



KONTIKI  
GROWTH FUND

31 August 2012

## **For Public Release**

### **Kontiki Growth Fund Second Quarter 2012 Update**

The Board and Management of the Kontiki Growth Fund (KGF) wish to inform investors and the public of the Fund's second quarter and year-to-date 2012 progress. This update will cover both the six-month financial performance of the Fund and provide an update about the three-step strategy that KGF has undertaken to improve its performance.

#### ***Highlights***

- Reduced six-month operating expenses by over \$10,000 compared to previous year
- Agreement with Kontiki Capital Ltd to reduce interest rate on outstanding loans

#### ***Six Month Financial Update***

KGF reports its results for both the Group (consolidated) and Holding Company. Group results consolidate the results of Oceanic Communications Ltd ("Oceanic"), which KGF is required to treat as a subsidiary for accounting purposes because the Fund's ownership of ordinary and preference shares in Oceanic gives it effective control over Oceanic. For operational purposes, however, the Holding Company results better represent KGF, because it treats its investment in Oceanic in the same manner as its other investee companies.

For the six months ending 30 June 2012, the unaudited Net Asset Value of the fund decreased from an audited value of 0.4003 as at 31 December 2011 to 0.3979. The movement in NAV represents investment income received (interest and dividends from investee companies), realized or recognized change in value on investments, and ongoing Fund operation costs. During the six month period, the Fund received investment income of approximately \$22,000. The Fund recognized an unrealized loss in investment of approximately \$13,150 due to changes in the market valuation of listed company Pleass Global Ltd and its investment in the Kontiki Fund. The balance of the change in NAV represents ongoing Fund operational costs, discussed in further detail below. To put matters into perspective, if there had not been the change in market valuations of Pleass and KF, the fund would have reported a slight increase in NAV for the six month period.

## ***Strategic Update***

KGF's first quarter update explained the Fund's three-step strategy to improve ongoing performance. During the second quarter of 2012, the Fund's management and directors have continued to make progress on this strategy.

### **1. Stabilization of KGF**

In addition to the management fee waiver and reconstitution of the Board of Directors, the Board and Management of KGF have reached an agreement with Kontiki Capital Limited to decrease the interest rate on existing borrowings between KGF and Kontiki Capital.

### **2. Preserving and Extracting Value from Existing Investments**

After a review of all investee companies, the Board and Management of KGF have focused efforts on extracting value from its investments in Bligh Water Shipping ("BWS") and Oceanic Communications. As previously indicated, the Fund is carrying its loan to Oceanic at face value and its equity investments in BWS and Oceanic at zero. Accordingly, any actions that the Fund or strategic partners can take to create or realize equity value in BWS or Oceanic will result in an increase in the Fund's NAV. We provide an update here of our efforts with respect to these two companies.

#### Bligh Water Shipping

During the reporting period, the Fund's Board and Management met extensively with existing management of BWS and a major creditor and shareholder of BWS ("Party A"). These meetings involved exploring the possibility of KGF purchasing outstanding debt of BWS and a majority shareholding in BWS for the purpose of leading a restructuring. Although KGF had confidence in the future of BWS, the Fund and Party A could not reach agreement on a price for the equity and debt.

As an alternative, KGF has been working with BWS shareholders, managers, and lenders to realize some value from its investment in BWS. This process remains ongoing. As and when any material agreements or other developments occur, KGF will inform investors through an SPSE market announcement.

#### Oceanic Communications

OCL's revenue for the six month period to 30 June 2012 was \$0.43m, down 2.8% over the same period last year. EBITDA remained positive at \$0.02m, while net loss of \$6,830 was recorded compared to net profit of \$67,312 for the corresponding period last year. The net loss primarily represents accrued interest and dividends payable to KGF.

To date, OCL paid approximately \$19,600 to KGF for its shareholder loan. These payments are a very encouraging reflection of improved Cashflow at OCL.

### **3. Developing Strategies to Position the Fund for Emergent Opportunities**

As indicated in the first quarter update, the Board and Management have gathered information about the process of how to reduce stated capital to facilitate additional capital raising. Such approval would have to come from KGF shareholders in an Annual General Meeting or an Extraordinary General

Meeting. The Board is presently considering whether the benefits of completing such a process earlier would outweigh the costs of an EGM.

Should you have any queries at all, please do not hesitate to contact us on 3307 284.

Yours Sincerely,



Jack Lowenstein

**Director**



Melia Vasuca

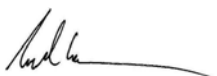
**Company Secretary**

**HALF YEAR UNAUDITED REPORT ANNOUNCEMENT  
KONTIKI GROWTH FUND LTD & it's SUBSIDIARY  
PROFIT & LOSS STATEMENT  
FOR HALF YEAR ENDED 30 JUNE 2012**

|                          |   | <b>CONSOLIDATED</b>                    |                             |  |
|--------------------------|---|--|-----------------------------|--|
|                          |   | <b>Six Monthly<br/>30.06.12<br/>\$</b> |                             | <b>Six Monthly<br/>30.06.11<br/>\$</b> |
| Note                     |   |  | *Increase/<br>Decrease<br>% |  |
| <b>OPERATING REVENUE</b> |   |  |                             |  |
|                          | Sales Revenue   | 426,559                                | -3%                         | 439,049                                |
|                          | Other Revenue   | (9,674)                                |                             | (33,537)                               |
|                          | Total Operating Revenue   | 416,884                                |                             | 405,512                                |
|                          | <b>Net Profit/Loss before Tax</b>   | (45,912)                               | N/A                         | (1,301)                                |
|                          | Income Tax Expense  |  |                             |  |
|                          | Net Profit/Loss after Tax   | (45,912)                               |                             | (1,301)                                |
|                          | <b>Net Profit/Loss after Tax &amp; Extraordinary Item</b>   | (45,912)                               |                             | (1,301)                                |
|                          | <b>Minority Interest after tax</b>  | 1,771                                  |                             | 13,069                                 |
|                          | <b>Net Profit/Loss after Extraordinary Item and Income Tax<br/>Attributable to Members of the Company</b> | (47,683)                               | N/A                         | (14,370)                               |
|                          | Retained Profit at Beginning  | (2,157,013)                            |                             | (1,749,105)                            |
|                          | Retained profit at half year end  | (2,204,695)                            |                             | (1,763,474)                            |
|                          | <b>Earnings Per Share</b>   |  |                             |  |
|                          | Basic earnings per share  | (0.01)                                 |                             | (0.00)                                 |

Director: Jack Lowenstein

Secretary: Melaia Vasuca

Signature: 

Signature: 

**STATEMENT OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY  
FOR HALF YEAR ENDED 30 JUNE 2012**

|  |             | <b>CONSOLIDATED</b>                    |                                   |  |
|--|-------------|--|-----------------------------------|--|
|  | <b>Note</b> | <b>Six Monthly<br/>30.06.12<br/>\$</b> | <b>Annual<br/>31.12.11<br/>\$</b> | <b>Six Monthly<br/>30.06.11<br/>\$</b> |
| <b>CURRENT ASSETS</b>                                |             |  |                                   |  |
| Cash Assets  | 2           | 87,825                                 | 35,095                            | 42,358                                 |
| Trade Receivables                                    |             | 138,666                                | 159,861                           | 157,668                                |
| Other receivables                                    |             | 550                                    | -                                 | 550                                    |
| Inventories  |             | 0                                      | -                                 | 0                                      |
| Prepayments  |             | -                                      | 2,427                             | -                                      |
| Other assets   | 3           | 26,824                                 | -                                 | 32,443                                 |
| <b>Total Current assets</b>                          |             | <b>253,865</b>                         | <b>197,383</b>                    | <b>233,019</b>                         |
| <b>NON-CURRENT ASSETS</b>                            |             |  |                                   |  |
| Property, plant and equipment                        | 4           | 9,363                                  | 22,066                            | 25,754                                 |
| Long-term investment                                 | 5           | 1,595,099                              | 1,611,055                         | 1,963,321                              |
| Future income tax benefit                            |             | -                                      | 9,447                             | -                                      |
| <b>Total Non-current Assets</b>                      |             | <b>1,604,462</b>                       | <b>1,642,568</b>                  | <b>1,989,076</b>                       |
| <b>Total Assets</b>                                  |             | <b>1,858,328</b>                       | <b>1,839,951</b>                  | <b>2,222,095</b>                       |
| <b>CURRENT LIABILITIES</b>                           |             |  |                                   |  |
| Trade payables                                       |             | 128,384                                | 307,437                           | 140,101                                |
| Other payables and accruals                          |             | 226,610                                | -                                 | 146,779                                |
| Interest-bearing borrowings                          |             | 191,144                                | 180,663                           | 170,192                                |
| Provisions   |             | -                                      | 20,795                            | -                                      |
| Other  |             | -                                      | -                                 | -                                      |
| <b>Total Current Liabilities</b>                     |             | <b>546,137</b>                         | <b>508,895</b>                    | <b>457,072</b>                         |
| <b>NON-CURRENT LIABILITIES</b>                       |             |  |                                   |  |
| (l) Term loan - secured                              |             | -                                      | -                                 | -                                      |
| - unsecured  |             | -                                      | -                                 | -                                      |
| (m) Unsecured advance                                |             | -                                      | -                                 | -                                      |
| (n) Inter-company loan                               |             | -                                      | -                                 | -                                      |
| (o) Deffered tax liabilities                         |             | -                                      | 273                               | -                                      |
| (p) Provisions                                       |             | -                                      | -                                 | -                                      |
| (q) Other  |             | -                                      | -                                 | -                                      |
| <b>Total Non-Current Liabilities</b>                 |             | <b>-</b>                               | <b>273</b>                        | <b>-</b>                               |
| <b>Total Liabilities</b>                             |             | <b>546,137</b>                         | <b>509,168</b>                    | <b>457,072</b>                         |
| <b>NET ASSETS</b>                                    |             | <b>1,312,190</b>                       | <b>1,330,783</b>                  | <b>1,765,023</b>                       |
| <b>EQUITY</b>  |             |  |                                   |  |
| Contributed equity                                   |             | 3,540,664                              | 3,540,664                         | 3,540,664                              |
| Reserves   |             | -                                      | -                                 | -                                      |
| Retained profits/accumulated losses                  |             | (2,204,695)                            | (2,187,409)                       | (1,763,474)                            |
| Total Outside Equity Interest in Controlled Entities |             | (23,778)                               | (22,472)                          | (12,166)                               |
| <b>TOTAL EQUITY</b>                                  |             | <b>1,312,190</b>                       | <b>1,330,783</b>                  | <b>1,765,023</b>                       |


Director: Jack Lowenstein

Secretary: Melaia Vasuca

Signature: \_\_\_\_\_



Signature: \_\_\_\_\_



|               |                                      | <b>GROUP</b>            |                         |
|---------------|--------------------------------------|-------------------------|-------------------------|
|               |                                      | <b>Six Monthly</b>      |                         |
| <u>Notes:</u> |                                      | <u>2012</u>             | <u>2011</u>             |
| 1             | <b>OTHER REVENUE</b>                 |                         |                         |
|               | Unrealised Gain                      | (13,154)                | (35,477)                |
|               | Dividends Income                     | 3,480                   | 1,940                   |
|               |                                      | <u>(9,674)</u>          | <u>(33,537)</u>         |
|               |                                      | <u><b>87,825</b></u>    | <u><b>42,358</b></u>    |
| 2             | <b>CASH AND SHORT TERM DEPOSITS</b>  |                         |                         |
|               | Operating accounts                   | 82,874                  | 36,240                  |
|               | Trust Accounts                       | 4,952                   | 5,060                   |
|               | Cash on Hand                         | 0                       | 1,059                   |
|               |                                      | <u>87,825</u>           | <u>42,358</u>           |
|               |                                      | <u><b>87,825</b></u>    | <u><b>42,358</b></u>    |
| 3             | <b>OTHER ASSETS</b>                  |                         |                         |
|               | Prepayments                          | 3,877                   | 7,286                   |
|               | Deposit Paid                         | 6,927                   | 7,100                   |
|               | Immigration Bond                     | 6,573                   | 11,753                  |
|               | Deferred Tax Assets                  | 9,447                   | 6,304                   |
|               |                                      | <u>26,824</u>           | <u>32,443</u>           |
|               |                                      | <u><b>26,824</b></u>    | <u><b>32,443</b></u>    |
| 4             | <b>PROPERTY, PLANT AND EQUIPMENT</b> |                         |                         |
|               | At Cost                              | 171,698                 | 170,585                 |
|               | Less Accumulated Dep                 | (162,335)               | (144,830)               |
|               | Book Value                           | <u>9,363</u>            | <u>25,754</u>           |
|               |                                      | <u><b>9,363</b></u>     | <u><b>25,754</b></u>    |
| 5             | <b>LONG TERM INVESTMENTS</b>         |                         |                         |
|               | Kontiki Fund Limited                 | 513,243                 | 514,224                 |
|               | i-Pac Communications Limited         | 43,277                  | 179,898                 |
|               | Halabe Investments Limited           | 883,720                 | 883,720                 |
|               | Bligh Water Shipping Limited         | 0                       | 216,200                 |
|               | Pleass Beverage Equipment Limited    | 154,860                 | 169,280                 |
|               |                                      | <u>1,595,099</u>        | <u>1,963,321</u>        |
|               |                                      | <u><b>1,595,099</b></u> | <u><b>1,963,321</b></u> |

All investments have been designated as fair value. Movement in fair value during the reporting period has been recognised in the income statement.

- 6 This incorporates the audit adjustments made to the subsidiary's account following the submission of the 2011 accounts made to the exchange.

**KONTIKI GROWTH FUND LTD & it's SUBSIDIARY**  
**STATEMENT OF CASH FLOWS**  
**FOR HALF YEAR ENDED 30 JUNE 2012**

|  | <b>CONSOLIDATED</b>                    |  |
|--|--|--|
|  | <b>Six Monthly<br/>30.06.12<br/>\$</b> | <b>Six Monthly<br/>30.06.11<br/>\$</b> |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                 |  |  |
| Cash Received from Trading activities                      | 521,498                                | 447,875                                |
| Cash Payments  | (453,610)                              | (397,833)                              |
| Interest Paid  | (4,494)                                | -                                      |
| Dividend Received  | 3,480                                  | 1,940                                  |
| Interest Received  | 4,494                                  | -                                      |
| Net Vat Paid   | (28,637)                               | (28,352)                               |
| <b>Net Cash Inflow from Operating Activities</b>           | <b>42,730</b>                          | <b>23,631</b>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |  |  |
| Acquisition of Fixed Assets                                | -                                      | -                                      |
| Proceeds from Sale of Fixed Assets                         | -                                      | -                                      |
| Acquisition of Investment                                  | -                                      | -                                      |
| Long Term Deposit  | -                                      | -                                      |
| Audio Visual Production                                    | -                                      | -                                      |
| Proceed from Sale of Associate                             | -                                      | -                                      |
| Proceed from Sale of Investment                            | 10,000                                 | 27,881                                 |
| <b>Net Cash (Outflow) from Investing activities</b>        | <b>10,000</b>                          | <b>27,881</b>                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |  |  |
| Dividend Paid  | -                                      | -                                      |
| Secured Loan   | -                                      | -                                      |
| Proceeds from Issue of Shares                              | -                                      | -                                      |
| Proceeds from Borrowings                                   | -                                      | -                                      |
| Loan Repayment   | -                                      | (7,000)                                |
| Repayment of Lease Principal                               | -                                      | -                                      |
| <b>Net Cash (Outflow)/Inflow from Financing Activities</b> | <b>0</b>                               | <b>(7,000)</b>                         |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>                | <b>52,730</b>                          | <b>44,512</b>                          |
| Cash/(Overdraft) at beginning                              | 35,095                                 | (2,153)                                |
| Effects of exchange rate changes on opening cash balances  |  |  |
| Cash/(Overdraft) at end                                    | <b>87,825</b>                          | <b>42,358</b>                          |

Director: Jack Lowenstein

Secretary: Melaia Vasuca

Signature: 

Signature: 