



## Knights Coastal Land Fund

30 June 2015

### Annual Financial Report and Investor Update

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#### KEY HIGHLIGHTS

- Total distributions of \$0.0275 cpu were declared for the 12 months to 30 June 2015.
- Refurbishment of the Resort was completed during the year.
- New attractions including a waterpark, bar and café were completed during the year.
- The loan facility was renegotiated with an increase to the facility limit and a reduction in interest costs. This increased facility, and cash flow, funded the refurbishment and capital works throughout the year.
- Forward bookings and turnover have continued to strengthen throughout the year.

#### FUND OVERVIEW

- Life of Fund
  - The life of the Fund has been extended to 12 December 2016. Work has commenced on preparing the Fund's 55% interest in the property for sale. It is proposed that the sale process commence immediately after Easter 2016 with settlement expected in the second half of 2016.
- Distributions
  - The Fund declared two distributions for the 12 month period to 30 June 2015 of \$0.0275 cpu.
  - Regular quarterly distributions will recommence from September 2015.
- Portfolio overview
  - The Fund's single asset is a 55% interest in the Blue Dolphin Resort at Yamba on the far north coast of NSW.
  - The Fund is 100% weighted to the tourist park sector.
  - The Fund's 55% share of the asset equates to \$10.725m.
- Performance
  - The NTA per unit is \$0.26 as at 30 June 2015 (2014: \$0.26) providing an income distribution yield for the year of 10.58% pa.
- Valuation
  - An independent valuation of the Blue Dolphin Resort was undertaken by Colliers International in March 2015 and it attributed a value of \$19.5m – an increase of 11.4% over the previous valuation of February 2014.

- Valuation information is disclosed in the full year financial statements for the Fund that accompany this Investor Update and it can also be viewed on the Fund's web site - [www.knightsgroup.com.au/knightscostal](http://www.knightsgroup.com.au/knightscostal)
- Debt Facility
  - In August 2014, the loan facility with CBA was refinanced by NAB. The principal terms of the debt facility are –
    - Borrower – the Essence Co-owners Joint Venture (KCLF 55% and the Mitchell Family 45%)
    - Lender – NAB
    - Facility limit - \$9,250,000
    - Expiry – 30 June 2017
    - Repayment – interest only
    - Interest – Fixed rate facility of 4.71%
    - Security – the Blue Dolphin Resort including its land and improvements together with undertakings.
  - The Fund's 55% share of the facility is \$5,087,500.

## OPERATIONAL MATTERS

- Malamit Pty Ltd assumed management responsibility for the Resort in December 2013 when Free Spirit's lease expired.
- The refurbishment and capital works programme - >\$1.25m - that had been agreed by the joint venture shortly after the expiry of Free Spirit's lease was completed during the year and included the following works -
  - the renovation and upgrade of the waterfront villas
  - upgrading and refreshing the holiday cabins
  - refurbishment of the amenities blocks and ensuites
  - renovation of the pool and pool surrounds
  - upgrading of the Resort's wi fi, security and communications infrastructure
  - upgrading of the café and service station shop
  - installation of new children's play equipment
  - refurbishment of BBQ facilities.
- It was also agreed that a waterpark and bar be constructed and these works were completed in time for the 2014/15 holiday season.
- These works were funded from the revised loan facility, in the main, and the operational cash flow of the Resort. As a result of these works being completed, regular distributions to unitholders will recommence with the payment of a September 2015 quarterly distribution.
- An updated marketing strategy was agreed and all marketing collateral has been updated to reflect the improvements made to the Resort and completion of the Waterpark. In addition, particular emphasis has been placed on improving occupancy during the slower months and these measures have been successful.
- Occupancy, turnover and profitability have continued to outperform the prior corresponding periods and several "records" for site occupancy have been set during July and August 2015.
- The contribution from the service station has been steadily improving during the year and the renegotiation of the petrol supply contract has had a major and positive impact. The café now services the bar and waterpark and its contribution during the holiday periods has been, and is expected to be, significant.
- The Resort's rate card was reviewed and updated during the year and efforts to manage recurrent expenditure have been successful. Major expenditure items are constantly under review and successful challenges to various statutory charges were made during the year.
- The Resort was a finalist in the North Coast Tourism Awards (August 2015) and a finalist in the Out & About with Kids Reader's Choice Awards for Best Holiday Park (October 2015).



## ESSENCE OF YAMBA

- An extension to the Concept and Project Approvals to July 2016 has been negotiated.
- The co-owners continue to monitor the demand for recreational and conference facilities, together with coastal units. It is expected that these approvals will form part of the marketing strategy for the sale of the Fund's interest in the Resort.

## REDEMPTION

- As outlined in the Product Disclosure Statement dated 19 October 2005, no redemption or exit facility will be offered during the life of the Fund.
- With the expected completion of the sale of the Fund's interest in the property in late 2016, it is proposed that the Fund be wound up at that time.

## FUTURE DISTRIBUTIONS

- Distributions have been influenced by –
  - Interest payments on the debt facility,
  - Capital expenditure and expenditure on major repairs, and,
  - Cash flow.
- With completion of the refurbishment and capital works programme, regular quarterly distributions will recommence with a September 2015 quarterly distribution of \$0.01cpu and payment will accompany this update.

## MANAGER'S INVESTMENT STRATEGY

- Occupancy, turnover and profitability steadily increased during the year and this growth is expected to continue with the benefits of the revised marketing strategy now being felt and with the refurbishment and capital works having now been completed.
- The investment strategy had been to complete these works as quickly as possible so that the Resort could be offered for sale with the benefit of two complete seasons of holiday turnover. The decision to fund some of the cost of these works from operating cash flow, rather than paying distributions, enabled the works to be completed in time for the 2014/15 holiday season and this was reflected in the revised valuation that was completed in March 2015.
- The Fund's 55% interest in the property will be offered for sale immediately after Easter 2016. We believe that this will maximise returns to unitholders as the Resort will be able to demonstrate sustainable net income over two full holiday seasons and Easter of 2016.

## INVESTOR INFORMATION

Investors will continue to receive updates on the Fund and these shall be posted to the Fund's website at –

**[www.knightsgroup.com.au/knightscostal](http://www.knightsgroup.com.au/knightscostal)**

The website also contains general information on the Fund including property portfolio details, distribution information, taxation information, news and general matters affecting or of interest to unitholders.

## 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/- FundBPO Pty Limited  
GPO Box 4968  
Sydney NSW 2001

Tel: 1300 133 451  
Email: [info@mainstreambpo.com](mailto:info@mainstreambpo.com)

## PRIVACY

We collect personal information to enable us to tailor our service to the needs of our investors & customers. We only collect personal information directly from customers and investors, for example, through application or enquiry forms, letters and visits to our website or 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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### Responsible Entity

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