



Knights Tourist Park Fund

Investor Bulletin

January 2014

KEY ISSUES

- The sale of Fraser Lodge at Hervey Bay in Queensland was completed on 20 December 2013.
- Free Spirit Pty Ltd, the existing lessee and operator of the Free Spirit Resort in Darwin, has exercised their option for a further term of five years, effective from February 2014. The Fund's solicitors have been instructed to prepare the required documentation.
- The scope of works and programme for executing the remedial works at the Free Spirit Resort Darwin should be completed by mid-February 2014.
- Discussions with the operator of the service station at the Darwin property have commenced for the negotiation of a new lease at the property.
- Refinancing of the existing KTPF funding facilities has commenced.

SALE OF FRASER LODGE, HERVEY BAY

- As foreshadowed in the Annual Financial Report (page 29), the sale proceeds were reduced by the costs of sale and the need to write off a chattel loan of \$375,000.
- The property had been offered for sale, subject to the lease that was in place with Free Spirit Resorts Pty Ltd.
- The purchaser of the property was not prepared to settle the purchase unless the two five year options held by Free Spirit were surrendered. This was the issue that caused the delay in completing the sale and it was resolved by Free Spirit Resorts Pty Ltd surrendering the options in return for the Fund making a financial adjustment, in favour of Free Spirit, at settlement.

PORTFOLIO OVERVIEW

- The Fund now has only one asset being –
 - Free Spirit Resort, Darwin NT
- This asset is leased to Free Spirit Resorts Pty Ltd who occupy the accommodation component of the property and Puma Energy who lease the service station.

DEBT FACILITY

- The Fund's existing funding is a Bill facility provided by NAB. This facility is due to roll in late February 2014 and matures in March 2014.
- The proceeds of the sale of Hervey Bay cannot be applied to the outstanding loan principal until the roll over date and, as a result, the proceeds are currently held in an interest bearing account.
- The Fund has commenced discussions with NAB to obtain a new and more flexible facility and it has advised the Bank that it also intends to exit the punitive interest rate swap that is currently in place.
- In support of the Fund's application to refinance the existing facility, the Bank has requested that the following information be provided –
 - Cash flow forecast for the period 1 January 2014 until 30 April 2016 for Free Spirit Resort, Darwin
 - Confirmation of the scope of remedial works at Darwin
 - Confirmation of a cost sharing agreement for the works
 - Confirmation of the appointment of consultants and contractors
 - Confirmation of a programme for the works
 - Confirmation that FSR's lease option has been accepted by KCM and that solicitors have been instructed to prepare the lease.
 - Confirmation that Puma Energy intend to exercise their option to renew.
- The Bank has been supportive of our efforts to date and we expect to finalise the refinancing by mid April 2014.

DISTRIBUTIONS

- As unitholders know, distributions have not been paid for the quarter's ending 30 September and 31 December 2013, the reason being the need to resolve the sale of Hervey Bay and finalise the extent of the remedial works at Darwin.
- Future distributions will be influenced by –
 - Interest payments on the debt facility,
 - Capital expenditure and expenditure on major repairs, and,
 - Cash flow.
- We hope to have greater clarity on the financial impact of the works at Darwin by early February and this should enable the Fund to determine whether a distribution can be made in the near future.

LIFE OF FUND

- The life of the Fund was previously extended by unitholder vote to April 2016.
- No redemption or exit facility is available during the life of the Fund
- An assessment of the options available to maximise returns to unitholders is underway and this will enable the Fund Manager to make the most appropriate recommendations to unitholders about the future of the property and the Fund.

Grant Hodgetts

Director

Knights Capital Management Pty Ltd

15 January 2014

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