



June 2010

Investor Update

CHANGE OF RESPONSIBLE ENTITY / APPOINTMENT OF FUND MANAGER

As previously disclosed Valuestream Investment Management Limited (“Valuestream”) - a responsible entity service provider - was appointed as responsible entity of the Knights Tourist Park Fund (“KTPF” or “the Fund”) effective the 3rd September 2009. Valuestream then appointed Knights Capital Management Pty Ltd (“KCM”) as its agent to manage the day to day affairs of the Fund.

Fund update

On the 12th March 2010, Valuestream executed a Corporate Letter of Offer from National Australia Bank Ltd for a new debt facility for \$20,630,900 commencing 31 March 2010 and expiring 31 October 2012. See Debt Management for the key terms of the new facility.

Distributions for the six month period to 30 June 2010 were 2.5 cents per unit. Total distributions for the financial year ending 30 June 2010 were 5.0 cents per unit.

The Fund continued to work with the Northern Territory Power and Water Corporation and FreeSpirit Resorts in pursuing a connection to the main sewerage system from the FreeSpirit Resort, Darwin

Fund Overview

Distributions

The full year distribution to 30 June 2010 was 5.0 cents per unit. The Fund has retained cash to contribute to completion of the sewerage works at Darwin.

Portfolio overview

As at 30 June 2010, the Fund’s two assets were 100 per cent occupied and are 100 per cent weighted to the tourist park sector.

Details of the Fund's portfolio, including the latest asset revaluations, are summarised in the table below:

Property	Location	Acquisition date	Valuation date	Independent valuation \$m ¹	Book value \$m	Capitalisation rate %	Area hectares
Free Spirit Resort, Darwin	NT	Mar 2004	Dec 2009	23.0	21.8	10.5	11.3
Fraser Lodge, Hervey Bay	QLD	Nov 2005	Jun 2010	8.5	8.1	9.0	3.2
TOTAL PROPERTY PORTFOLIO				31.5	29.9		14.5

¹ Valuation includes chattels of \$1.5 million owned by FreeSpirit Resorts Pty Ltd for which a loan is held with the Fund.

Performance

The Fund's Net Tangible Assets (NTA) decreased to \$0.95 per unit at 30 June 2010, from \$1.04 per unit as at 30 June 2009. The decline in NTA was primarily due to a decrease in the valuation of the Fund's assets.

Valuations

Independent valuations were undertaken by Colliers International on both of the Fund's assets during the year. The Fraser Lodge's valuation, undertaken in June 2010, fell by \$2.0 million to \$8.5 million and the valuation of Free Spirit Resort Darwin, undertaken in December 2010, decreased by \$0.6 million to \$23.0 million. As in prior years these valuations are inclusive of loan for chattels.

Independent valuations of investment properties are conducted at least once every two years and in accordance with the *Corporations Act 2001*.

Valuation information is disclosed in the half year and full year financial statements for the Fund which are available from the Fund's website.

Geographic diversification

The Fund's property assets are weighted, by book value, 73 per cent to the Northern Territory and 27 per cent to Queensland market.

Lease expiry profile

The weighted average lease expiry profile, by income, is 5.6 years.

Top tenants

The tenants listed in the table below, provide five per cent or more of the Fund's gross income.

Tenant	%
FreeSpirit	85
Australian Fuel Distributors	15
Total %	100

FreeSpirit Resort Darwin

The “dry season” had a late start this year and consequently the high early occupancy enjoyed last year did not eventuate. Despite this, trading over the winter months was strong, although early rains have shortened the tail end of the season.

The guest satisfaction feedback for the park was, in the main, excellent; however it was marred by guest dissatisfaction with odours from the sewer plant and a number of power outages in the older section of the park. FreeSpirit resolved the power outage issue through a major upgrade of the infrastructure and continues to work with the Fund to resolve the sewer issue.

Management has also undertaken a major refurbishment program of the Travellers and Poolside Studio units which have met with excellent responses from guests.

In late February/early March 2010, the Fund entered into an in principle cost sharing understanding with the Northern Territory Power and Water Corporation (“PWC”) to facilitate a connection of the FreeSpirit Resort to the main sewer line. The two key components of the infrastructure are:

- The design and construction of the pump station and rising main; and
- The design and construction of the road crossing at Stuart Highway.

This infrastructure will be owned and maintained by PWC. Arup Pty Ltd have been appointed as project consultants. The project commencement has been delayed as the Fund and FreeSprit finalise their respective contributions to the project infrastructure

Fraser Lodge, Hervey Bay

In line with previous updates, there has been no positive change to the oversupply of holiday accommodation in Hervey Bay. Consequently, revenue for the six months to June was broadly in line with budget but well down on prior years - despite a concerted marketing campaign offering attractive specials. The poor performance is mirrored in the trading for the Hervey Bay region generally and was exacerbated by heavy rains in Autumn and early Winter.

Management has continued to manage overheads in line with the lower revenue base. Forward bookings for the coming months are encouraging at this stage, however will be largely dependent on good weather conditions.

Customer feedback for the park in general has been excellent however there is guest dissatisfaction with the standard of the Studio Units where there are major water issues. The Fund has initiated an independent risk assessment report to facilitate decision making in regards to the Studio Units.

Debt management

Debt facility

Year ended	30 June 2010
Total interest bearing debt facility	\$20.5m
Total interest bearing debt (drawn)	\$20.5m
Hedging ratio	50.8 %
Weighted average hedge rate	6.06%
Weighted average hedge maturity	2.3 yrs
Loan to Value ratio ¹	65.2%
Interest cover ²	2.12 times
<u>Key Terms of Facility</u>	
Expiry	31 Oct 2012
An Amortising Facility	\$90,000 per quarter
Financial Covenants – Interest Cover	2.0 times
Loan to Value Ratio	65.1%

¹ The loan to value ratio is calculated using information from the Fund's Financial Statements as at 30 June 2010 and indicates the extent to which the Fund's assets are funded by borrowings. It is calculated by dividing the total interest bearing liabilities by the external valuation of the total property assets

² Interest cover ratio is calculated using information from the Fund's Financial Statements as at 30 June 2010 and indicates the extent to which the Fund is able to meet its interest payments from earnings. It is calculated by dividing earnings before interest income tax, depreciation and amortisation (EBITDA) less unrealised gains plus unrealised losses by interest expense. The interest cover ratio covenant disclosed in the debt facility is 2.0 times.

The Fund has a total debt facility of \$20.541 million, set to expire on 31 October 2012. Under the terms of the debt facility the Fund is required to maintain a Loan to Value ratio of no more than 65.1%. As reflected in the above table, the Fund breached this covenant at 30 June 2010. This breach was waived by National Australia Bank having regard to the quantum of the breached and the amortisation schedule in place. It is the intention of the Fund Manager to take a proactive approach to further reduce this facility in the coming financial year.

Redemption availability

As outlined in the Product Disclosure Statements dated 29 March 2004 and 17 October 2005, no redemption or exit facility will be offered during the term of the Fund.

The maximum investment period was 12 years from 2004 (March 2016). After seven years (March 2011), the Fund will be terminated if the holders of 75 per cent of the Units on issue elect to do so.

Going forward

Distributions

The Fund's distribution policy will be to distribute cash earnings subject to tax, capital expenditure and debt amortisation/reduction requirements.

Key financial statistics

Period ended	30 June 2010
Fund size (\$m)	33.8
Net tangible assets (NTA) per unit (\$)	0.95
Distribution yield – unit issue price \$1.00 (%)	5.0
Distribution yield – unit issue price \$1.06 (%)	4.7
Management fee (%)	0.65
Distributions (cpu)	5.0

Investor information

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

Complaints

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

Knights Tourist Park 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.

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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@inet.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 Tourist Park Fund ARSN 108 243 947. The Responsible Entity and Fund Manager their associates related entities and directors do not guarantee the performance of the Knights Tourist Park 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