</u>	

### (b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial liabilities as they fall due.

The Fund manages liquidity risk by managing its holding cash in its operating account to meet creditors' claims as they fall due. The Fund has access to a bank facility to provide working funds for capital expenditure. Distributions are reviewed quarterly by management to ensure that there is sufficient liquidity before declaring a payment.

Refinancing risk, also part of liquidity risk, is the risk that the maturity profile of debt makes it difficult to re-finance (or rollover) maturing debt, or that it creates an excessive exposure to potentially unfavourable market conditions at any given time.

The Fund is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Fund manages this risk, where appropriate, by refinancing borrowings in advance of the maturity of the borrowing and using interest rate derivatives to hedge known and forecast positions and reviewing potential transactions to understand the impact on the credit rating.

The following table sets out the maturity analysis that shows the remaining contractual maturities.

#### 30 June 2011

	Less than 6 months \$'000	6 months to a year \$'000	1-5 years \$'000	5+ years \$'000
Accounts payable	157	-	-	-
Interest bearing liabilities	-	-	19,476	-
Derivative financial instruments held at fair value through profit or loss	163	-	-	-
<b>Total</b>	<u>320</u>	<u>-</u>	<u>19,476</u>	<u>-</u>

## 15 Financial risk management (continued)

### (b) Liquidity risk (continued)

30 June 2010

	Less than 6 months \$'000	6 months to a year \$'000	1-5 years \$'000	5+ years \$'000
Accounts payable	206	-	-	-
Interest bearing liabilities	-	-	20,501	-
Derivative financial instruments held at fair value through profit or loss	276	-	-	-
Distributions declared	329	-	-	-
<b>Total</b>	<b>811</b>	<b>-</b>	<b>20,501</b>	<b>-</b>

### (c) Market risk

Market risk is the risk that the fair value or future value of a financial instrument will fluctuate because of changes in interest rates.

The management monitors the Fund's exposure which is reported to the investment committee on a quarterly basis.

Management has reduced the impact of fluctuations in interest rates by entering interest rate swaps to cover 53.6% (2010: 50.8%) of its borrowings.

The Fund is not exposed to other market risk including foreign currency movements and price risk.

The following table sets out the sensitivities to market risk of the Fund:

30 June 2011

	Carrying amount \$'000	Interest rate risk			
		-100 bps Profit \$'000	-100 bps Equity \$'000	+100 bps Profit \$'000	+100 bps Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	1,980	(20)	-	20	-
Receivables	24	-	-	-	-
Loan receivable	1,547	(15)	-	15	-
<b>Financial liabilities</b>					
Accounts payable	157	-	-	-	-
Interest bearing liabilities	19,476	195	-	(195)	-
Interest rate swaps	10,440	(119)	-	119	-
<b>Total increase/(decrease)</b>		<b>41</b>	<b>-</b>	<b>(41)</b>	<b>-</b>

## 15 Financial risk management (continued)

### (c) Market risk (continued)

30 June 2010

	Carrying amount \$'000	-100 bps Profit \$'000	Interest rate risk		+100 bps Equity \$'000
			-100 bps Equity \$'000	+100 bps Profit \$'000	
<b>Financial assets</b>					
Cash and cash equivalents	2,024	(20)	-	20	-
Receivables	45	-	-	-	-
Loan receivable	1,547	(15)	-	15	-
<b>Financial liabilities</b>					
Accounts payable	206	-	-	-	-
Interest bearing liabilities	20,501	205	-	(205)	-
Interest rate swaps	10,440	(216)	-	216	-
<b>Total increase/(decrease)</b>		<b>(46)</b>	<b>-</b>	<b>46</b>	<b>-</b>

### (d) Fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The table below presents the Fund's assets measured and recognised at fair value at 30 June 2011 and 30 June 2010 by level of the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

30 June 2011

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Financial liabilities</b>			
Interest rate swaps	-	163	-
	<b>-</b>	<b>163</b>	<b>-</b>

30 June 2010

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Financial liabilities</b>			
Interest rate swaps	-	276	-
	<b>-</b>	<b>276</b>	<b>-</b>

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1.

## 15 Financial risk management (continued)

### (d) Fair values of financial assets and financial liabilities (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. These instruments are included in level 2.

In the circumstances where a valuation technique for these financial assets is based on significant unobservable inputs, such instruments are included in level 3.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

## 16 Remuneration of auditor

	30 June 2011 \$	30 June 2010 \$
<b>Audit services:</b>		
Audit and review of financial reports		
<i>Moore Stephens Sydney (2010: PricewaterhouseCoopers)</i>	21,311	22,778
<b>Taxation services:</b>		
<i>Moore Stephens Sydney (2010: PricewaterhouseCoopers)</i>	-	7,200
Total fees	21,311	29,978

## 17 Contingent liabilities and assets

There were no contingent liabilities or assets as at 30 June 2011 (2010: nil).

## 18 Commitments for expenditure

There have been no commitments for expenditure as at 30 June 2011 (2010: nil).

## 19 Related parties

### Responsible Entity

The Responsible Entity of the Fund is Valuestream Investment Management Limited ("Valuestream").

### Key management personnel

#### a) Directors

The following persons held office as Directors of Valuestream during the year or since the end of the year and up to the date of this report:

Robert Marie (Executive)  
Mike Fenech (Non-executive)  
Kirsten Marie (Non-executive)

#### b) Other key management personnel

Valuestream has appointed Knights Capital Management Pty Ltd ("KCM") as its agent to be responsible for planning, directing and controlling the activities of the Fund, directly or indirectly during the year or since the end of the year and up to the date of this report. KCM is a wholly owned subsidiary of Knights Capital Group Limited ("KCG") which is based in Perth, Western Australia.

KCG is the largest unitholder in the Fund holding 42 per cent of the total units on issue.

Since the end of the previous financial year, no Director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Fund with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest, except at terms set out in the Fund Constitution.

#### c) Key management personnel compensation

Key management personnel are employed and paid either by Valuestream or KCM . Payments made from the Fund to Valuestream do not include any amounts attributable to the compensation of key management personnel.

#### d) Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the year.

## 19 Related parties (continued)

### (e) Key management personnel unitholdings

Key management personnel of the Fund held units in the Fund as follows:

Unitholder	Interest held %	Number of units held No.	Distributions paid/payable by the Fund \$
<b>30 June 2011</b>			
Knights Capital Group Ltd.	42	5,522,000	-
<b>30 June 2010</b>			
Knights Capital Group Ltd.	42	5,522,000	276,100

### f) Responsible Entity's remuneration

In accordance with the Fund Constitution, Valuestream (and its associates) are entitled to receive:

- a. a management fee of 0.65 per cent of the gross asset value of the Fund, payable monthly in arrears;
- b. reimbursement of Fund expenses incurred by Valuestream on behalf of the Fund;
- c. advisory fees on establishment of Fund and acquisition of assets;
- d. debt management fees of 0.10 per cent of the total Fund's loan facilities; and
- e. a performance fee of 13 per cent of the Gross Capital Profit generated by the properties, payable when the properties of the Fund are sold or the Fund is terminated. FreeSpirit (the business operator) is entitled to 20 per cent.

Set out below are the fees paid or payable by the Fund to the Responsible Entity (and its associates) during the year:

	30 June 2011 \$	30 June 2010 \$
Management fees	216,196	222,948
Debt management fees	19,928	17,268

## 20 Events occurring after reporting date

No circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

## 21 Reconciliation of net profit/(loss) to net cash inflow from operating activities

	30 June 2011 \$'000	30 June 2010 \$'000
<b>Net profit/(loss) from ordinary activities</b>	420	(579)
Change in fair value of investment properties	971	1,989
Change in fair value of derivatives	(113)	58
Amortisation of tenant incentives and straight lining	159	29
Change in provision	-	(101)
Decrease/(increase) in receivables	21	(27)
Increase in prepayments	(24)	(118)
(Decrease)/Increase in creditors and accruals	(24)	35
<b>Net cash inflow from operating activities</b>	<b>1,410</b>	<b>1,286</b>

## 22 Management expense ratio (MER)

The MER calculation includes fees charged to the Fund during the financial year, including those charged by the Responsible Entity directly for management of the assets, plus custodial fees.

Expenses excluded from the MER calculation are those that would have ordinarily been incurred by a direct investor in the underlying assets of the Fund, such as brokerage, transaction costs and government taxes.

	30 June 2011 \$'000	30 June 2010 \$'000
MER related expenses incurred directly	216	223
MER related expenses incurred indirectly	181	286
Total MER related expenses	<b>397</b>	<b>509</b>
Average assets under management*	32,678	33,774
MER	1.21%	1.51%

\* The average assets under management used to calculate the MER is the total assets of the Fund at 30 June.

In the opinion of the Directors of Valuestream Investments Management Limited, the Responsible Entity of Knights Tourist Park Fund ("the Fund"):

- a. the financial statements and notes set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance as represented by the results of its operations and its cash flows, for the year ended on that date; and
- b. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- c. the financial statements of the Fund comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



Robert Marie  
Director of the Responsible Entity

Perth  
 September 2011

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KNIGHTS TOURIST PARK FUND

#### Report on the Financial Report

We have audited the accompanying financial report of Knights Tourist Park Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The Directors of Valuestream Investment Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors of the Responsible Entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by the Directors of the Responsible Entity.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Opinion*

In our opinion:

- a) the financial report of Knights Tourist Park Fund is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the period ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

*Moore Stephens Sydney*

**Moore Stephens Sydney**  
Chartered Accountants

*Chris Chandran*

**Chris Chandran**  
Partner

Dated in Sydney this 6<sup>th</sup> day of September 2011