



June 2010 Investor Update

CHANGE OF RESPONSIBLE ENTITY / APPOINTMENT OF FUND MANAGER

On the 30th June 2009 Valuestream Investment Management Limited (“Valuestream”) - a responsible entity service provider - was appointed by unitholders as responsible entity of the Knights Coastal Land Fund (“KCLF” or “the Fund”) in place of Mariner Securities Limited. Valuestream then appointed Knights Capital Management Pty Ltd (“KCM”) as its agent to manage the day to day affairs of the Fund.

OVERVIEW OF MARKET CONDITIONS

We have previously expressed the view to unitholders that any rapid improvement in the NSW coastal property market will be slow. Regrettably this sentiment continued over the first half of 2010. However, research by RP Data in September 2010 found that houses in Ballina (located close to Yamba), Coffs Harbour and Lake Macquarie have seen price growth beyond 7% in the last 12 months which is an improvement on last year but still below the 10 year average. Whilst this is an encouraging sign, the consensus is that prices still are and will remain relatively static in the region coupled with additional properties coming on the market.

Caravan and Camping visitors in NSW remains a stable market within the tourism industry and there has been little change since 2000 in terms of visitor numbers and length of stay. The average occupancy for NSW caravan parks for the 12 months to March 2010 was 59.2%. The Northern Rivers area (which includes Yamba) had a slightly lower rate of 56%.

The Blue Dolphin Holiday Resort -55%

Operations

The Blue Dolphin Holiday Resort is leased to FreeSpirit Resorts until December 2013. FreeSpirit report that trading over the past 6 months has been steady and in line with seasonal expectations. The summer months saw good occupancy although with some downward tariff pressure as a result of competitor discounting and guests continuing to seek “deals”. The winter months had moderate occupancy in sites – principally from winter snowbirds travelling to a warmer climate. Forward bookings for the coming summer period are promising.

Capital Expenditure

The Co-owners are keen to ensure that the Blue Dolphin retains its premier status as Yamba's best holiday resort. In conjunction with FreeSpirit, a range of refurbishments and upgrades have taken place since the beginning of the year including:

- A total of 15 cabins have been refurbished including new bathrooms, kitchens, wall and ceiling linings, paintwork, floor coverings, furnishings, appliances and air-conditioning;
- The "tropical Pool" has been fully refurbished including resurfacing, tiling, paving, fencing and landscaping for a total cost of approximately \$150,000;
- Installation of a "Jumping Pillow" and upgrade of children's playgrounds including new equipment, soft fall matting and landscaping; and
- Installation of new matting on ten powered camp sites to improve camping amenity and reduce lawn damage.

With the sale of Yamba Waters Caravan Park having been completed in November 2009, the Co-owners may allocate additional funds (from the second instalment due in May 2011) towards capital expenditure over the next 12-36 months.

Essence of Yamba

In early 2010, a decision was taken by the Co-owners to undertake a review of the Stage 1 development of the Essence of Yamba which as unitholders may recall has already received development approval. The Master Plan was completed in the first half of 2010. Unfortunately, a commercial case for the viability of Stage 1 could not be mounted taking into account existing market conditions and investor requirements for coastal property. The Co-owners will continue to monitor the market. The Co-owners have approached the NSW Department of Planning seeking confirmation that the Concept and Project Approvals awarded for the Essence of Yamba are not subject to time limitations.

Performance

The Fund's Net Tangible Assets (NTA) decreased to \$0.39 per unit at 30 June 2010 (after the return of capital of \$0.03 cents per unit following the sale of Yamba Waters Caravan Park), from \$0.53 per unit as at 30 June 2009.

FINANCIAL STATEMENTS

The Financial Statements to 30 June 2010 are available via the website at www.knightsgroup.com.au/knightSCOASTAL As part of the Co-owners re-financing of the debt facility (see below) a valuation was commissioned in September 2010 for security purposes and is incorporated in the full year financial statements and summarised below:

	<u>Fair Value as at 20</u> <u>September 2010</u>		Book Value Per KCLF *	Valuation Methodology
	100% *	KCLF Share *		
Blue Dolphin	22,150	12,182	12,199	Capitalisation methodology, Yield applied 9.0% and Discounted Cash Flow

* All figures are rounded to the nearest thousand

Material Events Post Reporting Period

Debt Facility

The Co-owners current debt facility for \$8 million with Westpac Banking Corporation (secured against the Blue Dolphin) expires on 31 December 2010. Since the end of the financial year, the Co-owners have successfully negotiated approval for the re-financing of this facility. Approval is subject to execution of the loan contracts which at the date of this report are in process but not yet executed. The principal terms and conditions are:

Facility Limit: \$8,350,000 (inclusive of a \$100,000 equipment finance facility)

Term: 3 years from October 2010

Repayment: Interest only on commercial bill facility

Interest: 90 day BBSY plus line fee

Security: The Blue Dolphin land, assets and undertaking

Distributions

Total distributions for the financial year ending 30 June 2010 were \$0.012 cents per unit, representing an annualised rate of 1.2%.

Future distributions will be adjusted to take into account the interest payments on the debt facility however, in line with previous commentary, forecast annualised distributions are expected to be maintained at 1.2% per annum.

Following the sale of Yamba Waters Caravan Park., unitholders also received in January 2010 a return of capital equivalent to \$0.03 per unit.

Redemption availability

As outlined in the Product Disclosure Statements dated 19th October 2005 no redemption or exit facility will be offered during the life of the Fund until the Fund is wound up. However, investors will be able transfer their units and may participate in any withdrawal offers which are made during the life of the Fund.

The Fund does not have a fixed term. Within one month of the eight year anniversary of the Offer Closing Date, a meeting of unitholders will be convened so that they can vote on an ordinary resolution to either terminate or continue the life of the Fund.

Investor information

Ongoing communication and information relating to the Fund, will be updated via the Fund's website at www.knightsgroup.com.au/knightscoastal The website also contains general information on the Fund such as property portfolio details, distribution/taxation information, news and reports.

Complaints

Knights Coastal Land Fund has an established policy for dealing with complaints. Investors wishing to complain should write to:

Knights Coastal Land Fund
c/- Fund BPO Pty Limited
GPO Box 4968
Sydney NSW 2001

Tel: 1300 133 451
Fax: +61 2 9251 3525

Valuestream and Fund BPO are members of an independent dispute resolution scheme, the Financial Ombudsman Service.

Privacy

We collect personal information to enable us to tailor our service to the needs of our customers. We only collect personal information directly from customers, for example through application or enquiry forms, letters and visits to our website or our office. If Investors discover that personal information we hold is inaccurate, incomplete or out of date, or if they no longer wish to receive material from the responsible entity, they should contact our Privacy Officer on the numbers listed below.

Responsible Entity

Valuestream Investment Management Ltd
Suite 12
18 Stirling Hwy
Nedlands WA 6009

Tel: 08-9355 5044
Fax: 08-6389 0366

Email: invest@valuestream.com.au
Web : www.valuestream.com.au

Fund Manager

Knights Capital Management Pty Ltd
Suite 11/ 5 Colin Street
West Perth WA 6005

PO Box 272
Floreat WA 6014

Tel: 08-93243888
Fax: 08-93228788

Email: knightsgroup@iinet.net.au
Web : www.knightsgroup.com.au

Share Registry

Fund BPO Pty Limited
GPO Box 4968
Sydney NSW 2001

Tel: 1300 133 451
Fax: +61 2 9251 3525

Email: info@mainstreambpo.com
Web: www.mainstreambpo.com.au

Disclaimer

This document has been prepared by Valuestream Investment Management Ltd ABN 66 094 107 034 AFSL 246621 and Knights Capital Management Pty Ltd ABN 57 117 550 893 AFSL 306365 as Responsible Entity and Fund Manager respectively to the Knights Coastal Land Fund ARSN 115 858 047. The Responsible Entity and Fund Manager their associates related entities and directors do not guarantee the performance of the Knights Coastal Land Fund or the repayment of monies invested While every care has been exercised in the preparation of this document and the information is believed to be correct the Responsible Entity and the Fund Manger do not give any warranty as to the accuracy reliability or completeness of the information. Past performance is not an indication of future performance This document does not contain financial product advice, is provided for general information purposes only and does not have regard for the particular objectives financial situation or needs of any specific person who may read it and who should seek their own professional advice. The information contained in this document is current as at September 2009 and may change from time to time without notice