



KONTIKI GROWTH FUND

Kontiki Growth Fund Third Quarter 2013 Update

The Board and Management of the Kontiki Growth Fund (“KGF” or the “Fund”) wish to provide investors and the market with an update of the Fund’s performance for the nine month period ended 30 September, 2013.

Highlights

- Substantial reduction in interest expense following the refinancing of KGF’s loan facility.
- Unaudited net profit of \$30,467 compared to net loss of \$8,239 for the same period last year.
- Continued focus on improving operations at Oceanic Communications Ltd (OCL or “Oceanic”).

Financial Update

As required by the South Pacific Stock Exchange (SPSE), the third quarter end results shown in the attached tables are for the Group (Consolidated). Group results consolidate the results of Oceanic as KGF is required to treat Oceanic as a subsidiary for accounting purposes because KGF’s ownership of ordinary and preference shares gives it effective control over Oceanic. For operational purposes, however, the Holding Company results better represent KGF’s performance, as it treats Oceanic in the same manner as other investee companies of KGF. Where appropriate, commentary on Holding Company results are presented below.

During the nine month period under review, the Fund received investment income of approximately \$12,486 in the form of dividends from Fiji Television Ltd, VB Holdings Ltd, Pleass Global Ltd, Communications Fiji Ltd, Atlantic and Pacific Packaging Ltd, The Rice Company of Fiji Ltd and FMF Foods Ltd. As reported in the second quarter report, the Fund also received a \$10,000 discount from Kontiki Capital, the Manager, for an outstanding loan (see below). Movement in share prices of investee companies contributed \$14,562 in unrealised gain. The balance of the change in NAV represents operating costs. These included interest on debt, the annual SPSE listing fee, directors’ fees, administration fees and a one-off charge for transaction costs relating to the receipt of shares from an in-kind redemption from Kontiki Fund Ltd that was completed early in the year.

The Group recorded an unaudited Net Profit after Tax of \$30,467 compared to a Net Loss of \$8,239 in the corresponding nine-month period in 2012. The Holding Company’s unaudited Net Loss for the period improved to \$10,206 (Net Loss in corresponding period in 2012: \$40,548).

The unaudited Net Asset Value of the Fund at the end of the third quarter ending 30 September, 2013 was 39.81 cents per share, a slight decrease from the 40.05 cents per share recorded on 31 December 2012. However, the NAV improved by 0.37% on the level at the end of the second quarter of this year. The movement in NAV represents investment income received and realized or recognized change in value of investments, and on-going Fund operating costs discussed above.

Strategic Update

KGF continued with its three-step strategy to improve ongoing performance, namely stabilization of KGF, increasing the value of existing investments and positioning the fund for future opportunities.

Stabilization of KGF

KGF's Board and Management continue to closely monitor operations with a view to containing costs.

As mentioned in the second quarter report, KGF entered into an agreement for a new loan facility with FijiCare Insurance Limited (FIL), replacing the previous arrangement with Kontiki Capital Ltd. With an interest rate of 6% per annum compared to 12% per annum paid previously, the new facility means a significant reduction in the Funds expenses. This has resulted in reduction of interest cost to \$13,312 for the period ended 30 September, 2013 compared with \$15,300 for the same period last year. As the reduction in interest rate has only been in effect since June, the full positive impact of the new loan arrangement will show in the new year.

Furthermore, KGF continued to significantly decrease its outstanding debt balances during the past nine months.

Increasing Value from Existing Investments

KGF has been closely working with its investee companies to improve performance, particularly Oceanic.

This focus has already resulted in better cash management at OCL with OCL managing to fully repay its debt to KGF owed since 2007 by the end of October, 2013. OCL is now in a position to begin meeting repayment of the preference shares held by KGF that have been accumulating since 2005. While the preference shares have a nil carrying value in KGF's books and the dividends on them are fully provisioned against, Manager is now confident of having these written back in future, on the basis of OCL's recent performance.

Oceanic is currently involved in litigation against the company by another party for defamation. The dispute, which relates to statements Oceanic made on its blogsite, has been ongoing for several years. Based on the professional opinion expressed by the company's solicitors, the directors believe that the litigation is without merit. The company has put in place plans to ensure that Oceanic will continue to operate successfully, regardless of the outcome of the case.

KGF continues to play an active role with other investee companies, in particular Halabe Investments Ltd and Pleass Global Ltd where KGF has board representation.

Positioning the Fund for Future Opportunities

The Board and Management continued to explore strategic future possibilities and will inform investors through SPSE market announcements when material developments occur.

Should you have any queries, please contact us on 330 7284.



Daryl Tarte
Chairman



Griffon Emose
Company Secretary


THIRD QUARTER UNAUDITED REPORT ANNOUNCEMENT
 KONTIKI GROWTH FUND LTD & it's SUBSIDIARY
 PROFIT & LOSS STATEMENT
 FOR NINE MONTHS ENDED 30 SEPTEMBER 2013

CONSOLIDATED			
	NINE MONTHS 30.09.13 \$		NINE MONTHS 30.09.12 \$
Note		*Increase/ Decrease %	
OPERATING REVENUE			
	871,206	30%	670,816
	12,486		3,480
	883,692		674,296
	30,467	N/A	(8,239)
	30,467		(8,239)
	30,467		(8,239)
	6,484		8,920
	23,984	N/A	(17,159)
	(2,153,143)		(2,152,700)
	(2,129,159)		(2,169,858)
	0.0068		(0.0048)

Director: Daryl Tarte

Secretary: Griffon Emose

Signature: 

Signature: 

STATEMENT OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY


FOR NINE MONTHS ENDED 30 SEPTEMBER 2013

		CONSOLIDATED		
	Note	NINE MONTHS 30.09.13 \$	Annual 31.12.12 \$	NINE MONTHS 30.09.12 \$
CURRENT ASSETS				
Cash Assets	2	66,675	60,271	34,591
Trade Receivables		343,506	294,089	230,842
Other receivables		12,811	1,903	550
Inventories		0	-	-
Prepayments		-	3,057	-
Other assets	3	18,635	12,811	66,666
Total Current assets		441,627	372,131	332,649
NON-CURRENT ASSETS				
Property, plant and equipment	4	18,890	22,960	27,207
Long-term investment	5	1,560,321	1,550,213	1,532,737
Future income tax benefit		-	-	-
Total Non-current Assets		1,579,211	1,573,173	1,559,944
Total Assets		2,020,838	1,945,304	1,892,593
CURRENT LIABILITIES				
Trade payables		232,041	360,954	87,402
Other payables and accruals		223,119	-	257,062
Interest-bearing borrowings		164,712	193,730	195,963
Provisions		-	20,795	-
Other		-	-	-
Total Current Liabilities		619,872	575,479	540,427
NON-CURRENT LIABILITIES				
(l) Term loan - secured		-	-	-
- unsecured		-	-	-
(m) Unsecured advance		-	-	-
(n) Inter-company loan		-	-	-
(o) Deferred tax liabilities		-	941	-
(p) Provisions		-	-	-
(q) Other		-	-	-
Total Non-Current Liabilities		-	941	-
Total Liabilities		619,872	576,420	540,427
NET ASSETS		1,400,966	1,368,884	1,352,166
EQUITY				
Contributed equity		3,540,664	3,540,664	3,540,664
Reserves		-	-	-
Retained profits/accumulated losses		(2,129,159)	(2,153,143)	(2,169,858)
Total Outside Equity Interest in Controlled Entities		(10,538)	(18,637)	(18,639)
TOTAL EQUITY		1,400,966	1,368,884	1,352,166

Director: Daryl Tarte

Secretary: Griffon Emose

Signature: 

Signature: 

**KONTIKI GROWTH FUND LTD & it's SUBSIDIARY
STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED 30 SEPTEMBER 2013**

	CONSOLIDATED	
	NINE MONTHS 30.09.13 \$	NINE MONTHS 30.09.12 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Cash Received from Trading activities	919,039	700,532
Cash Payments	(842,943)	(715,462)
Interest Paid/Received	0	0
Dividend Received	11,673	3,480
Net Vat Paid	(49,156)	(30,053)
Net Cash Inflow from Operating Activities	38,613	(41,503)
CASH FLOWS FROM INVESTING ACTIVITIES		
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	-	41,000
Net Cash (Outflow) from Investing activities	-	41,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	-	-
Secured Loan	-	-
Proceeds from Issue of Shares	-	-
Proceeds from Borrowings	183,513	-
Loan Repayment	(215,722)	-
Repayment of Lease Principal	-	-
Net Cash (Outflow)/Inflow from Financing Activities	(32,209)	0
NET INCREASE/(DECREASE) IN CASH HELD	6,405	(503)
Cash/(Overdraft) at beginning	60,271	35,094
Effects of exchange rate changes on opening cash balances		
Cash/(Overdraft) at end	66,675	34,591

Director: Daryl Tarte

Secretary: Griffon Emose

Signature: _____



Signature: _____



<u>Notes:</u>	GROUP	
	NINE MONTHS	
	<u>2013</u>	<u>2012</u>
1 OTHER REVENUE		
Dividends Income	12,486	3,480
	<u>12,486</u>	<u>3,480</u>
2 CASH AND SHORT TERM DEPOSITS		
Operating accounts	54,614	30,233
Trust Accounts	11,660	4,358
Cash on Hand	400	0
	<u>66,675</u>	<u>34,591</u>
3 OTHER ASSETS		
Prepayments	4,057	2,877
Deposit Paid	6,927	6,927
Immigration Bond	5,748	6,573
Deferred Tax Assets	1,903	9,447
Receivable from Kontiki Fund		40,842
	<u>18,635</u>	<u>66,666</u>
4 PROPERTY, PLANT AND EQUIPMENT		
At Cost	171,220	181,979
Less Accumulated Dep	(152,330)	(154,772)
Book Value	<u>18,890</u>	<u>27,207</u>
5 LONG TERM INVESTMENTS		
Kontiki Fund Limited	0	449,140
i-Pac Communications Limited	43,277	43,277
Halabe Investments Limited	883,720	883,720
Bligh Water Shipping Limited	0	0
Pleass Global Limited	219,526	156,600
Yatu Lau Company Limited	10,182	
Fiji Gas Limited	120,280	
Fiji Television Limited	68,154	
FMF Foods	28,263	
Paradise Beverges (Fiji) Limited	48,250	
The Rice Company of Fiji Limited	810	
FijiCare Insurance Limited	80,836	
Atlantic and Pacific Packaging Limited	6,540	
Communications Fiji Limited	16,802	
VB Holdings Limited	33,683	
	<u>1,560,321</u>	<u>1,532,737</u>

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