

Knights Coastal Land Fund

("KCLF" or "the Fund")

Half year Unitholder update

April 2017

KEY METRICS

	31 December 2015 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Revenue	3,427	6,719 ⁽²⁾	1,212
Expenses	1,544	3,222 ⁽²⁾	1,328
Net operating profit ⁽¹⁾	1,810	2,952 ⁽²⁾	(128)
Total assets	13,248	14,023	2,728
Total equity	7,385	8,146	1,940
NTA (cpu)	\$0.3309	\$0.3621	\$0.0864
Adjusted NTA as at 31 March 2017			\$0.0225 ⁽³⁾
(1) After income tax		(2) Full year	(3) After allowing for return of capital of \$0.045cpu on 2 March 2017 and the current estimate of costs associated with winding up the Fund.

HIGHLIGHTS & SUBSEQUENT EVENTS

- The sale of the Fund's 55% interest in the Blue Dolphin Resort was finalised in October 2016 and an initial return of capital equal to ~\$0.26 cpu was made to unitholders in November 2016.
- A variety of business related expenses were adjusted subsequent to the property settlement and these were finalised in February 2017.
- A further return of capital (\$0.045cpu) was made to unitholders on 2 March 2017.
- Completion of the Fund's half year accounts was delayed due to the finalisation of the business adjustments.

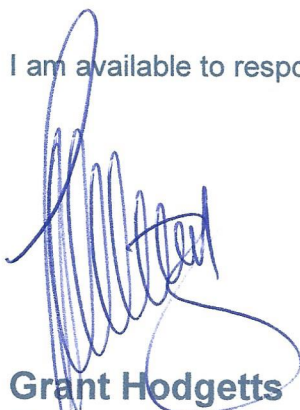
DISTRIBUTION PAID OCTOBER 2016

- When the October distribution was paid, the actual financial position of the trust had not been finalised and the \$0.075cpu distribution paid in October 2016 was described as an income distribution in the statement that accompanied that payment.
- In line with trading over previous years, turnover and profitability at the Blue Dolphin Resort declined significantly during the winter months of 2016.
- As per the interim financial statements for the period ending 31 December 2016, the trust reported a trading loss for the period up to and including the date of sale. Given that the distribution was not attributable to profits of the Fund, the distribution should be classified as tax deferred effectively reducing the cost base of the units held by each unitholder in much the same manner as a return of capital.

WINDING UP THE FUND

- This process has commenced and a date of mid-June 2017 is being targeted.
- Once the Fund is wound up, all units will be cancelled.
- The current estimate of the final return of capital to unitholders is \$0.0225cpu.
- There will not be an income distribution as the Trust operated at a loss during the period.

I am available to respond to any questions that unitholders may have.



Director

Knights Capital Management Pty Ltd

10 April 2017

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