Kontiki Growth Fund Limited

Annual Report
2010

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KONTIKI GROWTH FUND

REPORT FROM THE MANAGER

This report by the Manager reviews KGF's activities over the 2010 financial year.

1. General Review

Operating Environment

2010 was a continued struggle for recovery from the natural disasters that hit the country, Fiji's own political predicaments and the residuum of the global financial crisis.

World economic growth increased to 4.6% in 2010 compared to growth of 0.5% in 2009. Although Fiji's own growth seemed sluggish, the recovery was nevertheless felt here, for example through increased tourist numbers and improved remittances.

Additionally, there were encouraging signs of recovery with noted improvements in the economies of our trading partners. Foreign reserves remained healthy at around $1.31 billion while commercial bank liquidity levels were around $374 million as at 31 December 2010.

Overall a mixed performance was recorded for KGF's investee companies for the financial year 2010.

Performance

The following table summarises KGF's financial performance in 2010. The results include consolidation of Oceanic under "Group".

	Holding Company		Group	
	2009 ($)	2010 ($)	2009 ($)	2010 ($)
Income	39,475	116,282	676,095	701,418
Profit after Tax	(420,027)	(684,536)	(392,307)	(616,024)
Proposed Dividend	-	-	-	-
Dividend per share (cents)	-	-	-	-
Earnings per share (cents)	(0.12)	(0.19)	(0.11)	(0.17)

The financial year ended 31 December 2010 saw the Group achieving revenue of $0.70m, an increase of 3.8% over the same period in 2009. However, cost of sales increased by 75.9% to $0.20m and operating expenses also increased by 15.7% to $1.06m. The Group's net loss came to $0.62m (2009: $0.39m)

The decline in financial performance mainly reflected three write-downs totaling $657,579 as follows:

- Unwired Fiji has been written down to net asset value, as shown in Unwired Fiji's audited accounts for 2010. The total write-down for 2010 amounts to $69,671. Unwired Fiji's board and shareholders remain confident in the future of the company with the recent introduction of its 4G platform and expansion into the west. However the auditors recommended a write-down in view of the fact that Unwired Fiji remains loss-making.
- In addition, although Oceanic Communications Ltd has improved over the last two years, the ongoing losses have led the auditors to recommend that the convertible redeemable preference shares held by KGF be written down by the full amount of $234,256 until OCL can build a track record of profits and

therefore demonstrate its ability to redeem the shares.

- Similarly, in view of Bligh Water Shipping Ltd's accumulated losses and the ongoing mechanical problems with the MV Suilven, as covered recently in the media, the auditors recommended that KGF's investment in BWS be written down to par value of $1 per share, until the company can build a track record of profits. The total write-down was therefore $353,652.

At the end of the period, KGF's NAV had declined by 3.0% and KGF's share price on the South Pacific Stock Exchange (SPSE) had declined by 10.0%, compared to the corresponding period last year. The share price was just 64.1% of the NAV per share.

Looking Ahead

The outlook is promising with the World Bank increasing its forecast for 2011 from 4.2% to 4.4% and forecasting a further 4.5% growth for 2012.

There are encouraging signs for investment in general in the backdrop of the positive international economy.

The Manager will focus on the following:

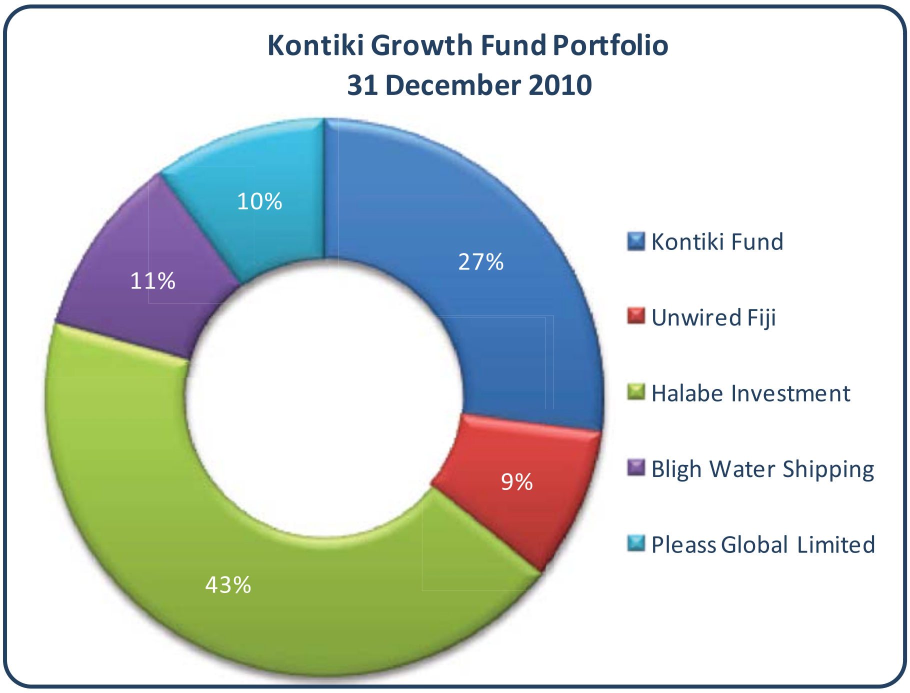
- Working closely with investee companies to help them grow and attain/maintain profitability. Ultimately performance by individual investees will be the key to fund recovery.
- Finding new sources of funds to make new investments, as KGF is currently fully invested.
- Looking further ahead, the Manager 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 2010. This takes into account the write downs recommended by the auditors, as detailed above.

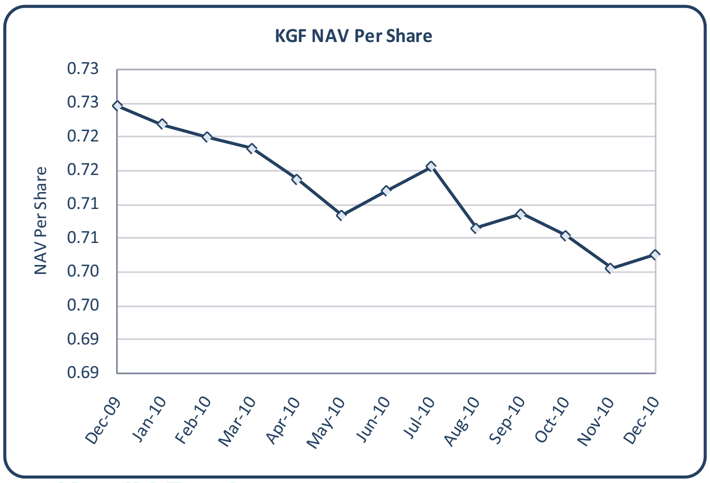
[1] For ease of reference, where the financial year differs from the calendar year, "financial year" or "FY" is used.

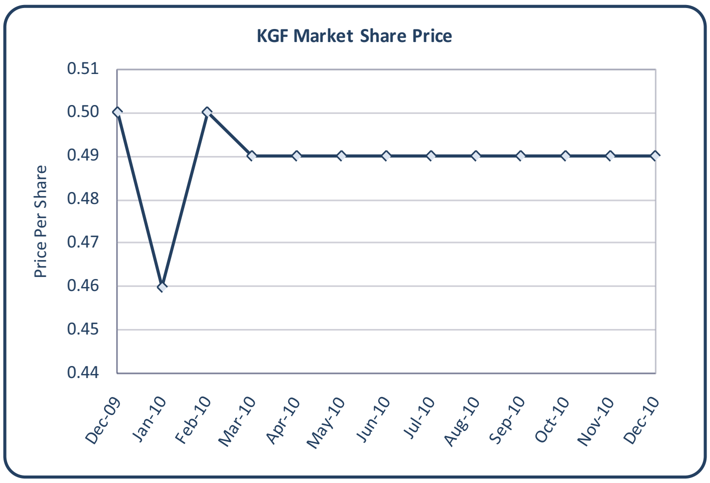
Shares	Company	Main Business	Cost	Market	% Net Assets
118,100	Kontiki Fund	Investment fund comprising mainly of SPSE companies	485,995	549,701	27.0%
601,900	Unwired Fiji	Internet service provider	582,225	179,898	8.8%
138,254	Halabe Investment	Property investment	883,720	883,720	43.5%
216,200	Bligh Water Shipping	Shipping	455,029	216,200	10.6%
215,000	Pleass Global Limited	Packaging andBeverage	180,680	204,250	10.0%
	Total Equities		**2,587,648**	**2,033,769**	**100.0%**
	Other Assets				
	Oceanic Loan			85,181	
	Total Assets			**2,118,950**	
	Net Debt			237,955	
	Net Assets			1,880,995	
	% in Kontiki Fund				27.0%
	% in Private Equity				73.0%



At the end of December 2010, KGF's net tangible asset value (NTA) per share was $0.70. The share price stood at $0.45. These figures represent a decline of 3.0% in the NTA and 10.0% in the share price compared to 2009.

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

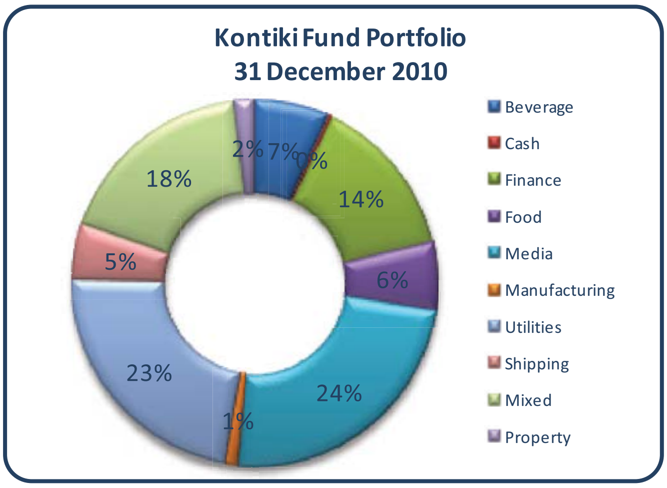
The Kontiki Fund (KF) is a US dollar fund that invests in SPSE-listed entities.

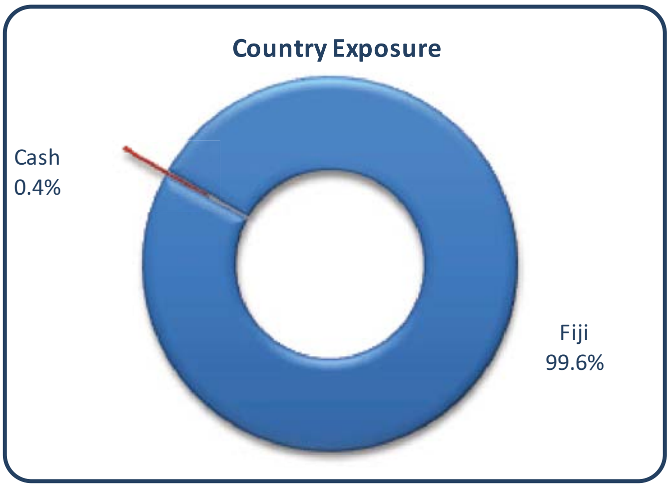
As at 31 December 2010 KGF owned 118,100 shares in KF which is 21% of KF's portfolio. The market value of KGF's holding in KF was $549,701 as at 31 December 2010.

In 2010, the KF NAV declined by **5.03%** in Fiji dollar terms. This compares with a decline of **15.30%** in the KSPX, the SPSE market index, in same period.

As KF is predominantly invested in SPSE-listed stocks (70.20% 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 was 7.64% in US dollars, and 7.25% in Fiji dollars. KGF first invested in KF in December 2004 with 140,630 shares.





The table below summarises Kontiki Fund's returns since inception.

Kontiki Fund Returns to 31 December 2010		
	USD	FJD
Quarter	(0.56%)	(2.38%)
One year	0.78%	(4.25%)
Three years	(4.07%)	1.31%
Five years	(2.11%)	(1.25%)
Since Inception (12 years)	7.64%	7.25%
NAV end of December 2010	$2.66	$4.95
NAV at inception (July 1 1998)	$1.00	$2.00

Past performance is no guarantee of future performance.

Looking ahead, we expect KF's 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 – luxury apartment complex with 7 apartments valued at $2.4m.
- Viti Tower – luxury apartment complex with 14 apartments valued at $5.8m.
- Krishna St. Land – 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 98% occupancy despite tough competition and economic climate. According to the draft audited accounts HIL's rental income for the financial year ended 30 September 2010 stood at $0.78m, a decline of 3.99% over 2009.

The overall result for FY2010 was a loss of $0.07m, a significant improvement of 83.17% on the $0.41m loss in FY2009.

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. HIL's EBITDA has continued to be positive with the FY2010 EBITDA standing at around $0.63m.

Pleass Beverage Equipment

Pleass Beverage Equipment Ltd (PBP) 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 almost 70% of revenue.

In 2010 PBP's sales were recorded at $5.96m compared to $5.21m for the same period in 2009 (up 14.41%) despite tough competition during the year. However the company's EBITDA was $0.65m, a decrease of 16.83% over 2009 due to increased operating expenses of about $0.59m or 30.74%. PBP's NPAT declined by 25.59% over 2009 to $0.30m for 2010. The main drivers of the increase in operating expenses, and the falling profit figures, included a sharp increase in overtime wages due to the recent

Employment Relations Bill (ERP), higher than budgeted technical / maintenance expenses due to teething problems with new production lines (which have now been addressed) and a write-down in inventory.

The inventory write-down reflected slow stock turnover on product lines imported for the Esquires coffee shops, with whom PBP has an exclusive importer arrangement. However the Company is confident of selling off the stock to Esquires as well as through other retail outlets.

With strongly growing demand, PBP plans to expand water production capacity and also move into boutique artesian water for the export market. This will be via a new facility being built in Namosi, for which 420 acres of land has been acquired. Further down the track, it is intended that the surplus land holdings will be used for a multi-phase development encompassing organic farming, eco-adventure facilities and related activities. These a long-term plans however, with the company remaining focused on its core activities.

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, a fleet of trucks and other logistics equipment and an office complex.

In our last report, we wrote that a new head of engineering has been brought in to stem the vessel breakdowns experienced by BWS which had resulted $5m of repairs and lost revenue in 2008-09. The maintenance programme appeared to work with the Suilven running for 12 months with no breakdowns, after the new Operations Manager / Head Engineer put in place a programme of scheduled maintenance and checks. This was a substantial turn around.

Update on Vessels

Sadly the Suilven suffered a series of breakdowns starting in October 2010 after a piece of fishing line snagged on the propeller setting off a chain of breakdowns in the seals, shaft, gears and other parts of the engine.

After many months of fixing the whole drive train in a piecemeal fashion as a result of restrictive cashflows, the engineers are confident they have finally sorted out the issues and require one lot of parts to complete works and put the vessel back into action. It is estimated that once the parts are in, it would take two weeks to re-commission the vessel.

From then on, the company will re-invest in a program of critical parts replacement to ensure that the whole engine, gears and transmission, and drive train, are in good working order based on the company's updated planned maintenance schedule.

The Westerland in the meantime continues to sail on schedule.

Update on Financial Situation

For the financial year ended 31 March 2010, the company's sales decreased to $8.59m, down 13.02% over FY2009. However, the company was successful in decreasing its expenses from $12.37m in FY2009 to $9.59m in FY2010 (excluding Depreciation and Interest cost), a decrease of 22.52%. EBITDA for FY2010 was positive $0.72m (FY2009: -$0.07m) with a net loss of $0.50m (FY2009: -$1.88m) for the year.

2010/11 will be another loss-making year due to the issues with the Suilven. However the Company is working to turn this around and has instituted the following measures:

- The introduction of George Niumataiwalu as Executive Chairman of BWS
- A new programme of wage/salary cuts across-the board, laying off of non-performing staff, tighter rostering, outsourcing of non-essential services such as shipboard canteens and tight control of other expenditure.

- Working with the FNPF as the largest shareholder to finance the short-term funding requirements for the Company. The FNPF is currently processing a funding proposal from Kontiki / BWS.

We remain firmly of the view that the long-term future for BWS can be exceptionally bright provided the Company can get over the current hurdle.

In view of the continued losses at BWS, the auditors recommended that BWS be written down to par value, a total write-down of $353,652.

Oceanic Communications

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

According to the unaudited accounts (currently being finalised), OCL's revenue for the 31 December 2010 financial year was $0.67m, up 7.65% over 2009. OCL recorded a positive EBITDA of $0.02m (2009: $0.05m) but a net loss of $0.04m in 2010 (2009: $0.01m). The bulk of the loss relates to adjustments to prior year accounts that were put through the 2010 accounts. Factoring this out, OCL is close to break-even.

Given the slow repayments by OCL of the preference shares held by KGF, the auditors recommended that the preference shares in OCL be fully written down until OCL can demonstrate its ability to repay the debt on schedule. This is a total write-down of $234,256.

i-Pac Communications (trading as "Unwired Fiji")

Unwired Fiji ("Unwired") is an internet service provider (ISP) that began operations in mid-2005. Unwired's 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 .

According to the draft accounts, Unwired's sales for 2010 decreased by 13.12% over 2009 to $1.65m, compared to $1.90m in 2009. Encouragingly, Unwired continued to record a positive EBITDA of around $0.15m for 2010 (2009: $0.21m). Its net loss for 2010 was $0.65m (2009: -$0.48m).

2010 has successfully seen the company expand into the West.

In view of the continued losses at Unwired, the auditors recommended that Unwired be written down to reflect KGF's share in net assets. This is a total write-down of $69,671.

The following table summarises the performances of KGF's investee companies:

Company	Revenue			EBITDA			NPAT		
	2009	2010	Percentage Change	2009	2010	Percentage Change	2009	2010	Percentage Change
Oceanic Communications Ltd	625,566	673,445	7.7%	49,446	20,508	(58.5%)	(13,236)	(35,776)	170.3%
I-Pac Communications Ltd	1,903,268	1,653,623	(13.1%)	210,602	154,288	(26.7%)	(483,809)	(653,387)	35.1%
Halabe Investments Ltd	807,849	873,522	8.1%	310,349	632,424	103.8%	(408,648)	(68,788)	(83.2%)
Bligh Water Shipping Ltd	9,870,818	8,585,364	(13.0%)	(795,112)	721,298	NA	(1,875,940)	(499,016)	(73.4%)
Pleass Beverage Equipment Ltd	5,206,550	5,956,572	14.4%	786,285	653,978	(16.8%)	403,763	300,427	(25.6%)

3. Corporate Governance Statement

The Kontiki Growth Fund (KGF or "the Company") 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 KCL's investment operations.

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

- Managing KGF's 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, KGF's 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 KCL's 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 brokers' briefings.

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.

It has again been a disappointing year as the market struggled with a constrained economy. Indeed much of the Manager's efforts have been directed towards assisting the individual investees address their various issues. Nevertheless we continue to see positive signs at the individual company level and look forward to continuing to work closely with individual investees. We hope for a better result in the coming year.

Jack Lowenstein
Chairman, Kontiki Capital

KONTIKI CAPITAL
March 2011

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 2010, 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
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 $616,024 (2009: $392,307) after an income tax expense $1,019 (2009: tax benefit $6,493). The operating loss for the parent company for the year was $684,536 (2009: $420,027). No provision for income tax was made due to tax losses (2009: Nil).

Dividends

The directors propose that no dividends be paid for the year by the holding company (2009: 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 realised 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 realise.

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.

Unusual transactions

Apart from these matters and other matters specifically referred to in the financial statements, 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 of 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, George Niumataiwalu 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	Nil
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 29 day of March 2011.

Director

Director

STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010;

(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 2010;

(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 2010;

(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 2010;

(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 29 day of March 2011.

Director

Director

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF KONTIKI GROWTH FUND LIMITED

We have audited the accompanying financial statements of Kontiki Growth Fund Limited and its subsidiary ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement 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 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 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 group as at 31 December 2010 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.

Ernst and Young

Ernst & Young
Chartered Accountants

Suva, Fiji
29 March 2011

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Group		Holding Company	
		2010	2009	2010	2009
		$	$	$	$
Revenue					
Rendering of services		673,445	627,253	-	-
Cost of sales		(204,679)	(116,357)	-	-
Gross profit		**468,766**	**510,896**	**-**	**-**
Other income	3	27,973	48,842	116,282	39,475
Depreciation and amortisation		(16,811)	(24,207)	-	-
Staff and employee benefits	3	(308,012)	(312,306)	-	-
Other expenses	3	(753,112)	(605,034)	(796,177)	(458,427)
Operating loss		(581,196)	(381,809)	(679,895)	(418,952)
Finance income	3	-	-	14,424	15,712
Finance costs	3	(19,670)	(16,787)	(19,065)	(16,787)
Net loss before income tax		**(600,866)**	**(398,596)**	**(684,536)**	**(420,027)**
Income tax (expense)/benefit	4	(1,019)	6,493	-	-
Operating loss after income tax		(601,885)	(392,103)	(684,536)	(420,027)
Minority interest after tax		(14,139)	(204)	-	-
Net loss for the year attributable to members of the holding company		**(616,024)**	**(392,307)**	**(684,536)**	**(420,027)**
Earnings per share					
▸ basic, for loss of the year attributable to ordinary equity holders of the parent	16	(0.17)	(0.11)	(0.19)	(0.12)
▸ diluted, for loss of the year attributable to ordinary equity holders of the parent	16	(0.17)	(0.11)	(0.19)	(0.12)

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 2010

	Note	Group		Holding Company	
		2010	2009	2010	2009
		$	$	$	$
Accumulated losses					
Balance at the beginning of the year		(1,148,765)	(756,458)	(977,470)	(557,443)
Operating loss for the year		(616,024)	(392,307)	(684,536)	(420,027)
Balance at the end of the year		(1,764,789)	(1,148,765)	(1,662,006)	(977,470)
Minority interests					
Balance at the beginning of the year		(36,573)	(25,777)	-	-
Movement for the year		5,366	204	-	-
Restatement of minority interest		8,773	(11,000)	-	-
Balance at the end of the year		(22,434)	(36,573)	-	-
Share capital					
Balance at the beginning of the year		3,540,664	3,540,664	3,540,664	3,540,664
Balance at the end of the year	15	3,540,664	3,540,664	3,540,664	3,540,664
TOTAL SHAREHOLDERS' EQUITY		1,753,441	2,355,326	1,878,658	2,563,194

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 2010

	Notes	Group		Holding Company	
		2010	2009	2010	2009
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	5	4,518	4,637	5,069	2,977
Trade and other receivables	6	113,795	60,980	-	-
Loan to subsidiary company	7	-	-	23,277	-
Prepayments	8	5,286	1,267	-	-
TOTAL CURRENT ASSETS		123,599	66,884	28,346	2,977
NON-CURRENT ASSETS					
Deferred income tax asset	4	6,304	9,155	-	-
Loan to subsidiary company	7	-	-	61,904	90,508
Investment in subsidiary company	9	-	-	-	150,000
Financial assets	10	2,033,769	2,503,413	2,033,769	2,503,413
Property, plant and equipment	11	30,791	47,602	-	-
TOTAL NON-CURRENT ASSETS		2,070,864	2,560,170	2,095,673	2,743,921
TOTAL ASSETS		2,194,463	2,627,054	2,124,019	2,746,898
CURRENT LIABILITIES					
Trade and other payables	12	252,730	94,698	78,238	33,185
Interest bearing borrowings	13	173,794	150,519	167,123	150,519
Provisions	14	13,668	23,849	-	-
TOTAL CURRENT LIABILITIES		440,192	269,066	245,361	183,704
NON-CURRENT LIABILITIES					
Deferred income tax liability	4	830	2,662	-	-
TOTAL NON-CURRENT LIABILITIES		830	2,662	-	-
TOTAL LIABILITIES		441,022	271,728	245,361	183,704
NET ASSETS		1,753,441	2,355,326	1,878,658	2,563,194
SHAREHOLDERS' EQUITY					
Share capital	15	3,540,664	3,540,664	3,540,664	3,540,664
Accumulated losses		(1,764,789)	(1,148,765)	(1,662,006)	(977,470)
		1,775,875	2,391,899	1,878,658	2,563,194
Minority interest		(22,434)	(36,573)	-	-
TOTAL SHAREHOLDERS' EQUITY		1,753,441	2,355,326	1,878,658	2,563,194

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.

Director

Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Group		Holding Company	
		2010	2009	2010	2009
		$	$	$	$
Operating activities					
Receipts from customers		639,756	657,660	8,600	7,200
Payments to suppliers and employees		(640,295)	(695,433)	(23,625)	(73,752)
Interest and bank charges paid		(3,790)	-	19,578	3,862
Net cash flows (used in)/provided by Operating Activities		(4,329)	(37,773)	4,553	(62,690)
Investing activities					
Payment for property, plant and equipment		-	(3,596)	-	-
Proceeds from disposal of financial assets		-	18,351	-	(59,309)
Net cash flows provided by/(used in) Investing Activities		-	14,755	-	(59,309)
Financing activities					
Loans received from related parties		-	11,397	-	-
Loan repayment to related parties		(2,461)	-	(2,461)	-
Net cash flows (used in)/provided by Financing Activities		(2,461)	11,397	(2,461)	-
Net (decrease)/increase in cash held		(6,790)	(11,621)	2,092	(3,381)
Cash and cash equivalents at 1 January		4,637	16,258	2,977	6,358
(Overdraft)/cash and cash equivalents at 31 December	5	(2,153)	4,637	5,069	2,977

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 2010 were authorised for issue with a resolution of the directors on 28 March 2011. 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 26.

1.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments 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 prepared for the same reporting period as the parent company, using consistent accounting policies.

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

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of minority 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 recognised in goodwill.

1.2 Changes in accounting policy and disclosures

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

1.3 Significant accounting judgments, estimates and assumptions

The preparation of 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 the 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 income tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. 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 organisation.

1.4 Summary of significant accounting policies (Continued)

Trade and other receivables

Trade receivables are recognised 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 measure 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 regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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 amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation 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 market bid prices 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 deemed 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 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 recognised 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 amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation 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 income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation 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 income tax assets are recognised 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 utilised:

- except where the deferred income 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 recognised 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 utilised.

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised 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 with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. 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 recognised 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 recognised:

Rendering of services

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

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

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	
	2010	2009	2010	2009
3. OPERATING LOSS	$	$	$	$
Operating loss before income tax has been determined after crediting/charging:				
Other income				
Dividends	8,600	7,200	8,600	7,200
Unrealised gain on financial assets	-	30,104	-	30,104
Other income	19,373	11,538	107,682	2,171
	27,973	48,842	116,282	39,475

	Group		Holding Company	
	2010	2009	2010	2009
3. OPERATING LOSS (Continued)	$	$	$	$
Operating loss before income tax has been determined after crediting/charging:				
Other expenses				
Administration fees - KPS	8,438	8,438	8,438	8,438
Auditors remuneration	8,452	7,933	5,416	5,433
Bank charges	3,185	2,845	173	189
Directors fees	12,000	8,333	12,000	8,333
Doubtful debts	-	-	23,426	-
Impairment loss on financial assets	423,323	436,962	657,579	386,962
Listing and share registry fees	7,250	7,250	7,250	7,250
Management fees - KCL	32,576	39,536	32,576	39,536
Operating lease expense	24,864	26,936	-	-
Unrealised loss on financial assets	46,320	-	46,320	-
Other expenses	186,704	66,801	2,999	2,286
	753,112	605,034	796,177	458,427
Included in staff and employment benefits are the following:				
Wages and salaries	302,965	286,321	-	-
Superannuation and TPAF costs	5,047	16,260	-	-
Leave entitlements	-	9,725	-	-
	308,012	312,306	-	-
Finance income:				
Interest income	-	-	14,424	15,712
Finance costs:				
Interest on borrowings	19,670	16,787	19,065	16,787

4. INCOME TAX

a) A reconciliation between tax expense and the product of accounting loss multiplied by the tax rate for the years ended 31 December 2010 and 2009 is as follows:

	Group 2010 $	Group 2009 $	Holding Company 2010 $	Holding Company 2009 $
Accounting loss before income tax	(600,866)	(398,596)	(684,536)	(420,027)
Prima facie tax benefit thereon at 20% (2009:29%)	(146,639)	(123,395)	(136,907)	(121,808)
Tax effect on permanent differences	1,738	-	-	-
Tax loss not recognised	146,639	123,395	136,907	121,808
Timing differences brought to account	(719)	-	-	-
Timing differences previously not recognised	-	(6,493)	-	-
Income tax expense/(benefit)	1,019	(6,493)	-	-

b)

	Group 2010 $	Group 2009 $	Holding Company 2010 $	Holding Company 2009 $
Current income tax:				
Current income tax benefit	(146,639)	(123,395)	(136,907)	(121,808)
Deferred income tax:				
Relating to origination and reversal of temporary differences	147,658	116,902	136,907	121,808
Income tax expense/(benefit) reported in the statement of comprehensive income	1,019	(6,493)	-	-

	Group		Holding Company	
	2010	2009	2010	2009
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	2,477	2,477	-	-
Provisions	3,827	6,678	-	-
Accelerated depreciation for tax purposes	(830)	(2,662)	-	-
	5,474	6,493	-	-
Deferred tax asset	6,304	9,155	-	-
Deferred tax liability	(830)	(2,662)	-	-
Net deferred tax asset	5,474	6,493	-	-

The group has tax losses which arose that are available to offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised/derecognised in respect of those losses where realisation has been assessed as not probable.

5. CASH AND CASH EQUIVALENTS	$	$	$	$
Operating accounts [Note 13]	(6,671)	2,271	551	611
Trust account	4,518	2,366	4,518	2,366
	(2,153)	4,637	5,069	2,977

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	109,245	49,802	-	-
Other receivables	13,398	20,026	-	-
Receivable from subsidiary company	-	-	23,426	-
Provision for doubtful debts	(8,848)	(8,848)	(23,426)	-
	113,795	60,980	-	-

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	-	-	23,277	-
Loan to subsidiary company - non-current	-	-	61,904	90,508
	-	-	85,181	90,508

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 and property.

8. PREPAYMENTS	$	$	$	$
Prepayments	5,286	1,267	-	-

9. INVESTMENT IN SUBSIDIARY COMPANY	$	$	$	$
Oceanic Communications Limited	-	-	284,256	200,000
Provision for impairment	-	-	(284,256)	(50,000)
	-	-	-	150,000

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 2010 $	Group 2009 $	Holding Company 2010 $	Holding Company 2009 $
Quoted				
Pleass Beverage Equipment Limited	204,250	195,650	204,250	195,650
Unquoted				
Kontiki Fund Limited	549,701	604,622	549,701	604,622
i-Pac Communications Limited	179,898	249,569	179,898	249,569
Halabe Investments Limited	883,720	883,720	883,720	883,720
Savusavu Harbourside Limited	-	-	-	-
Bligh Water Shipping Limited	216,200	569,839	216,200	569,852
Total investments	2,033,769	2,503,413	2,033,769	2,503,413

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 $46,320 (2009: gain $30,104) and an impairment loss of $423,323 (2009: $436,962). There was no financial assets redeemed during the year (2009: $29,400).

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	11.32%

11. PROPERTY, PLANT AND EQUIPMENT

Group	$ Furniture & fittings	$ Office equipment	$ Motor vehicles	$ Total
Cost:				
At 1 January 2010	50,637	100,679	17,778	169,094
Additions	-	-	-	-
At 31 December 2010	50,637	100,679	17,778	169,094
Depreciation and impairment:				
At 1 January 2010	24,797	80,964	15,731	121,492
Depreciation charge for the year	6,032	8,732	2,047	16,811
At 31 December 2010	30,829	89,696	17,778	138,303
Net written down value:				
At 31 December 2010	19,808	10,983	-	30,791
At 31 December 2009	25,840	19,715	2,047	47,602

12. TRADE AND OTHER PAYABLES

	Group 2010 $	Group 2009 $	Holding Company 2010 $	Holding Company 2009 $
Trade and other payables	182,892	69,146	8,400	7,633
Owing to related parties	69,838	25,552	69,838	25,552
	252,730	94,698	78,238	33,185

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		Group 2010 $	Group 2009 $	Holding Company 2010 $	Holding Company 2009 $
Current							
Kontiki Capital Limited	12%	2011	a)	113,843	101,030	113,843	101,030
Kontiki Capital Limited	12%	2011	a)	10,357	11,397	10,357	11,397
Kontiki Capital Limited	12%	2011	b)	42,923	38,092	42,923	38,092
Bank overdraft [Note 5]				6,671	-	-	-
				173,794	150,519	167,123	150,519

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

	Group 2010 $	Group 2009 $	Holding Company 2010 $	Holding Company 2009 $
Provision for leave entitlements				
Balance at 1 January	23,849	14,124	-	-
Arising during the year	-	19,253	-	-
Utilised	(10,181)	(9,528)	-	-
	13,668	23,849	-	-

15. SHARE CAPITAL

	Group 2010 $	Group 2009 $	Holding Company 2010 $	Holding Company 2009 $
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

	Group		Holding Company	
	2010	2009	2010	2009
16. EARNINGS PER SHARE	$	$	$	$
Operating loss after income tax	(616,024)	(392,307)	(684,536)	(420,027)
Number of shares outstanding	3,538,355	3,538,355	3,538,355	3,538,355
Basic earnings per share	(0.17)	(0.11)	(0.19)	(0.12)

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	(8,438)	(8,438)	(8,438)	(8,438)
Management fees - KCL	(32,576)	(39,536)	(32,576)	(39,536)
Interest on loan from KCL	(19,065)	(16,787)	(19,065)	(16,787)
Accounting fees - KCL	(6,000)	(6,000)	-	-
Interest on preference shares - OCL	-	-	107,682	-
Interest on loan - OCL	-	-	14,424	15,712

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	107,930	104,000	-	-

owing to related parties

The amounts payable as at 31 December to the following related parties are as follows:

Loan to Oceanic Communications Fiji Limited	-	-	85,181	90,508
Administration fees - KPS	12,656	4,219	12,656	4,219
Management fees - KCL	51,831	19,255	51,831	19,255
Other - KCL	5,351	2,078	5,351	2,078
	69,838	25,552	155,019	116,060

	Group		Holding Company	
	2010	2009	2010	2009
17. RELATED PARTY TRANSACTIONS (Continued)	$	$	$	$
Owing to related parties (Continued)				
Disclosed in the financials as:				
Loan to subsidiary	-	-	85,181	90,508
Owing to related parties	69,838	25,552	69,838	25,552
	69,838	25,552	155,019	116,060

Directors

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

Jack Lowenstein
George Niumataiwalu
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 2010, 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 a recurring liquidity planning tool. The tool 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. 24% of the Group's debt will mature in less than one year at 31 December 2010 which is matched to a loan note receivable.

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 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	-	252,730	-	-	-	252,730
	-	252,730	173,794	-	-	426,524
Holding Company						
Interest bearing borrowings	-	-	167,123	-	-	167,123
Trade and other payables	-	78,238	-	-	-	78,238
	-	78,238	167,123	-	-	245,361

Year ended 31 December 2009	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
Group						
Interest bearing borrowings	-	-	150,519	-	-	150,519
Trade and other payables	-	94,698	-	-	-	94,698
	-	94,698	150,519	-	-	245,217
Holding Company						
Interest bearing borrowings	-	-	150,519	-	-	150,519
Trade and other payables	-	33,185	-	-	-	33,185
	-	33,185	150,519	-	-	183,704

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 ending 31 December 2010 and 31 December 2009.

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	
	2010	2009
	$	$
Interest bearing borrowings	173,794	150,519
Trade and other payables	252,730	94,698
Less cash and cash equivalents	(4,518)	(4,637)
Net debt	422,006	240,580
Equity	1,775,875	2,391,899
Total capital	1,775,875	2,391,899
Capital and net debt	2,197,881	2,632,479
Gearing ratio	19%	9%

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 (2009: Nil).

21. OPERATING LEASE COMMITMENT

	2010	2009
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 2010, the group 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 (2009: $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

2010	Investment $	Information Technology $	Eliminations $	Consolidated $
Total revenue	130,706	673,445	(102,733)	701,418
Loss before tax and minority interests	(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

2009	Investment $	Information Technology $	Eliminations $	Consolidated $
Total revenue	55,187	627,253	(6,435)	676,095
Loss before tax and minority interests	(420,027)	(5,473)	26,904	(398,596)
Total assets	2,746,898	117,664	(237,508)	2,627,054
Total liabilities	183,704	300,531	(212,507)	271,728

24. SEGMENT INFORMATION (Continued)

(ii) Geographical Segment

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

25. COMPANY DETAILS

Company Incorporation

The company is a private 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.

26. 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.

27. SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS

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

Statement of interest of each Director in the share capital of the company or in a related Corporation as at 31 December 2010 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 George Niumataiwalu (Indirect interest: Nambawan Investments Limited) - 106,678 shares in Kontiki Growth Fund Limited.

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

Distribution of Share Holding

Holding	No. of holders	% Holding
Less than 500 Shares	2	0.02%
501 to 5,000 Shares	89	6.42%
5,001 to 10,000 Shares	24	5.04%
10,001 to 20,000 Shares	16	5.76%
20,001 to 30,000 Shares	3	2.26%
30,001 to 40,000 Shares	2	2.05%
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	7	35.60%
Over 1,000,000 Shares	1	28.87%
	153	100.00%

Share Register

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

27. SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS (Continued)

Disclosure under section 7(4)

	Kontiki Growth Fund Limited	Oceanic Communications Limited
	$	$
Turnover	-	673,445
Other income	130,706	19,373
	130,706	692,818
Depreciation	-	(16,811)
Other expenses	(815,242)	(710,764)
Income tax expense	-	(1,019)
	(815,242)	(728,594)
Loss after tax	(684,536)	(35,776)

LISTING REQUIREMENTS OF SOUTH PACIFIC STOCK EXCHANGE

Disclosure under section 6.3.1 (iv)

	Shareholders Name	No. of Shares	Holding %
1	FNPF Investments Limited	1,021,700	28.87
2	Dominion Insurance Limited	288,300	8.15
3	Colonial Fiji Life Limited	281,800	7.96
4	Yasana Holdings Limited	200,000	5.65
5	Aequi-Libria Associates Ltd	176,300	4.98
6	Nambawan Investments Ltd	106,678	3.01
7	Kontiki Stockbroking Limited	104,576	2.96
8	Vanua Development Corporation Ltd	102,000	2.88
9	Jimaima T Schultz	86,459	2.44
10	Uma Investments Limited	61,000	1.72
11	Ken Kung	52,293	1.48
12	FijiCare Insurance Limited	51,000	1.44
13	Ludwigson Holdings Pty Ltd	50,862	1.44
14	Amy Lynn Bergquist	50,000	1.41
15	Hari Punja & Sons Limited	50,000	1.41
16	N S Niranjans Holdings Ltd	50,000	1.41
17	Graham Eden	42,671	1.21
18	Rose Ronnie Whitton	37,500	1.06
19	Timothy Raju Fong	35,204	0.99
20	Samisoni Enterprises Limited	30,000	0.85

Disclosure under section 6.3.1 (vi)

Name of Director	Number of meetings entitiled to attend	Number of meetings attended	Apologies
Hari Punja (Chairman)	4	-	4
Jack Lowenstein (Director)	4	2	2
George Niumataiwalu (Director)	4	4	-
Michael Makasiale (Director)	4	3	1
David Oliver (Director)	4	3	1
Darly Tarte (Independent Director)	4	4	-
Griffon Emose (Alternate Director)	4	4	-

Disclosure under section 6.3.1 (xii)

Year	2010	2009	2008	2007	2006	2005
Net Profit After Tax	(616,024)	(392,307)	(292,161)	(207,908)	48,174	127,714
Current Assets	123,599	66,884	95,890	132,258	229,200	470,583
Non- Current Assets	2,070,864	2,560,170	3,000,930	3,495,140	3,489,239	3,108,205
Total Assets	2,194,463	2,627,054	3,096,820	3,627,398	3,718,439	3,578,788
Current Liabilities	440,192	269,066	338,391	305,501	378,514	61,543
Non-Current Liabilities	830	2,662	0	260,236	0	0
Total Liabilities	441,022	271,728	338,391	565,737	378,514	61,543
Shareholders Equity	1,753,441	2,355,326	2,758,429	3,061,661	3,339,925	3,517,245

Disclosure under section 6.3.1 (xiii)

Year	2010	2009	2008	2007	2006	2005
Dividend Per Share	0.00	0.00	0.00	0.00	0.01	0.03
Earnings Per Share	(0.17)	(0.11)	(0.08)	(0.06)	0.01	0.04
Net Tangible Assets per Share	0.50	0.67	0.78	0.87	0.94	0.99
Highest Market Price	0.50	0.90	0.90	1.01	1.12	1.07
Lowest Market Price	0.45	0.50	0.77	0.90	1.00	1.03
Year End Market Price	0.45	0.50	0.77	0.90	1.01	1.03

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DIRECTORY

The Kontiki Growth Fund

Board of Directors:
Hari Punja
Jack Lowenstein
George Niumataiwalu
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
Level 4, Plaza 1
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
FNPF Boulevard
33 Ellery Street
SUVA
Tel 330 4130 Fax: 330 4145
Web: www.spse.com.fj

Auditor:
Ernst & Young
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
Level 2, Plaza 1
FNPF Boulevard
33 Ellery Street
SUVA
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Web: www.spse.com.fj

Kontiki Growth Fund Limited

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