Kontiki Growth Fund Limited

Annual Report 2011

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KONTIKI GROWTH FUND

REPORT FROM THE MANAGER

This report by the Manager reviews KGF’s activities over the 2011 financial year.

1. General Review

Operating Environment

In 2011, international economic and financial conditions continued to be weak with various events including the escalating debt crisis in the Euro zone, political crisis in the Middle East and the devastating earthquake that hit Japan, contributing.

World economic growth declined to 4.3% in 2011 compared to growth of 4.6% in 2010. Although Fiji was not as severely affected as some of the other more developed economies, the constrained growth prospects of Fiji’s major trading partners still had an effect on the country.

Despite the odds, the domestic economy is estimated to have grown by 2.1%, driven largely by activity in the primary and service-oriented sectors. This is the highest growth recorded in the last five years and reflects the economy making a comeback after two consecutive years of economic contractions.

At the end of the year foreign reserves, an area of concern in recent years, stood at $1.51 million, sufficient to cover 5 months of imports. Commercial bank liquidity measured by bank deposits was $510.2m as at 30 December 2011.

Performance

The following table summarises KGF’s financial performance in 2011. The results include consolidation of Oceanic under “Group”.

	Holding Company		Group	
	2010 ($)	2011 ($)	2010 ($)	2011 ($)
Income	116,282	27,708	701,418	815,019
Profit after Tax	(684,536)	(448,173)	(616,024)	(422,620)
Proposed Dividend	-	-	-	-
Dividend per share (cents)	-	-	-	-
Earnings per share (cents)	(0.19)	(0.13)	(0.17)	(0.12)

The financial year ended 31 December 2011 saw the Group achieving revenue of $0.82m, an increase of 16.2% over the same period in 2010. Although cost of sales increased by 7.1% to $0.22m, operating expenses decreased by 6.8% to $0.99m. The Group’s net loss came to $0.42m, an improvement of 31.4% over the previous year (2010: $0.62m)

The financial performance includes two write-downs totaling $352,821 as follows:

- Unwired Fiji has been written down to reflect (i) the dilution from the substantial investment by Digicel Pacific in the Company and the conversion of debt to equity by the major shareholders and (ii) KGF’s share of net asset value. The total write-down for 2011 amounts to $136,621.

- In view of Bligh Water Shipping Ltd's continued losses, the auditors recommended that KGF's investment in BWS be written down by full, until the company can prove its long-term viability. The total write-down was $216,200.

At the end of the period KGF's NAV had declined by 24.3% and KGF's share price on the South Pacific Stock Exchange (SPSE) had declined by 35.6%, compared to the corresponding period last year. The shares were trading at discount to NAV, at only 72.4% of the NAV.

Looking Ahead

The international outlook is optimistic with the International Monetary Fund increasing its forecast for 2012 from 3.3% to 3.5% and then accelerating to 4.1% in 2013. This is amidst concerns of the European debt crisis and high oil prices.

Domestically, there are encouraging signs for investment in general conditioned by the positive international economic outlook.

The Manager will focus on the following:

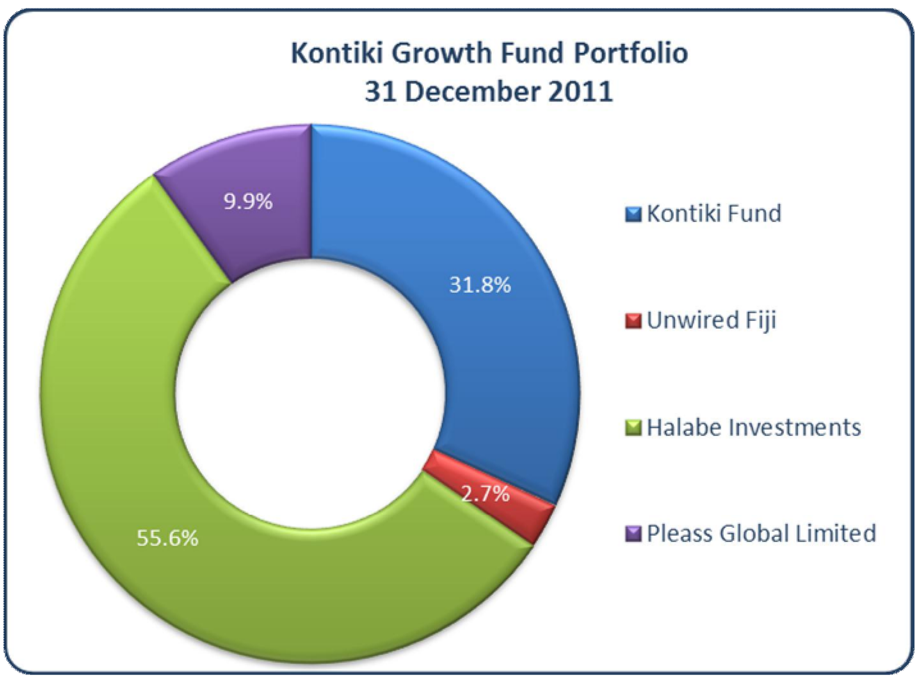
- Working closely with investee companies to help them grow and attain/maintain profitability. Ultimately performance by individual investees will be the key to fund recovery.
- Finding new sources of funds to make new investments, as KGF is currently fully invested.
- Looking further ahead, the Manager will continue to look for outstanding investment opportunities, including situations where asset prices have been depressed or sold down in the current negative environment, and will continue to follow a structured approach to identifying, assessing, analysing and selecting investments.

2. Portfolio Review[1]

Since its establishment in late 2004, KGF has invested a total of $3.37m in the Kontiki Fund (KF) and five private equity businesses. The table below summarises KGF's portfolio as at 31 December 2011. This takes into account the write downs recommended by the auditors, as detailed above.

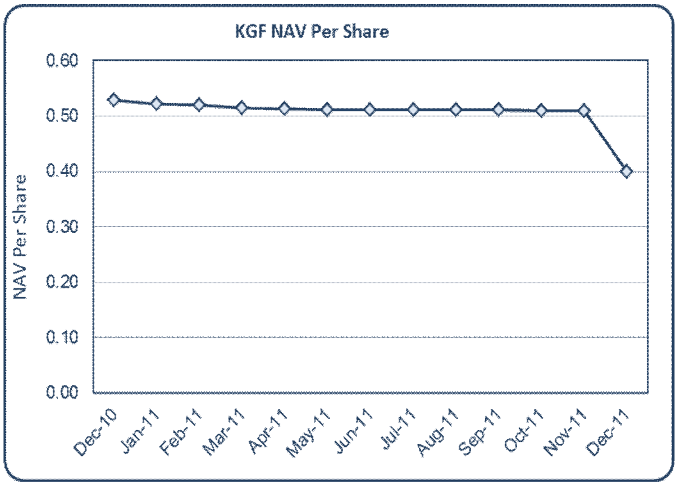
[1] For ease of reference, where the financial year differs from the calendar year, "financial year" or "FY" is used.

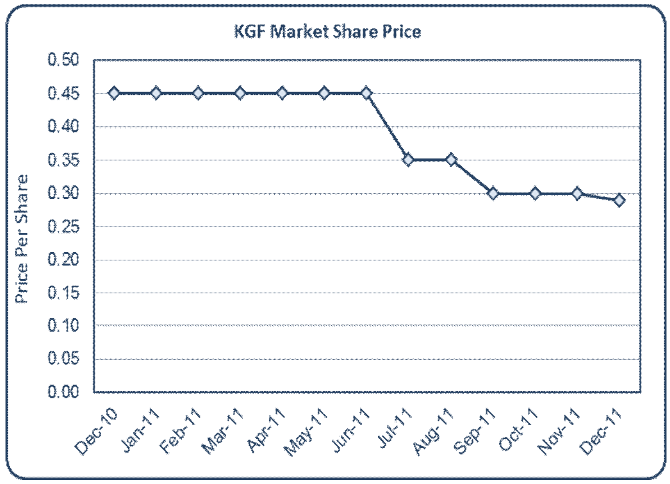
Shares	Company	Main Business	Cost	Market	% Net Assets
118,100	Kontiki Fund	Investment fund comprising mainly of SPSE companies	485,995	505,431	31.8%
601,900	Unwired Fiji	Internet service provider	582,225	43,277	2.7%
138,254	Halabe Investment	Property investment	883,720	883,720	55.6%
174,000	Pleass Global Limited	Packaging and Beverage	143,130	156,600	9.9%
	Total Equities		**3,000,098**	**1,589,028**	**100.0%**
	Other Assets				
	Oceanic Loan			72,853	
	Total Assets			**1,661,880**	
	Net Debt			145,568	
	Net Assets			**1,516,312**	
	% in Kontiki Fund				31.8%
	% in Private Equity				68.2%



At the end of December 2011, KGF's net asset value (NAV) per share was $0.40. The share price was $0.29, a 72.4% discount to NAV. These figures represent a decline of 24.3% in the NAV and 35.6% in the share price compared to 2010.

KGF's holding in the Kontiki Fund (KF) is priced monthly and is based on the Kontiki Fund's prevailing net asset value at that time.





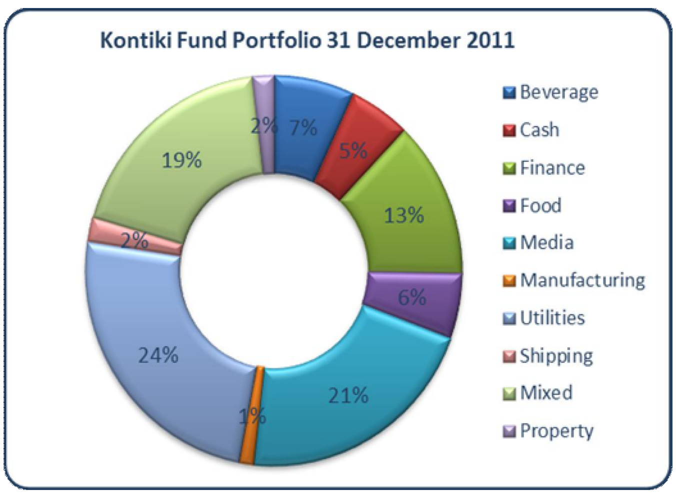
Kontiki Fund

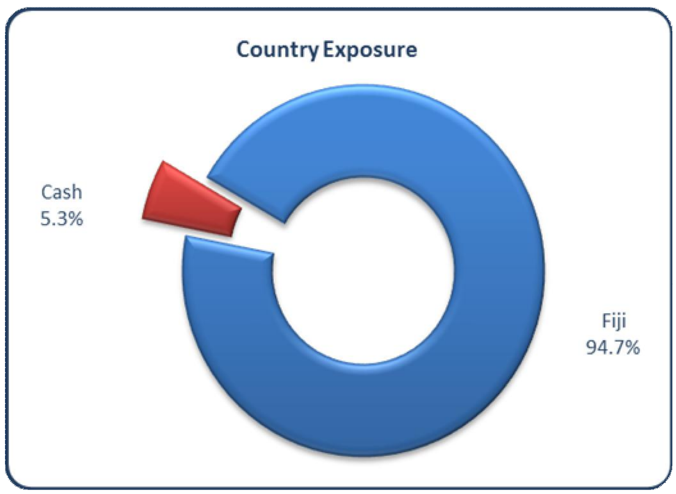
The Kontiki Fund (KF) is a US dollar fund that invests in SPSE-listed entities.

As at 31 December 2011 KGF owned 118,100 shares in KF which is 31.8% of KGF's portfolio. The market value of KGF's holding in KF was $505,431 as at 31 December 2011.

In 2011, the KF NAV declined by 1.93% in Fiji dollar terms. This compares with a decline of 5.42% in the KSPX market index in the same period. As KF is predominantly invested in SPSE-listed stocks (66.42% of its portfolio) its performance is expected to move broadly in line with the SPSE. It was therefore encouraging to see the KF once again significantly out-perform the SPSE, albeit in negative territory.

Since inception in 1998, KF's annualised return is 6.65% in US dollars, and 7.58% in Fiji dollars. KGF first invested in KF in December 2004 with 140,630 shares.





The table below summarises Kontiki Fundọs returns since inception.

Kontiki Fund Returns to 31 December 2011		
	USD	FJD
Quarter	1.87%	1.89%
One year	(1.03%)	(1.93%)
Three years	(4.37%)	(3.39%)
Five years	(4.32%)	(2.76%)
Since Inception (13 years)	6.65%	7.58%
NAV end of December 2011	$2.54	$4.69
NAV at inception (July 1 1998)	$1.00	$2.00

Past performance is no guarantee of future performance.

Looking ahead, we expect KFọs performance to remain tied to that of the SPSE which in turn will very much reflect the Fiji business sector.

Halabe Investments

Halabe Investments (HIL) is a property development and investment company that owns prime residential real estate in Suva including:

- Viti Apartments ï luxury apartment complex with 7 apartments valued at $2.4m.
- Viti Tower ï luxury apartment complex with 14 apartments valued at $5.8m.
- Krishna St. Land ï two undeveloped lots situated in a prime location (in front of Viti Tower) valued at $0.4m.

During the year, HIL again demonstrated an ability to maintain high occupancy and to remain cash flow positive. HIL averaged 95% occupancy despite tough competition and economic climate. According to the draft audited accounts HILọs rental income for the financial year ended 30 September 2011 stood at $0.75m, a decline of 10.9% over 2010.

The overall result for FY2011 (for year ended 30 September) was a loss of $0.04m, an improvement of 38.6% on the $0.07m loss in FY2010.

As a property developer and investor, HIL has high depreciation and interest cost which contribute to the accounting loss. The key as always is cashflow. On this basis, HIL recorded another positive year with FY2011 EBITDA standing at around $0.53m.

Pleass Global

Pleass Global Ltd (PGL) manufactures and distributes bottled water (filtered city water for use in coolers and bottled natural artesian water) and distributes food and beverage packaging materials. Packaging products account for just over 50% of revenue.

In 2011 PGLọs sales were recorded at $6.00m compared to $5.96m for the same period in 2010 (up 0.9%) despite tough competition during the year. The companyọs EBITDA was $0.75m, up 14.3% over 2010. PGLọs NPAT declined slightly by 0.1% to $0.30m for 2011. This reflected in large part the increased depreciation and interest costs.

As mentioned in last years report, the company opened up a new business venture known as the Kila Eco Adventure Park. The park features giant swings, different ropes courses and eco walks against pristine rain forest of Namosi. The Company continues to pursue plans to expand water production capacity and also move into boutique artesian water for the export market. This will be via a new facility to be built in Namosi, where PGL owns 420 acres of land and already sources artesian water for its Aquasafe bottled water products.

Bligh Water Shipping

Bligh Water Shipping (BWS) operates inter-island passenger and cargo transportation services between Suva, Savusavu, Taveuni, Natovi and Lautoka. The Group owns 2 roll-on-roll-off ferries (*Suilven* and *Westerland*), a fleet of trucks and other logistics equipment and an office complex.

The 2011/12 financial year was a very difficult one for the company and was another loss-making year.

In our last report, we mentioned that the Company's engineers were working to address the series of mechanical issues on the Suilven which had begun the previous year with the snagging of the propeller by a piece of fishing line. The issues were largely resolved after several months and the aim was to bring the Suilven back to full operational status in time for the lucrative Christmas holiday season. Unfortunately, due to logistical problems with the suppliers, the last lot of required replacement parts did not arrive until early 2012. Missing the main revenue-earning period of the year was a blow to the Company. In addition, the Company also saw the resignation of the CEO.

Nevertheless, in the past year, BWS instituted further wage and staff cuts, tight cost controls and sales of surplus assets, as well as recruited new key personnel including a CEO. In addition, management has continued to interact with BWS' financiers as the Company slowly recovers. The mechanical issues are under control and both vessels are now operating.

We believe that the long-term future for BWS is bright provided the Company can get over the existing hurdles. Much work will be required in the coming months and the Manager's investment team continues to work closely with the BWS board and management, on a daily basis, to turn around performance.

In the meantime, considering the continued losses at BWS, the auditors recommended that BWS be written down in full until such time that the Company proves its long-term sustainability. The total write-down was $216,200.

Oceanic Communications

Oceanic Communications Ltd (OCL) is a full service communications company, able to provide advertising, marketing and communications services.

OCL's revenue for the 31 December 2011 financial year was $0.81m, up 13.4% over 2010 and EBITDA was $0.05m, up 222.6% on the previous year (2010: $0.02m). The company made a significant turnaround with net profit of $3,481 in 2011 compared to loss of $39,510 in 2010.

During the year, OCL also paid $25,000 to KGF for its shareholder loan provided by KGF. This was a very encouraging reflection of improved cashflow as in previous years the Company had often struggled to repay shareholder loans.

In the previous financial year, it was decided to that KGF's preference shares in OCL be fully written down until OCL could demonstrate its ability to repay on schedule. Whilst consideration was paid to writing back some of this amount, it was felt that this should be postponed until OCL demonstrates a sustained ability, over several years, to repay its debts.

i-Pac Communications (trading as “Unwired Fiji”)

Unwired Fiji (ñUnwiredò) is an internet service provider (ISP) that began operations in mid-2005. Unwiredøs network covers the Suva CBD, a large part of the greater Suva /Nasinu area and the most recent high end internet service is available in Nadi .

Unwiredøs sales for 2011 increased by 12.1% over 2010 to $1.85m, (2010 $1.65m). Unwired again recorded positive EBITDA of $0.17m (2010: $0.15m). However its net loss for 2010 was $0.89m (2010: -$0.65m).

The most significant event during the year for Unwired was the investment by Digicel Pacific into the Company in exchange for a controlling equity stake. This funded Unwiredøs expansion into the western division and new upgrades to the technology platform. As part of the change, Unwiredøs bank debt was paid off by the major shareholders in exchange for equity. With the new capital, a strong strategic investor and partner, the substantial debt reduction, and new investments in equipment and technology, the directors are confident that Unwired is now well positioned to compete successfully in a very competitive market.

The total write down for Unwired was $136,621. This consisted of the following:

- As a result of the issue of new shares discussed above, the existing shareholdings, including KGFøs, were diluted.
- Furthermore, in view of the continued losses at Unwired, the auditors recommended that KGF further write down its investment to 43,277 in order to reflect its share of net assets.

The following table summarises the performance of the investee companies on KGFøs books:

Company	Revenue			EBITDA			NPAT		
	2010	2011	Percentage Change	2010	2011	Percentage Change	2010	2011	Percentage Change
Oceanic Communications Ltd	717,311	813,079	13.4%	15,221	49,110	222.6%	(39,510)	3,481	n/a
I-Pac Communications Ltd	1,653,623	1,853,346	12.1%	154,288	172,655	11.9%	(653,387)	(894,813)	36.9%
Halabe Investments Ltd	873,522	778,473	(10.9%)	632,424	534,158	(15.5%)	(68,788)	(42,232)	(38.6%)
Pleass Beverage Equipment Ltd	5,956,572	6,007,203	0.9%	653,978	747,220	14.3%	300,427	300,069	(0.1%)

3. Corporate Governance Statement

The Kontiki Growth Fund (KGF or ñthe Companyö) is managed by Kontiki Capital Ltd (KCL) and overseen by a board of directors.

Management

KCL is licensed as an investment Advisor by the Reserve Bank of Fiji (RBF) in all licensable categories. In addition, five members of its investment team are licensed by the RBF as Investment Advisor Representatives of KCL.

As licensees, KCL and its representatives must meet standards set by the RBF for academic, experience and other qualifications. They are also required to strictly adhere to the various policies, rules and regulations set by the RBF, and are monitored by the RBF. The latter includes periodic inspections of KCLøs investment operations.

KCL is appointed as Manager of KGF under a *Management Agreement.* Under the Agreement, KCL is responsible for:

- Managing KGFøs investment portfolio including making investment decisions on behalf of the Company;
- Researching and identifying prospective investments;
- Marketing KGF to potential investors;
- Keeping KGF informed of relevant issues relating to the investment portfolio;
- Assisting the administrator in the preparation of information required by the Company, shareholders, regulators, auditors and other stakeholders;
- Assisting the Administrator with valuations of the Net Asset Value of the Company; and
- Acting in the interests of the Company at all times and exercising the care and skill expected of a prudent investment manager.

In addition, the Agreement sets out policies on a range of other matters including fees, conflicts of interest, borrowings, dividends, risk and general administration which KCL is required to adhere to. Details of the Agreement are available to shareholders requiring further information.

Board

The work of KCL as Manager is overseen by the Board of Directors. The Board is currently made up of six directors, half of whom are independent directors. In addition the Chairmanship of the Board is held by an independent director. All board members of the Company bring extensive experience in business, investment and management.

The Board is charged with overseeing the investment portfolio and operations of KGF. In addition, although the Management Agreement in effect allows the Manager to select investments independently, KGFøs policy is that all investment decisions as well as other significant decisions are made at Board level.

The Board is assisted by two Company Secretaries, both of whom are senior members of KCLøs staff, currently the Managing Director and Manager Accounts & Administration.

Other

As a listed company, KGF is also subject to the rules and regulations for listed companies as set out by the South Pacific Stock Exchange as well as by the RBF. This includes, but is not limited to, market communications with its various stakeholders. Communications cover market announcements of material investment and other decisions and developments in the Company, and regular brokersôbriefings.

In addition, KGF is subject to annual audit by Ernst & Young.

4. Conclusion

The Manager would like to thank the directors of the KGF for their contribution and support, despite their extremely busy personal schedules.

The Manager continues to spend considerable time and effort assisting the individual investee companies to address their various issues. We continue to see positive signs at the individual company level despite the difficulties present. Indeed, of the three problematic companies at this point last year, one recorded a profit in the past year and one is we believe poised to recover. Nevertheless a lot of work will be required in the coming year.

Jack Lowenstein
Chairman, Kontiki Capital

KONTIKI CAPITAL
March 2012

FINANCIAL STATEMENTS

Directors' report

In accordance with a resolution of the Board of Directors, the directors herewith submit the statement of financial position of the company and the subsidiary company as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended on that date and report as follows:

Directors

Directors at the date of this report are:
Daryl Tarte
David Oliver
George Niumataiwalu (resigned on 18 August 2011)
Hari Punja
Jack Lowenstein
Michael Makasiale

Principal activity

The principal activity of the company is to invest shareholders' funds in private equity projects and shares in the Kontiki Fund with the objective of generating high growth returns for shareholders over the long term. This involves identifying suitable investments, negotiating with and conducting due diligence on prospects, investing shareholders funds and managing investments on an ongoing basis. The subsidiary company was involved with web-site development and support. There has been no change in these activities during the year.

Results

The operating group loss for the year was $422,620 (2010: $616,024) after an income tax benefit $2,147 (2010: tax expense $1,019). The operating loss for the parent company for the year was $448,173 (2010: $684,536). No provision for income tax was made due to tax losses (2010: Nil).

Dividends

The directors propose that no dividends be paid for the year by the holding company (2010: Nil).

Reserves

The directors recommend that no transfers be made to reserves within the meaning of the Seventh Schedule of the Companies Act, 1983.

Bad and doubtful debts

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off bad debts and the provision for doubtful debts. In the opinion of the directors, adequate provision has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the provision for doubtful debts in the company and the subsidiary company, inadequate to any substantial extent.

Non-current assets

Prior to the completion of the financial statements of the company and of the subsidiary company, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realized in the ordinary course of business compared to their values as shown in the accounting records of the company. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realize.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non-current assets in the company's and the subsidiary company's financial statements misleading.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the normal course of business. To be able to meet the company's obligations, the shareholders will continue to support the company financially.

Unusual transactions

In the opinion of the directors, the results of the operations of the company and the subsidiary during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the company and the subsidiary company in the current financial year, other than those reflected in the financial statements.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company and the subsidiary company, the results of those operations, or the state of affairs of the company and the subsidiary company in future financial years.

Other circumstances

As at the date of this report :

(i) no charge on the assets of the company and the subsidiary company has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the company and the subsidiary company could become liable; and

(iii) no contingent liabilities or other liabilities of the company and the subsidiary company has become or is likely to become enforceable within the year or twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company and the subsidiary company to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's and the subsidiary company's financial statements, which would make adherence to the existence method of valuation of assets or liabilities of the company misleading or inappropriate.

Directors' benefits

Jack Lowenstein and David Oliver are directors and shareholders of Kontiki Capital Limited (KCL), which is the Manager of Kontiki Growth Fund Limited (KGF) and advises the Kontiki Fund (KF), in which KGF has a significant investment. It earns fees for these services.

Jack Lowenstein and David Oliver are also directors of KCL's wholly owned subsidiary company, Kontiki Portfolio Services Limited (KPS). KPS earns fees as the Administrator of both KGF and KF. Jack Lowenstein and David Oliver are also directors of KGF and KF.

In addition, Jack Lowenstein and David Oliver are directors of Kontiki Capital Management Limited (KCML), which is the Manager of KF. KCML is eligible to earn performance fees for this service.

Directors' interests

Particulars of directors' interests in the ordinary shares of the company are as follows:

	Direct Interest	Indirect Interest
Daryl Tarte	Nil	10,667
David Oliver	5,100	Nil
Jack Lowenstein	Nil	50,862
Michael Makasiale	Nil	Nil
George Niumataiwalu	Nil	106,678
Hari Punja	Nil	50,000

Signed on behalf of the board of directors in accordance with a resolution of the directors.

Dated this 30th day of April 2012.

....
Director

....
Director

KONTIKI GROWTH FUND LIMITED and Subsidiary

STATEMENT BY DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2011

In accordance with a resolution of the Board of Directors, we state that in our opinion:

(i) the accompanying statement of comprehensive income of the company and the subsidiary company is drawn up so as to give a true and fair view of the results of the group for the year ended 31 December 2011;

(ii) the accompanying statement of changes in equity of the company and the subsidiary company is drawn up so as to give a true and fair view of the changes in equity of the group for the year ended 31 December 2011;

(iii) the accompanying statement of financial position of the company and the subsidiary is drawn up so as to give a true and fair view of the state of affairs of the group as at 31 December 2011;

(iv) the accompanying statement of cash flows of the company and the subsidiary is drawn up so as to give a true and fair view of the cash flows of the group for the year ended 31 December 2011;

(v) at the date of this statement there are reasonable grounds to believe the company and the subsidiary will be able to pay its debts as and when they fall due; and

(vi) all related party transactions have been adequately recorded in the books of the company and the subsidiary.

Signed on behalf of the board of directors in accordance with a resolution of the directors.

Dated this 30th day of April 2012.

David Oliver
....
Director

....
Director

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF KONTIKI GROWTH FUND LIMITED

We have audited the accompanying consolidated financial statements of Kontiki Growth Fund Limited and its subsidiary ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

The Directors and management are responsible for the preparation and fair presentation of the consolidated Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Fiji Companies Act, 1983. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

a) proper books of account have been kept by the company and the group, so far as it appears from our examination of those books, and

b) the accompanying consolidated Financial Statements which have been prepared in accordance with International Financial Reporting Standards:

  i) are in agreement with the books of account;

  ii) to the best of our information and according to the explanations given to us:

    a) give a true and fair view of the state of affairs of the company and the group as at 31 December 2011 and of its financial performance, changes in equity and its cash flows for the year ended on that date;

    b) give the information required by the Fiji Companies Act, 1983 in the manner so required.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

INDEPENDENT AUDIT REPORT (Continued)

Opinion (Continued)

Emphasis of Matter

Without further qualification of the opinion expressed above, attention is drawn to Note 25 of the financial statements. At 31 December 2011, the company recorded negative working capital of $180,570 (2010: $217,015) and the group also recorded negative working capital of $311,512 (2010: $316,593). Accordingly there is significant uncertainty as to whether the company will be able to continue as a going concern and whether it will be able to pay its debts as they become due and payable, realize its assets and extinguish its liabilities in the normal course of the business at the amount stated in the Financial Statements.

The company's ability to continue as a going concern is contingent upon continual support from its shareholders. The Financial Statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities, that might be necessary should the entity not be able to continue as a going concern.

Ernst & Young
Chartered Accountants

Suva, Fiji
30 April 2012

KONTIKI GROWTH FUND LIMITED and Subsidiary
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group		Holding Company	
		2011	2010	2011	2010
		$	$	$	$
Revenue					
Rendering of services		809,660	673,445	-	-
Cost of sales		(219,281)	(204,679)	-	-
Gross profit		**590,379**	**468,766**	-	-
Other income	3	5,359	27,973	27,708	116,282
Depreciation and amortization		(11,328)	(16,811)	-	-
Staff and employee benefits	3	(276,476)	(308,012)	-	-
Other expenses	3	(712,199)	(753,112)	(468,012)	(796,177)
Operating loss		(404,265)	(581,196)	(440,304)	(679,895)
Finance income	3	-	-	12,671	14,424
Finance costs	3	(20,540)	(19,670)	(20,540)	(19,065)
Net loss before income tax		**(424,805)**	**(600,866)**	**(448,173)**	**(684,536)**
Income tax benefit/(expense)	4	2,147	(1,019)	-	-
Operating loss after income tax		(422,658)	(601,885)	(448,173)	(684,536)
Non-controlling interest		38	(14,139)	-	-
Net loss for the year attributable to members of the holding company		**(422,620)**	**(616,024)**	**(448,173)**	**(684,536)**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**(422,620)**	**(616,024)**	**(448,173)**	**(684,536)**
Earnings per share					
▸ basic, for loss of the year attributable to ordinary equity holders of the parent	16	(0.12)	(0.17)	(0.13)	(0.19)
▸ diluted, for loss of the year attributable to ordinary equity holders of the parent	16	(0.12)	(0.17)	(0.13)	(0.19)

The accompanying notes form an integral part of this Statement of Comprehensive Income.

KONTIKI GROWTH FUND LIMITED and Subsidiary

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group		Holding Company	
		2011	2010	2011	2010
		$	$	$	$
Accumulated losses					
Balance at the beginning of the year		(1,764,789)	(1,148,765)	(1,662,006)	(977,470)
Operating loss for the year		(422,620)	(616,024)	(448,173)	(684,536)
Balance at the end of the year		(2,187,409)	(1,764,789)	(2,110,179)	(1,662,006)
Non-controlling interest					
Balance at the beginning of the year		(22,434)	(36,573)	-	-
Movement for the year		(522)	5,366	-	-
Restatement of non-controlling interest		484	8,773	-	-
Balance at the end of the year		(22,472)	(22,434)	-	-
Share capital					
Balance at the beginning of the year		3,540,664	3,540,664	3,540,664	3,540,664
Issues during the year		-	-	-	-
Balance at the end of the year	15	3,540,664	3,540,664	3,540,664	3,540,664
TOTAL SHAREHOLDERS' EQUITY		**1,330,783**	**1,753,441**	**1,430,485**	**1,878,658**

The accompanying notes form an integral part of this Statement of Changes in Equity.

KONTIKI GROWTH FUND LIMITED and Subsidiary

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	Group		Holding Company	
		2011	2010	2011	2010
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	5	35,095	4,518	16,560	5,069
Trade and other receivables	6	159,861	113,795	-	-
Loan to subsidiary company	7	-	-	72,852	23,277
Prepayments	8	2,427	5,286	-	-
TOTAL CURRENT ASSETS		197,383	123,599	89,412	28,346
NON-CURRENT ASSETS					
Deferred tax asset	4	9,447	6,304	-	-
Loan to subsidiary company	7	-	-	-	61,904
Investment in subsidiary company	9	-	-	-	-
Financial assets	10	1,611,055	2,033,769	1,611,055	2,033,769
Property, plant and equipment	11	22,066	30,791	-	-
TOTAL NON-CURRENT ASSETS		1,642,568	2,070,864	1,611,055	2,095,673
TOTAL ASSETS		1,839,951	2,194,463	1,700,467	2,124,019
CURRENT LIABILITIES					
Trade and other payables	12	307,437	252,730	89,319	78,238
Interest bearing borrowings	13	180,663	173,794	180,663	167,123
Provisions	14	20,795	13,668	-	-
TOTAL CURRENT LIABILITIES		508,895	440,192	269,982	245,361
NON-CURRENT LIABILITIES					
Deferred tax liability	4	273	830	-	-
TOTAL NON-CURRENT LIABILITIES		273	830	-	-
TOTAL LIABILITIES		509,168	441,022	269,982	245,361
NET ASSETS		1,330,783	1,753,441	1,430,485	1,878,658
SHAREHOLDERS' EQUITY					
Share capital	15	3,540,664	3,540,664	3,540,664	3,540,664
Accumulated losses		(2,187,409)	(1,764,789)	(2,110,179)	(1,662,006)
		1,353,255	1,775,875	1,430,485	1,878,658
Non-controlling interest		(22,472)	(22,434)	-	-
TOTAL SHAREHOLDERS' EQUITY		1,330,783	1,753,441	1,430,485	1,878,658

The accompanying notes form an integral part of this Statement of Financial Position.

Signed for and on behalf of the board and in accordance with a resolution of the directors.

David Oliver

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Director Director

KONTIKI GROWTH FUND LIMITED and Subsidiary

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group		Holding Company	
		2011	2010	2011	2010
		$	$	$	$
Operating activities					
Receipts from customers		742,514	639,756	1,940	8,600
Payments to suppliers and employees		(724,396)	(640,295)	(45,879)	(23,625)
Interest and bank charges paid		(3,621)	(3,790)	(120)	19,578
Net cash flows provided by/(used in) Operating Activities		14,497	(4,329)	(44,059)	4,553
Investing activities					
Payments for property, plant and equipment		(2,603)	-	-	-
Proceeds from disposal of financial assets		37,550	-	37,550	-
Net cash flows provided by Investing Activities		34,947	-	37,550	-
Financing activities					
Loan repayment from subsidiary company		-	-	25,000	-
Loan repayment to related parties		(12,196)	(2,461)	(7,000)	(2,461)
Net cash flows (used in)/provided by Financing Activities		(12,196)	(2,461)	18,000	(2,461)
Net increase/(decrease) in cash held		37,248	(6,790)	11,491	2,092
(Overdraft)/cash and cash equivalents at 1 January		(2,153)	4,637	5,069	2,977
Cash and cash equivalents/(overdraft) at 31 December	5	35,095	(2,153)	16,560	5,069

The accompanying notes form an integral part of this Statement of Cash Flows.

1. Corporate information

The consolidated financial statements of Kontiki Growth Fund Limited ("the company") for the year ended 31 December 2011 were authorized for issue with a resolution of the directors on 30 April 2012. Kontiki Growth Fund Limited is a limited liability company incorporated and domiciled in Fiji whose shares are publicly traded on the South Pacific Stock Exchange.

The principal activity of the company is outlined in Note 27.

1.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets that have been measured at fair value. The consolidated financial statements are presented in Fiji dollars.

Statement of compliance

The consolidated financial statements of Kontiki Growth Fund Limited and its subsidiary (the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kontiki Growth Fund Limited and its subsidiary as at 31 December each year.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized in goodwill.

1.2 Changes in accounting policy and disclosures

The accounting policies adopted by the group are consistent with those of the previous financial year.

1.3 Significant accounting judgments, estimates and assumptions

The preparation of the company and the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax asset

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine that amount deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

1.4 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Investment in associates

The group's investment in its associates is accounted for under *IAS 39 - Financial Instruments: Recognition and Measurement* . Kontiki Growth Fund Limited is exempted from the requirement to equity account for investments in associates as it is a venture capital entity.

1.4 Summary of significant accounting policies (Continued)

Trade and other receivables

Trade receivables are recognized at original invoice amount (inclusive of VAT) less any provision for uncollectible debts. Bad debts are written off during the year in which they become known. A specific provision is raised for any doubtful debts.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. The fair value of any unquoted instruments which management believe can be objectively determined is valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

For investments actively traded in organized financial markets, fair value is generally determined by reference to Stock Exchange quoted last trade price on the market at the close of business on the balance date, adjusted for transactions costs necessary to realize the asset. The company accounts for these at fair value through the statement of comprehensive income. The fair value of unlisted options is determined to be the difference between the market price and the exercise price of the underlying shares.

Available for sale financial assets which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. These are reviewed annually for any indication of impairment. The fair value of any unquoted instruments which management believe can be objectively determined is valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The principal depreciation rates in use are:

Furniture and fittings	12%
Equipment	10% - 30%
Motor vehicles	18%

Profit and loss on disposal of property, plant and equipment are taken into account in determining profit or loss for the year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

1.4 Summary of significant accounting policies (Continued)

Trade and other payables

Liabilities for trade payables and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at fair values less directly attributable transaction costs, and have not been designated "as at fair value through profit or loss".

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of any unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Foreign currency translations

The consolidated financial statements are presented in Fiji dollars, which is the Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance date. All differences are taken to the statement of comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Employee benefits

This provision is made in respect of all employees and is calculated on the basis of pro-rata entitlements based on current wage levels.

1.4 Summary of significant accounting policies (Continued)

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

Revenue from the provision of services is recognized by reference to the stage of completion. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

Interest income

Revenue is recognized as interest accrues (using the effective interest method - that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognized when the Group's right to receive payment is established.

Comparatives

Where necessary, amounts relating to prior year have been reclassified and restated to conform with presentation in the current year.

Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to shareholders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

2. EXPENSES

Administration fees

Payable to Kontiki Portfolio Services Limited during the financial year and are charged at a transaction rate according to the Administration agreement.

Management fees

Management fees are payable to Kontiki Capital Limited and is calculated at 1.5% of the Net Asset Value (NAV) of the fund.

	Group		Holding Company	
	2011	2010	2011	2010
3. OPERATING LOSS	$	$	$	$
Operating loss before income tax has been determined after crediting/charging:				
Other income				
Dividends	1,940	8,600	1,940	8,600
Other income	3,419	19,373	25,768	107,682
	5,359	27,973	27,708	116,282

	Group		Holding Company	
	2011	2010	2011	2010
3. OPERATING LOSS (Continued)	$	$	$	$
Operating loss before income tax has been determined after crediting/charging:				
Other expenses				
Administration fees	8,625	8,438	8,625	8,438
Auditors remuneration	9,734	8,452	5,796	5,416
Bank charges	2,146	3,185	120	173
Directors fees	12,000	12,000	12,000	12,000
Doubtful debts	5,065	-	25,768	23,426
Impairment loss on financial assets	352,821	423,323	352,821	657,579
Listing and share registry fees	6,855	7,250	6,855	7,250
Management fees	22,154	32,576	22,154	32,576
Operating lease expense	24,864	24,864	-	-
Unrealised loss on financial assets	32,343	46,320	32,343	46,320
Other expenses	235,592	186,704	1,530	2,999
	712,199	753,112	468,012	796,177
Included in staff and employment benefits are the following:				
Wages and salaries	236,448	302,965	-	-
Superannuation and TPAF levy	40,028	5,047	-	-
	276,476	308,012	-	-
Finance income:				
Interest income	-	-	12,671	14,424
Finance costs:				
Interest on borrowings	20,540	19,670	20,540	19,065

4. INCOME TAX

a) A reconciliation between tax (benefit)/expense and the product of accounting loss multiplied by the tax rate for the years ended 31 December 2011 and 2010 is as follows:

	$	$	$	$
Accounting loss before income tax	(424,805)	(600,866)	(448,173)	(684,536)
Prima facie tax benefit thereon at 20% (2010:20%)	(89,261)	(146,639)	(89,635)	(136,907)
Non-deductible items	854	1,738	-	-
Tax losses not recognised	82,591	146,639	89,635	136,907
Timing differences brought to account	1,661	(719)	-	-
Effect of change in tax rate	2,008	-	-	-
Income tax (benefit)/expense	(2,147)	1,019	-	-

b) *Current income tax:*

Current income tax benefit	(89,261)	(146,639)	(89,635)	(136,907)
Deferred tax:				
Relating to origination reversal of temporary differences and losses not recognised	87,114	147,658	89,635	136,907
Income tax (benefit)/expense reported in the statement of comprehensive income	(2,147)	1,019	-	-

	Group		Holding Company	
	2011	2010	2011	2010
4. INCOME TAX (Continued)	$	$	$	$

c) *Deferred income tax*

Deferred income tax at 31 December relates to the following:

Deferred tax asset/(tax liability)				
Doubtful debts	5,288	2,477	-	-
Provisions	4,159	3,827	-	-
Accelerated depreciation for tax purposes	(273)	(830)	-	-
	9,174	5,474	-	-
Deferred tax asset	9,447	6,304	-	-
Deferred tax liability	(273)	(830)	-	-
Net deferred tax asset	9,174	5,474	-	-

The group had an estimated deferred tax asset of $154,379 ($234,971) at 31 December 2011 arising from unused tax losses which has now ceased to be available due to changes in tax legislation effective from 1 January 2012 which does not allow the carry forward of unused losses beyond 2011.

5. CASH AND CASH EQUIVALENTS	$	$	$	$
Operating accounts [Note 13]	19,026	(6,671)	491	551
Trust account	16,069	4,518	16,069	4,518
	35,095	(2,153)	16,560	5,069

Cash at bank earns interest at floating rates based on daily bank deposit rates. For the purposes of the consolidated statement of cash flows, cash and cash equivalents are the same.

6. TRADE AND OTHER RECEIVABLES	$	$	$	$
Trade receivables	167,447	109,245	-	-
Other receivables	18,853	13,398	-	-
Receivable from subsidiary company	-	-	49,194	23,426
Provision for doubtful debts	(26,439)	(8,848)	(49,194)	(23,426)
	159,861	113,795	-	-

Trade and other receivables are non-interest bearing and are generally on 30-90 day terms.

7. LOAN TO SUBSIDIARY COMPANY	$	$	$	$
Loan to subsidiary company - current	-	-	72,852	23,277
Loan to subsidiary company - non-current	-	-	-	61,904
	-	-	72,852	85,181

The loan to subsidiary company bears an interest rate of 17% per annum, payable over 2 years and is secured over the subsidiary's assets.

8. PREPAYMENTS	$	$	$	$
Prepayments	2,427	5,286	-	-

9. INVESTMENT IN SUBSIDIARY COMPANY	$	$	$	$
Oceanic Communications Limited	-	-	284,256	284,256
Provision for impairment	-	-	(284,256)	(284,256)
	-	-	-	-

Kontiki Growth Fund Limited holds 50% ordinary shares and 100% preference shares of Oceanic Communications Limited. Actual control over the subsidiary company amounts to 85% of the issued capital of Oceanic Communications Limited. The results of Oceanic Communications Limited have been consolidated in these financial statements.

10. FINANCIAL ASSETS

	Group		Holding Company	
	2011	2010	2011	2010
	$	$	$	$
Quoted				
Pleass Beverage Equipment Limited	156,600	204,250	156,600	204,250
Unquoted				
Kontiki Fund Limited	527,458	549,701	527,458	549,701
i-Pac Communications Limited	43,277	179,898	43,277	179,898
Halabe Investments Limited	883,720	883,720	883,720	883,720
Savusavu Harbourside Limited	-	-	-	-
Bligh Water Shipping Limited	-	216,200	-	216,200
Total investments	1,611,055	2,033,769	1,611,055	2,033,769

Quoted shares
The fair value of the quoted shares is determined by reference to published price quotations in an active market.

Unquoted shares
These unquoted investments have been designated as fair value through profit and loss where fair value can be objectively assessed. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models. Movements in fair value during the year has been recognised in the statement of comprehensive income. Movement in fair value charged to the statement of comprehensive income for the year included an unrealised loss of $32,343 (2010: $46,320) and an impairment loss of $352,821 (2010: $657,579). Financial assets of $37,550 for Pleass Beverage Equipment Limited were redeemed during the year (2010: nil).

Details of financial assets

	Place of incorporation	Ownership interest
Oceanic Communications Limited	Fiji	50% ordinary and 100% preference shares
Kontiki Fund Limited	Cook Islands	19.41%
i-Pac Communications Limited	Fiji	9.87%
Halabe Investments Limited	Fiji	25.00%
Savusavu Harbourside Limited	Fiji	16.61%
Bligh Water Shipping Limited	Fiji	7.89%
Pleass Beverage Equipment Limited	Fiji	9.16%

11. PROPERTY, PLANT AND EQUIPMENT

Group	$ Furniture & fittings	$ Office equipment	$ Motor vehicles	$ Total
Cost:				
At 1 January 2011	50,637	100,679	17,778	169,094
Additions	-	2,603	-	2,603
At 31 December 2011	50,637	103,282	17,778	171,697
Depreciation and impairment:				
At 1 January 2011	30,829	89,696	17,778	138,303
Depreciation charge for the year	6,076	5,252	-	11,328
At 31 December 2011	36,905	94,948	17,778	149,631
Net written down value:				
At 31 December 2011	13,732	8,334	-	22,066
At 31 December 2010	19,808	10,983	-	30,791

12. TRADE AND OTHER PAYABLES

	Group 2011 $	Group 2010 $	Holding Company 2011 $	Holding Company 2010 $
Trade and other payables	228,854	182,892	10,736	8,400
Owing to related parties	78,583	69,838	78,583	69,838
	307,437	252,730	89,319	78,238

Trade creditors are non-interest bearing and are normally settled on 60-day terms. Other creditors are non-interest bearing and have an average term of six months. For terms and conditions relating to related parties, refer to Note 17.

13. INTEREST BEARING BORROWINGS

	Effective interest rate %	Maturity		$	$	$	$
Current							
Kontiki Capital Limited	12%	2011	a)	128,281	113,843	128,281	113,843
Kontiki Capital Limited	12%	2011	b)	4,015	10,357	4,015	10,357
Kontiki Capital Limited	12%	2011	b)	48,367	42,923	48,367	42,923
Bank overdraft [Note 5]				-	6,671	-	-
				180,663	173,794	180,663	167,123

Details of interest bearing borrowings are:

a) This loan bears an interest rate of 12% per annum for 2 year secured over the company's assets and property issued by Kontiki Capital Limited. However, if mutually agreed by the parties, the loan may be extended on the same terms and conditions.

b) This loan bears an interest rate of 12% per annum for 1 year secured over the company's assets and property issued by Kontiki Capital Limited. However, if mutually agreed by the parties, the loan maybe extended on the same terms and conditions.

14. PROVISIONS

	$	$	$	$
Provision for leave entitlements				
Balance at 1 January	13,668	23,849	-	-
Arising during the year	7,127	-	-	-
Utilised	-	(10,181)	-	-
	20,795	13,668	-	-

15. SHARE CAPITAL

	$	$	$	$
Authorised Capital				
100,000,000 ordinary shares of $1.00 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and Paid up Capital				
3,500,000 ordinary shares of $1.00 each	3,500,000	3,500,000	3,500,000	3,500,000
25,205 ordinary shares at $1.09 each	27,514	27,514	27,514	27,514
13,150 ordinary shares at $1.00 each	13,150	13,150	13,150	13,150
	3,540,664	3,540,664	3,540,664	3,540,664

16. EARNINGS PER SHARE

	Group		Holding Company	
	2011	2010	2011	2010
	$	$	$	$
Operating loss after income tax	(422,620)	(616,024)	(448,173)	(684,536)
Number of shares outstanding	3,538,355	3,538,355	3,538,355	3,538,355
Basic earnings per share	(0.12)	(0.17)	(0.13)	(0.19)

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

17. RELATED PARTY TRANSACTIONS

Transactions with other related parties

Kontiki Capital Limited (KCL) provides management services to the company and Kontiki Portfolio Services Limited (KPSL) also provides administrative services to the company. Transactions with these entities have taken place at arms length and in the ordinary course of the business and are subject to commitment agreements.

Amounts charged to/(paid or payable to) related parties during the financial year were as follows:

	$	$	$	$
Administration fees - KPSL	(8,625)	(8,438)	(8,625)	(8,438)
Management fees - KCL	(22,154)	(32,576)	(22,154)	(32,576)
Interest on loan from KCL	(20,540)	(19,065)	(20,540)	(19,065)
Accounting fees - KCL	(3,261)	(6,000)	-	-
Interest on preference shares - OCL	-	-	25,768	107,682
Interest on loan - OCL	-	-	12,671	14,424
Web hosting charges - KCL	(957)	-	-	-

Administration and management fees are subject to commitment agreements between the parties. The details of fees is outlined in Note 2.

The loan from Kontiki Capital Limited is interest bearing. The details and balance at 31 December is outlined in Note 13.

Compensation of key management personnel of the Group

Short term employee benefits	97,785	107,930	-	-

Owing to related parties

The amounts payable/(receivable) as at 31 December to the following related parties are as follows:

Loan to Oceanic Communications Limited	-	-	(72,853)	(85,181)
Administration fees - KPS	21,281	12,656	21,281	12,656
Management fees - KCL	51,985	51,831	51,985	51,831
Other - KCL	5,317	5,351	5,317	5,351
	78,583	69,838	5,730	(15,343)

17. RELATED PARTY TRANSACTIONS (Continued)

	Group 2011 $	Group 2010 $	Holding Company 2011 $	Holding Company 2010 $
Owing to related parties (Continued)				
Disclosed in the financials as:				
Loan to subsidiary	-	-	(72,853)	(85,181)
Owing to related parties	78,583	69,838	78,583	69,838
	78,583	69,838	5,730	(15,343)

Directors

Common directors of Kontiki Growth Fund Limited and Kontiki Capital Limited during the year were:

Jack Lowenstein
George Niumataiwalu (resigned on 18 August 2011)
David Oliver

Common directors of Kontiki Growth Fund Limited, Kontiki Stockbroking Limited, Kontiki Fund Limited and Kontiki Portfolio Services Limited during the year were:

Jack Lowenstein
David Oliver

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial liabilities comprise related party loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, investments and cash, which arise directly from its operations.

Interest rate risk

The Group's exposure to the risk in changes in market interest rates has been mitigated by borrowing at fixed interest rates for six monthly to two yearly terms. At 31 December 2011, interest bearing borrowings were payable to a related entity. The terms can be extended or rate fixed upon mutual agreement between the parties.

Foreign currency risk

As a result of a significant investment in the Kontiki Fund Limited which is denominated in United States dollars, the group's statement of financial position can be affected by movements in the United States dollar and Fiji currency. The group seeks to mitigate this risk by investing the ongoing 75% of its portfolio in Fiji dollars so that movements in United States dollars will be minimised compared to the impacts of the total portfolio of its investments.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentration of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, investments and loan notes, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using cashflow forecasts. The forecast considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans. The Group's policy is that 25% of its related party borrowings should not mature in the next 12 month period. The Group monitors the maturity of related party borrowings on an ongoing basis according to its liquidity risk guidelines.

The Group does not have access to pre-approved standby credit facilities from financial institutions or Kontiki Capital Limited.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

Year ended 31 December 2011	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
Group						
Interest bearing borrowings	-	-	180,663	-	-	180,663
Trade and other payables	-	307,437	-	-	-	307,437
	-	307,437	180,663	-	-	488,100
Holding Company						
Interest bearing borrowings	-	-	180,663	-	-	180,663
Trade and other payables	-	89,319	-	-	-	89,319
	-	89,319	180,663	-	-	269,982

Year ended 31 December 2010	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
Group						
Interest bearing borrowings	-	-	173,794	-	-	173,794
Trade and other payables	-	262,911	-	-	-	262,911
	-	262,911	173,794	-	-	436,705
Holding Company						
Interest bearing borrowings	-	-	167,123	-	-	167,123
Trade and other payables	-	78,238	-	-	-	78,238
	-	78,238	167,123	-	-	245,361

Capital management

The primary objective of the Group's capital management is to ensure that it maintain a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 20%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	Group	
	2011	**2010**
	$	**$**
Interest bearing borrowings	180,663	173,794
Trade and other payables	307,437	262,911
Less cash and cash equivalents	(16,069)	(4,518)
Net debt	472,031	432,187
Equity	1,353,255	1,159,851
Total capital	1,353,255	1,159,851
Capital and net debt	1,825,286	1,592,038
Gearing ratio	26%	27%

19. FINANCIAL INSTRUMENTS

Fair value

The fair value of the Group's financial instruments are approximate to their carrying amounts.

Market values have been used to determine the fair value of listed financial assets. The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loan notes and other financial assets have been calculated using market interest rates. For the valuation of unlisted investments refer to Note 10.

20. CAPITAL COMMITMENTS

Capital commitments at balance date amounted to Nil (2010: Nil).

21. OPERATING LEASE COMMITMENTS

	2011	2010
Future operating lease rentals of the group not provided for in the financial statements and payable:	$	$
Not later than one year	27,972	27,972
Later than one year but not later than two years	27,972	27,972
	55,944	55,944

Operating lease commitment for the group relates to the leasing of office space of the subsidiary. There are no operating lease commitments for the holding company.

22. CONTINGENT LIABILITIES

At 31 December 2011, the subsidiary company was involved in a court case against a customer for breach of contract. The estimated cost associated with this is likely to be no greater than $50,000 (2010: $50,000).

23. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the company or the group, the results of those operations or the state of affairs of the company and the group in the subsequent financial year.

24. SEGMENT INFORMATION

(i) Business Segments

2011	Investment $	Information Technology $	Eliminations $	Consolidated $
Total revenue	40,379	809,660	(35,020)	815,019
(Loss)/profit before tax and non-controlling interest	(448,173)	1,334	22,034	(424,805)
Total assets	1,700,467	212,337	(72,853)	1,839,951
Total liabilities	269,982	361,233	(122,047)	509,168

2010	Investment $	Information Technology $	Eliminations $	Consolidated $
Total revenue	130,706	673,445	(102,733)	701,418
(Loss) before tax and non-controlling interest	(684,536)	(34,757)	118,427	(600,866)
Total assets	2,124,019	148,954	(78,510)	2,194,463
Total liabilities	245,361	297,597	(101,936)	441,022

24. SEGMENT INFORMATION (Continued)

(ii) Geographical Segment

The group operates in Fiji and is therefore one geographical area for reporting purposes.

25. GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payment of liabilities in the normal course of the business. At 31 December 2011, the company recorded a negative working capital of $180,570 (2010: $217,015) and the group also recorded a negative working capital of $311,512 (2010: $316,593).To be able to meet the company's obligations, the shareholders will continue to support the company financially.

26. COMPANY DETAILS

Company Incorporation

The company is a public company, incorporated in Fiji under the Companies Act, 1983 and domiciled in the Fiji Islands.

Registered office

The company's registered office is located at Level 4, Provident Plaza One, Ellery Street, Suva.

27. PRINCIPAL ACTIVITY

The principal activity of the company is to invest shareholders' funds in private equity projects and shares in the Kontiki Fund with the objective of generating high growth returns for shareholders over the long term. This involves identifying suitable investments, negotiating with and conducting due diligence on prospects, investing shareholders funds and managing investments on an ongoing basis. The subsidiary company was involved with web-site development and support. There has been no change in these activities during the year.

Listing requirements of the South Pacific Stock Exchange (not included elsewhere in this financial statements)

(a) Statement of interest of each Director in the share capital of the company or in a related Corporation as at 31 December 2011 in compliance with Listing Requirements:

Mr David Oliver (Direct Interest) - 5,100 shares in Kontiki Growth Fund Limited. Mr Oliver was appointed on 26 January 2009.

Mr Jack Lowenstein (Indirect interest: Ludwigson Holdings Pty Limited) - 50,862 shares in Kontiki Growth Fund Limited.

Mr Hari Punja (Indirect interest: Hari Punja & Sons Limited) - 50,000 shares in Kontiki Growth Fund Limited.

Mr Daryl Tarte (Indirect Interest: Sandra Tarte) - 10,667 shares in Kontiki Growth Fund Limited.

(b) Shareholding of those persons holding the 20 largest blocks of shares

Shareholders	No of shares
FNPF Investments Limited	1,021,700
Aequi-Libria Associates Limited	347,344
Dominion Insurance Limited	288,300
BSP Life (Fiji) Limited	281,800
Yasana Holdings Limited	200,000
Kontiki Stockbroking Limited	104,576
Vanua Development Corporation Limited	102,000
Jimaima T Schultz	86,459
Uma Investments Limited	61,000
Ken Kung	52,293
Fijicare Insurance Limited	51,000
Ludwigson Holdings Pty Limited	50,862
Amy Lynn Berguist	50,000
Hari Punja & Sons Limited	50,000
NS Niranjans Holdings Limited	50,000
Graham Eden	42,671
Timothy Raju Fong	35,204
Nina Patel	25,000
Reddy's Enterprises Limited	25,000
Daming Zheng	17,133

(c) Board meetings

Directors	Number of meetings entitled to attend	Number of meetings attended	Apologies
Hari Punja (Chairman)	3	-	3
Jack Lowenstein (Director)	3	-	3
George Niumataiwalu (Director)	2	2	-
Michael Makasiale (Director)	3	3	-
David Oliver (Director)	3	1	2
Darly Tarte (Independent Director)	3	3	-
Griffon Emose (Alternate Director)	3	3	-

Listing requirements of the South Pacific Stock Exchange (not included elsewhere in this financial statements)

(d) Distribution of Share Holding

Holding	No. of holders	% Holding
Less than 500 Shares	2	0.02%
501 to 5,000 Shares	87	6.18%
5,001 to 10,000 Shares	23	4.89%
10,001 to 20,000 Shares	17	6.24%
20,001 to 30,000 Shares	2	1.41%
30,001 to 40,000 Shares	1	0.99%
40,001 to 50,000 Shares	4	5.45%
50,001 to 100,000 Shares	5	8.52%
100,001 to 1,000,000 Shares	6	37.42%
Over 1,000,000 Shares	1	28.88%
	148	100.00%

(e) Share Register

SPSE Central Share Registry
Level 2, Provident Plaza 1
SUVA, Fiji.

(f) Disclosure under section 6.31 (viii)

	Kontiki Growth Fund Limited 2011 $	Oceanic Communications Limited 2011 $
Turnover	-	809,660
Other income	40,379	3,419
	40,379	813,079
Depreciation	-	(11,328)
Other expenses	(488,552)	(800,417)
Income tax expense	-	2,147
	(488,552)	(809,598)
(Loss)/profit after tax	(448,173)	3,481
Total assets	1,700,467	212,337
Total liabilities	269,982	361,233
Shareholders' equity/deficiency in shareholders' equity	1,430,485	(148,896)

Listing requirements of the South Pacific Stock Exchange (not included elsewhere in this financial statements)

(g) Financial performance for six years

	2011	2010	2009	2008	2007	2006
Net profit after tax	(422,620)	(616,024)	(392,307)	(292,161)	(207,908)	48,174
Current assets	197,383	123,599	66,884	95,890	132,258	180,870
Non-current assets	1,642,568	2,070,864	2,560,170	3,000,930	3,495,140	3,537,567
Total assets	1,839,951	2,194,463	2,627,054	3,096,820	3,627,398	3,718,437
Current liabilities	508,895	440,192	269,066	338,391	305,501	170,102
Non-current liabilities	273	830	2,662	-	260,236	208,412
Total liabilities	509,168	441,022	271,728	338,391	565,737	378,514
Shareholder's equity	1,330,783	1,753,441	2,355,326	2,758,429	3,061,661	3,339,923
Dividend per share	-	-	-	-	-	-
Earnings per share	(0.12)	(0.17)	(0.11)	(0.08)	(0.06)	0.01
Net tangible assets per sha	0.38	0.50	0.67	0.78	0.87	0.94
Highest market price	0.49	0.50	0.90	0.90	1.01	1.12
Lowest market price	0.29	0.45	0.50	0.77	0.90	1.00
Year end market price	0.29	0.45	0.50	0.77	0.90	1.01

DIRECTORY

The Kontiki Growth Fund

Board of Directors:
Hari Punja
Jack Lowenstein
Michael Makasiale
David Oliver
Daryl Tarte

Company Secretary: Melaia Vasuca

Manager:
Kontiki Capital Limited
Level 4, Plaza 1
FNPF Boulevard
33 Ellery Street
SUVA
Tel: 330 7284 Fax: 330 7241
Web: www.kontikicapital.com

Administrator:
Kontiki Portfolio Services Limited
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FNPF Boulevard
33 Ellery Street
SUVA
Tel: 330 7284 Fax: 330 7241
Web: www.kontikicapital.com

Registry:
SPSE Central Share Registry
Level 2, Plaza 1
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SUVA
Tel 330 4130 Fax: 330 4145
Web: www.spse.com.fj

Auditor:
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Pacific House
Level 7
1 Butt Street
SUVA
Tel: 331 4166 Fax: 330 0612

Regulatory Authority:
Reserve Bank of Fiji
Reserve Bank Building
Pratt Street
SUVA
Tel: 331 3166 Fax: 330 4363
Web: www.reservebank.gov.fj

Securities Exchange:
South Pacific Stock Exchange
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SUVA
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Web: www.spse.com.fj