

JUNE 2009
ANNUAL INVESTOR UPDATE



KNIGHTS TOURIST PARK FUND



KNIGHTS GROUP



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(formerly Mirvac Tourist Park Fund)

June 2009 Annual Investor Update

CHANGE OF RESPONSIBLE ENTITY / APPOINTMENT OF FUND MANAGER

On the 3rd September 2009 Valuestream Investment Management Limited (“Valuestream”) - a responsible entity service provider - was appointed by unitholders as responsible entity of the Knights Tourist Park Fund (“KTPF” or “the Fund”) in place of Mirvac Funds Management Limited. Valuestream then appointed Knights Capital Management Pty Ltd (“KCM”) as its agent to manage the day to day affairs of the Fund.

Background to Valuestream and Knights

Valuestream is dedicated to providing comprehensive responsible entity services to boutique and established fund managers. These services include fund accounting, unit registry, compliance services and compliance committees, custody services, product disclosure statement preparation, ASIC lodgements, legal and audit services.

Valuestream presently acts as responsible entity for the UBS Global Access Fund, the Addwealth Achiever Fund and the Knights Coastal Land Fund. Additional information on Valuestream can be obtained from the Valuestream website at www.valuestream.com.au

KCM is a wholly owned subsidiary of Knights Capital Group Limited (“KCG”) which is based in Perth, Western Australia. KCG is the ultimate parent company of the Knights Group. KCG is one of the largest unitholders in the Fund holding 42 per cent of the total units on issue.

The Knights Group has extensive experience in the management and operation of tourist/holiday parks. KCG’s wholly owned subsidiary, Knights Parks & Properties Pty Ltd, operates Albany Gardens Holiday Resort (“AGHR”) and Albany Gardens Lifestyle Village (“AGLV”).

AGHR is a 4 star tourist park resort situated at Albany, Western Australia approximately five hours drive south-west of Perth. The Resort is established on approximately 4.0 hectares with an amenities block, an undercover BBQ area, convenience store, swimming pool and various outdoor activity areas. AGHR was acquired in 2004 and is a franchise member of BIG 4. AGHR offers accommodation comprising 14 chalets and holiday suites and approximately 100 caravan and camping sites.

AGLV is a two stage development which has been developed from the ground up. The Lifestyle Village concept involves sites (approximately 200 square metres) leased for 10-20 years to tenants who retain ownership of the park home. Stage 1 consists of 18 park homes completed in 2004 and Stage 2, which is substantially complete, consists of 45 park homes and a proposed recreational facility.

In addition, KCM is the Fund Manger to the Knights Coastal Land Fund which owns assets similar to this Fund being the Blue Dolphin Holiday Resort and Yamba Waters Caravan Park in Yamba NSW.

Additional information on the Knights Group can be obtained from the Knights Group’s website www.knightsgroup.com.au

Fund update

During the year the Fund focused on its upcoming debt maturity. A \$9.12 million tranche which was set to expire in April 2009 was successfully extended until September 2010.

Distributions for the year to 30 June 2009 were 5.36 cents per unit based on the Fund's taxable earnings. Distributions were retained in the September 2008, December 2008 and March 2009 quarters in order to fund a necessary sewer upgrade at FreeSpirit Resort, Darwin.

A temporary sewer upgrade was installed at FreeSpirit Resort, Darwin. A number of designs and costings for the designs have been sourced for a permanent sewerage plant. Costs for the preferred option are estimated to be approximately \$750,000. Application documentation for the preferred option was submitted to the Northern Territory Department of Health and conditional approval obtained. At the time of writing, due diligence on and contractual negotiations had commenced with the preferred supplier.

Economic and property market overview

The tourism sector is confronted by a hospitality industry that declined 1.6 per cent in the first quarter of 2009 and is expected to contract over 2009/10¹. Domestic tourism in particular faces particular challenges with domestic overnight trips falling 13 per cent in the March quarter compared with a year ago. Domestic expenditure has now fallen to its lowest level since 1998, when records first began². The annual growth rate of international arrivals to Australia is around 1.6 per cent, while domestic travel is flat, compared to growing outbound international travel³. Cheap airfare deals, a relatively high currency and the better economic conditions in Australia are causing a higher proportion of Australian travelers to take their holidays overseas. In May, tourist arrivals fell by 1.8 per cent while tourist departures fell by only 0.4 per cent, taking the gap between tourist departures and arrivals to its biggest level since 1985⁴.

Both Queensland and Northern Territory recorded falls in the number of domestic visitors using caravan parks or commercial camping grounds for accommodation in the year to March 2009. Queensland fell 6.8 per cent, while the Northern Territory fell 8.5 per cent compared with the equivalent period in 2008. The Tourism Forecasting Committee expect a gradual economic recovery in Australia combined with the release of some pent-up demand for domestic travel will underpin modest growth in domestic visitor nights in 2010 of 1.2 per cent, however, a further strengthening of the Australian dollar will limit this growth⁵.

Fund Overview

Distributions

The full year distribution to 30 June 2009 was 5.36 cents per unit based on its taxable earnings. This represents an annualised yield of 5.36 per cent on the original issue price of \$1.00 and 5.06 per cent on the new issue price of \$1.06. The Fund has retained cash to complete the sewerage works at Darwin.

Portfolio overview

As at 30 June 2009, the Fund's two assets were 100 per cent occupied and are 100 per cent weighted to the tourist park sector.

¹ ANZ Industry Data Summary, June 2009

² Tourism Forecasting Committee, 2009

³ The Jackson Report, Commonwealth of Australia, 2009

⁴ Australian Bureau of Statistics

⁵ Tourism Forecasting Committee, "Forecast" 2009 Issue 1.

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

Property	Location	Acquisition date	Independent valuation date	Independent valuation \$m	Book value \$m	Capitalisation rate %	Area hectares
Free Spirit Resort, Darwin	NT	Mar 2004	Dec 2008	23.6 ¹	22.3	9.5	11.3
Fraser Lodge, Hervey Bay	QLD	Nov 2005	Dec 2008	10.5 ²	9.6	9.0	3.2
TOTAL PROPERTY PORTFOLIO				34.1	31.9		14.5

¹ Valuation includes chattels of \$1.2 million owned by FreeSpirit Resorts Pty Ltd for which a loan is held with the Fund.

² Valuation includes chattels of \$0.4 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 \$1.04 per unit at 30 June 2009, from \$1.20 per unit as at 30 June 2008. 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 at 31 December 2008. Fraser Lodge's valuation fell by \$1.25 million to \$10.5 million while the valuation of Free Spirit Resort Darwin increased by \$0.1 million to \$23.6 million.

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, 69 per cent to the Northern Territory and 31 per cent to Queensland market.

Lease expiry profile

The weighted average lease expiry profile, by income, is 6.6 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 resort operator reported reasonable trading results for the financial year to June 2009. Revenue was relatively strong despite lower income from the corporate and mining sectors. Anecdotal feedback is that activity in the 2009 dry season in Darwin is quite strong for all types of accommodation and tourism.

Over the financial year a number of the accommodation units were refurbished, landscaping to the new cabins was completed and the installation of the new camp kitchen was finalised.

Darwin is currently in the middle of its peak season. Trading has been strong and prospects for the remainder of the season are promising. Management is preparing a refurbishment program for a number of the accommodation units for implementation in the off season.

During the June 2009 quarter, a temporary sewer upgrade was installed to meet the Northern Territory Department of Health requirements until a permanent upgrade is finalised. An independent consultant, Arup was engaged to assess viable options for its replacement.

Arup have now provided costs for all the major elements of the preferred replacement system option. The estimated total cost is expected to be approximately \$750,000. In late August 2009, the Northern Territory Department of Health, granted conditional approval. At the time of writing, due diligence on and contractual negotiations had commenced with the preferred supplier.

Fraser Lodge, Queensland

FreeSpirit reports that Fraser Lodge has been adversely affected by low visitor numbers to the Hervey Bay area during the year to June 2009. Despite this, revenue was in line with the prior year.

The overall tourist market in the Hervey Bay area was reportedly significantly slower than prior years. This was exacerbated by a large increase in accommodation supply – principally from recently completed apartment and resort complexes. Tariffs across the region were slashed in response to the increased supply and reduced demand. Anecdotal evidence indicates that Fraser Lodge is retaining its majority share of the reducing market.

During the year, the team continued with the capital improvement program which included refurbishment of ensuite bathrooms, major plumbing repairs to the studio units, refurbishment of the laundry and games room, installation of the new security gate and upgrading the pedestrian bridge.

Fraser Lodge is currently preparing for the whale watching season with a reasonable level of forward bookings.

Debt management

Debt facility

Year ended	30 June 2009
Total interest bearing debt facility (\$m)	20.9
Total interest bearing debt (drawn) (\$m)	20.6
Hedging ratio (%)	31
Weighted average hedge rate (%)	8.66
Weighted average hedge maturity (years)	0.4
Gearing ratio ¹ (%)	60.3
Interest cover ² (times)	2.14

¹ The gearing ratio is calculated using information from the Fund's Annual Financial Statements as at 30 June 2009 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. The loan to value covenant ratio disclosed in the debt facility documents is 64.0 per cent.

² Interest cover ratio is calculated using information from the Fund's Annual Financial Statements as at 30 June 2009 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 \$20.879 million. The \$9.12 million tranche of this facility that was set to expire in April 2009 has now been extended to September 2010, in line with the expiry of the balance of the facility.

The Fund's gearing at 30 June 2009 was approximately 60.3 per cent which is under the maximum loan to value covenant of 64.0 per cent.

A tranche of hedging expired in April 2009, bringing the Fund's hedging ratio to 31 per cent. The weighted average hedge rate is now 8.66 per cent and the weighted average hedging expiry is 0.6 years.

Further information on the Fund's debt facility and the financial risk management is contained in the Annual Financial Statements for 30 June 2009.

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 requirements.

A review of the Fund's forecast earnings, including the estimated costs for the sewerage work and additional debt facility fees, indicate that a forecast distribution of 10.0 cents per unit for the 2010 financial year may be considered. This amount and the timing for payment however, remains subject to review and may be impacted upon by a variety of factors including market conditions.

Operational Focus

We will continue to work with the independent consultant and the Northern Territory Department of Health to progress through to completion of the sewerage plant at the Darwin asset by year end.

Key financial statistics

Year ended	30 June 2009
Fund size (\$m)	35.5
Net tangible assets (NTA) per unit (\$)	1.04
Annualised distribution yield – unit issue price \$1.00 (%)	5.36
Annualised distribution yield – unit issue price \$1.06 (%)	5.06
Management fee (%)	0.65
Distributions (cpu)	5.36

Investor information

Investors will continue to receive quarterly 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.

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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

