30 June 2011

Annual Financial Report and Investor Update

Key Highlights for year

- Members resolve at a special meeting to continue the Fund to April, 2016.

- In conjunction with the Northern Territory Power and Water Corporation (PWC) significant progress was made towards the connection of the FreeSpirit Resort, Darwin to the main sewerage system.*

  * Following year end, two contracts have been awarded by PWC and by the Fund for internal works at the Resort with both contracts scheduled for completion by late October/early November 2011.

- The Fund reduced its debt exposure during the year by $1.025m.

- The price per unit improved to **$0.98** as at 30th June, 2011 (2010: $0.95).

Fund Overview

Life of Fund

At a meeting of Members held on 15 April, 2011, it was resolved that the life of the Fund continue until April, 2016. The results of the meeting are available at the Fund's website www.knightsgroup.com.au/knightstourist

Distributions

No distributions were paid in the twelve month period to 30 June, 2011. The Fund has retained sufficient cash to complete the sewerage works in Darwin and to further reduce its debt exposure on quarterly basis. A distribution of 2.5 cents per unit is proposed for the first quarter 2011/2012.

Portfolio overview

As at 30 June, 2011, 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 following table.

Property	Location	Acquisition date	Valuation date	Independent valuation $m[1]	Book value $m	Capitalisation rate %	Area hectares
Free Spirit Resort, Darwin	NT	Mar 2004	Mar 2011	23.0	21.8	10.5	11.3
Fraser Lodge, Hervey Bay	QLD	Nov 2005	Jun 2011	7.5	7.1	9.0	3.2
TOTAL PROPERTY PORTFOLIO				**30.5**	**28.9**		**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) increased to **$0.98 per unit at 30 June 2011** from $0.95 per unit as at 30 June 2010. The increase in NTA was primarily due to no distributions being paid during the period and the reduction in bank debt.

Valuations

During the period, independent valuations were undertaken by Colliers International (NT) on Darwin in March, 2011 and by M3 Property on Hervey Bay in June, 2011. 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 also available from the Fund's website at www.knightsgroup.com.au/knightstourist

Geographic diversification

The Fund's property assets are weighted, by book value, 75 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 3.4 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**

Operational

FreeSpirit Resort Darwin

With the peak dry season coming to a close, FreeSpirit (the operator of the Resort) reports that trading over the Darwin Cup and Super Cars weekends was excellent with the Resort operating at full capacity. The occupancy during other periods of the dry season was well under previous years trading and reflects the late start to the season and difficulty accessing the Top End due to flooding and related access issues.

In the first half of the year, Darwin experienced one of its worst tourist and trading seasons in many years with major suppliers and accommodation providers reporting very poor results. Major electrical storms during November and December 2010 caused significant electrical damage, power outage and disrupted trade. Cyclone Carlos (category 2) hit Darwin in February 2011 with only superficial damage to the Resort being reported

Similar to other tourist locations around Australia, the Northern Territory has seen a slowing in guest numbers and a fall in the length of stay. This is attributed to low consumer confidence coupled with the high Australian dollar providing cheap offshore holiday destinations.

Tracking of guest feedback indicates a high level of guest satisfaction.

In late December 2010/early January 2011, the Fund negotiated an improved arrangement with the Northern Territory Power and Water Corporation ("PWC") to facilitate a connection of the FreeSpirit Resort to the main sewer line. While the cost sharing arrangement remains, the key components of the infrastructure are now:

- The construction of the rising main (the pump station has been deferred); and
- The construction of the road crossing at Stuart Highway.

The above infrastructure will be project managed, owned and maintained by PWC. This arrangement simplifies the works from the Fund's perspective confining it to undertake internal works at the Resort to connect to the main PWC sewer line.

Events subsequent to Reporting Period

Both PWC and the Fund contracts have been awarded since year end. Works having commenced and are scheduled for completion by late October/early November, 2011. The Fund's proportion of the PWC contact and the costs for the internal works at the Resort are presently within budget. Sufficient funds having been retained to pay for these capital works.

Fraser Lodge, Hervey Bay

In addition to the ongoing oversupply issue facing Hervey Bay, Queensland tourism in general has had a difficult year attributed to the high Australian dollar and more recently the impact of cyclonic and flooding weather conditions. In regards to Fraser Lodge, FreeSpirit (the operator of the Resort) reports that these factors have had a moderate impact on occupancy levels and a major impact on the revenue from sales of tour packages. The business has also been affected by a number of local tour operators closing their operations with a resulting fall in tourism commissions. The slowdown in tourism sales is evidenced in both length of stay and guests expenditure.

Tariffs remain under pressure in a market dominated by oversupply and continued discounting however, Fraser Lodge is positioned as the premier park and as such has had some success in maintaining reasonable tariffs against its competitors. While Fraser Lodge experienced subdued trading over the past 6 months, it appears that the impact on Fraser Lodge has been less than on other tourist operators. Guest feedback regarding their holiday experience at Fraser Lodge is excellent.

FreeSpirit, in conjunction with the Fund Manager, are currently reviewing options for the demolition and redevelopment of the now closed 12 Studio Units. A Master Plan for the redevelopment is expected to be completed by December, 2011. An adjustment to rent was agreed to between the Fund and FreeSpirit following their closure in February, 2011.

Debt Facility

Year ended	30 June 2011
Total interest bearing debt facility	$19.5m
Total interest bearing debt (drawn)	$19.5m
Hedging ratio	53.5 %
Weighted average hedge rate	6.06%
Weighted average hedge maturity	1.3 yrs
Loan to Value ratio[1]	63.9%
Interest cover[2]	1.88 times
Key Terms of Facility	
Expiry	31 Oct 2012
An Amortising Facility	$90,000 per quarter
Financial Covenants – Interest Cover	1.85 times to 31/3/2012 (then 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, 2011 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 2011 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.

During the period the Fund repaid $1.025m off its debt facility. It is the intention of the Fund Manager to maintain a pro-active approach to further reduce this facility in the coming financial year.

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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 for 12 years to April, 2016 was agreed to by Members at the meeting held on the 15 April, 2011.

Going forward

Distributions

The Fund's distribution policy will be to distribute cash earnings subject to tax, capital expenditure and debt amortisation/reduction requirements. A distribution of 2.5 cents per unit is proposed for the first quarter 2011/12.

Key financial statistics

Period ended	30 June 2011
Fund size ($m)	32.6
Net tangible assets (NTA) per unit ($)	0.98
Distribution yield – unit issue price $1.00 (%)	-
Distribution yield – unit issue price $1.06 (%)	-
Management fee (%)	0.65
Distributions (cpu)	**0.0**

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.

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: 08-93072030

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