

INFORMATION MEMORANDUM

13th June, 2018



Information Memorandum for the compliance listing of Kontiki Finance Limited and quotation of 88,851,623 fully paid ordinary shares on the South Pacific Stock Exchange.



01

1	Message from the Chairman	6
1	Overview	9
1.1	Issuer	9
1.2	Share Price	9
1.3	Listing Date	9
1.4	Expenses of Compliance Listing	9

02

2	Business Overview	11
2.1	Overview	11
2.2	Products and Services	11
2.3	Capital Structure	13
2.4	Overview of the Market	14

03

3	Board and Management	17
3.1	Organisational Structure	17
3.2	Board of Directors	18
3.3	Senior Management	20

04

4	Related Party Transactions	22
4.1	Platinum Insurance Limited	22
4.1	Investment Advisory Agreement	22
4.2	Share Options	22

05

5	Articles of Association	24
5.1	Share Capital	24
5.2	Voting	24
5.3	Appointment and Retirement of Directors	24
5.4	Directors' Remuneration	25

06

6	Dividend Policy	27
6.1	Dividend Pay-out ratio	27
6.2	Dividend Reinvestment Plan	27



CONTENTS

07

7	Financial Information	29
7.1	Historical Performance	29
7.2	Financial Projections	32
7.3	Key Assumptions	37

08

Independent Accountant's Report	39
---------------------------------	----

09

Corporate Governance	44
----------------------	----

10

10	Risk Management	48
10.1	Overview	48
10.2	Role of RBF	48
10.3	Key Risk Areas	48
10.4	Capital Management	51
10.5	Performance to Date	52

11

Guide to Investors	54
--------------------	----

12

Additional Information	56
------------------------	----

13

Further Notice to Investors	59
-----------------------------	----

14

Statement by the Directors	60
----------------------------	----

15

Corporate Directory	61
---------------------	----

Investors Notice

- This Information Memorandum details the proposed compliance listing of Kontiki Finance Limited (KFL) and quotation of 88,851,623 fully paid ordinary shares on the South Pacific Stock Exchange (SPSE).
- All ordinary shares are equally ranked, including with regard to voting, dividends and in liquidation.
- It is anticipated that listing on the SPSE will occur on 27th June, 2018.
- The price at which the shares will be quoted will be subject to market forces. However, upon listing, some shares are expected to be offered for sale by the founding shareholders of the Company, starting at a price of \$1.14, in order to build shareholder spread and provide opportunities for new investors to become shareholders of the Company.

DISCLAIMER – RESERVE BANK OF FIJI

This document has been registered with the Reserve Bank of Fiji in accordance with the Companies Act 2015 (Fiji).

The Reserve Bank of Fiji accepts no liability for any statement contained or information omitted from this document.

DISCLAIMER – SOUTH PACIFIC STOCK EXCHANGE

This document has been lodged with the South Pacific Stock Exchange (SPSE). The Company issuing this document ("Company") has applied to be listed on the SPSE and has complied with all requirements for listing on the SPSE. The Company's Securities have been accepted for quotation by the SPSE.

The SPSE accepts no liability for any statement contained in or information omitted from this document.

ADDITIONAL DISCLAIMERS

This document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

MESSAGE FROM THE CHAIRMAN

13th June, 2018

Dear Investor,

On behalf of the Directors, I have great pleasure in offering you the opportunity to become a shareholder in Kontiki Finance Limited (KFL or "the Company") with the compliance listing of KFL on the South Pacific Stock Exchange.

KFL provides accessible finance solutions targeted mainly at consumers and small-to-medium enterprises. Our key products include financing personal loans, purchases of new and used motor vehicles, white goods, brown goods, furniture and technology products. KFL also offers term deposits for investors, paying some of the most competitive deposit rates in the market, as well as a range of insurance products, including motor, chattel and loan protection insurance.

We have a strong management team with a track record of success, and decades of collective industry experience gained in various countries. This has allowed us to build a business that now has over \$140m in assets under management, employs more than 100 people and has a reputation for innovation, flexibility and customer service. In the most recent financial year (year ended 30 June, 2017) the Company returned a Group Net Profit After Tax (NPAT) of \$3.1 million. I am pleased to report that for the current financial year (year ending 30 June, 2018), KFL is tracking ahead of our forecast Group NPAT for the year of \$5.1 million.

Looking ahead, we are very excited about the future and are committed to serving the community and growing a business that is both profitable and socially responsible. It has certainly been a fulfilling journey to date, and I hope that you will join us in our next phase of development.

On behalf of the Directors, I look forward to welcoming you as a shareholder of the Company.

Yours sincerely,



Daryl Tarte, MF
Chairman





We're on your side

OVERVIEW

This Information Memorandum details the proposed compliance listing of Kontiki Finance Limited (KFL) and quotation of 88,851,623 fully paid ordinary shares on the South Pacific Stock Exchange (SPSE).

1.1 Issuer

The Issuer of the ordinary shares is Kontiki Finance Limited, having its registered office at:

Level 5 TappooCity Building
Thomson Street
Suva

1.2 Share Price

The price at which the shares will be quoted will be subject to market forces. However, it is expected that some shares will be offered for sale by founding shareholders of the Company on listing, starting at a price of \$1.14. This is aimed at building the shareholder spread and providing opportunities for new investors to become shareholders of the Company.

1.3 Listing Date

It is anticipated that the Company will list on the SPSE on 27th June, 2018. This date may be amended by the Company.

1.4 Expenses of Compliance Listing

The costs of the compliance listing, including SPSE listing fees, are detailed below. These costs will be borne by the Company.

	Fee (\$ VEP)
Valuation and research report	15,000
Advisory, documentation and listing management	55,000
Independent Accountant's Report	28,000
Half-year Audit	10,000
Legal	20,000
Other Expenses	20,000
Total	148,000



Largely Fijian Owned

BUSINESS OVERVIEW

2

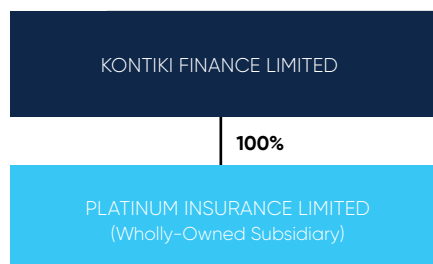
2.1 Overview

KFL is a full-service provider of accessible finance solutions targeted mainly at consumers and small to medium enterprises (SMEs). The Company commenced operations in October 2014 and opened its doors to customers in March 2015.

KFL is licensed by the Reserve Bank of Fiji as a "Credit Institution" under the Banking Act, 1995. Under its Credit Institution licence, KFL is able to solicit term deposits from members of the public and to utilise the funds to make loans to clients.

The Company has a wholly-owned subsidiary company, Platinum Insurance Limited (PIL), which was incorporated on 4 November, 2015 in Vanuatu as a limited liability company with issued and paid up capital of \$215,000. PIL provides loan protection insurance to KFL's loan clients and is supervised by the Reserve Bank of Vanuatu.

KFL aims to offer innovative, flexible and accessible finance solutions to the consumer and SME segments of the market. KFL provides this through a highly-experienced management team leveraging intellectual property and business intelligence proven by them in other markets.



2.2 Products and Services

KFL's business is targeted mainly at the consumer and SME segments of the market. The Company provides a range of finance solutions to its clients including loans, term deposits and related products and services. These are detailed below.

2.2.1 Loans

KFL provides personal loans, vehicle financing loans and other credit products to clients, using three main distribution channels:

- Dealer - Loan applications referred mainly by motor vehicle dealers whose customers wish to purchase new or used motor vehicles. Providing an accessible finance solution supports dealer sales and allows the motor vehicle dealer to focus on its core business of maximising unit sales.
- Retail Point-of-Sale (POS) - Loan applications from customers referred to KFL by merchants. Typically, such loans are used to finance white goods, brown goods, furniture and technology goods.
- Direct - Loan applications received directly from customers for personal financing, new purchases or re-financing of existing loans.

Critical to the provision of loans is KFL's rigorous credit analysis and approval systems that meet international best-practice, managed by a highly experienced team of local and expatriate staff.

KFL's experienced team also provides customers with valuable advice on structuring their loan portfolios including refinancing and consolidation.

2.2.2 Term Deposits

Under its Credit Institution license, KFL is able to solicit and accept term deposits (TDs), which are the primary source of funding for KFL's loan book. Term Deposits are offered for fixed terms ranging from three months to ten years, and deposit rates paid by KFL are amongst the most competitive in the market.

2.2.3 Insurance

KFL offers a range of insurance products to support its credit business, including motor, chattel and loan protection insurance. These insurance products allow customers, with KFL's help, to tailor their loans and manage their risk exposure. These also reduce credit risk for KFL.

Loan protection insurance is provided through KFL's wholly-owned captive insurer, Platinum Insurance Limited.

2.2.4 Service Support

KFL's services are provided through a flexible and accessible system. The Company constantly strives to streamline and simplify its processes for credit application, credit authorisation, billing, remittance and customer service processing, in order to better serve clients.

- KFL currently operates at Tappoo City in Suva, with service centres in Lautoka and Labasa. Customers visiting KFL's service centres can also speak directly to dedicated customer representatives in the Suva office using in-house teleconferencing facilities.
- Business can also be conducted by phone, on-line, via postal service, or by mobile manager, reducing the need for customers to visit KFL's offices.
- Customers have seven-day access to customer service representatives, including after normal business hours.

2.2.5 Expansion

It is envisaged that KFL's business model could be very successful in other markets. The issues and opportunities in the Fiji market are common to other markets, and with the Fiji model now proven, applying the business model elsewhere could be effective. KFL is currently exploring business opportunities in the region and will announce new developments to the market as they occur.

2.3 Capital Structure

At the date of this Information Memorandum, the shareholding of KFL was as follows:

TOP 20 SHAREHOLDERS			
	Shareholder Name	Number of Shares.	Percentage Holding
1	Impala Investments Limited	18,806,193	21.2%
2	Corbett Holdings Limited	14,877,983	16.7%
3	Retail Holdings Limited	6,044,730	6.8%
4	Melanesian Capital (Fiji) Limited	5,111,640	5.8%
5	Huilin Chen	3,737,070	4.2%
6	Estate of George Niumataiwalu	2,941,290	3.3%
7	Chen Li Lan	2,408,100	2.7%
8	Mitchell Family Trust	1,908,370	2.1%
9	Lau Wai Yuk	1,792,738	2.0%
10	Rodney Wicks	1,687,600	1.9%
11	Desmond and Philippa Kearse	1,550,000	1.7%
12	Griffon Ian Emose	1,547,130	1.7%
13	Bus Behind Limited	1,470,430	1.7%
14	Jugu Development Corporation Limited	1,266,080	1.4%
15	Lee Wen Xi	1,178,460	1.3%
16	Bakerfield Co Limited	1,103,080	1.2%
17	Liu Shih Pei	1,102,720	1.2%
18	Ludwigson Holdings Pty Limited	1,072,860	1.2%
19	Chai Huei Chen	1,065,180	1.2%
20	Chen Kuo Chi	970,470	1.1%
	Others	17,209,499	19.4%
	Total shares on Issue	88,851,623	100.0%

In preparation for listing, the Company undertook a 10-for-1 share split on 31 August, 2017. This saw each existing ordinary share split into ten new shares.

A detailed listing of the shareholders in KFL can be obtained from the Company's registered office at the cost of \$0.10 per page.

2.4 Overview of the Market

The banking / credit industry can be divided into two segments:

- Commercial banks operating under a Banking Licence issued by the RBF.
- Non-bank financial institutions operating under a Credit Institution Licence issued by the RBF.

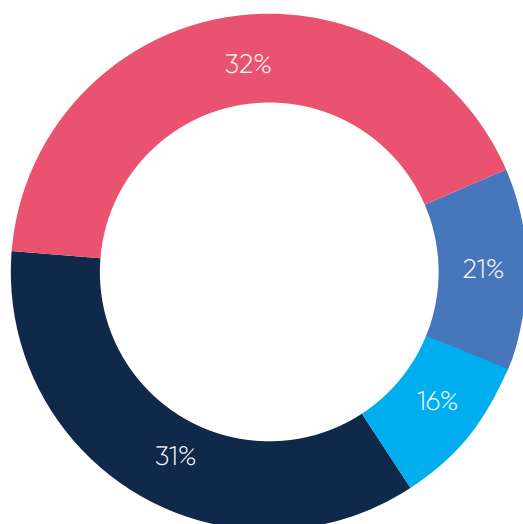
In addition, there are a number of other institutions that provide credit but which are not permitted to solicit deposits, as they are not licensed by the RBF under the Banking Act.

2.4.1 Credit Institutions

Other licensed Credit Institutions in Fiji are:

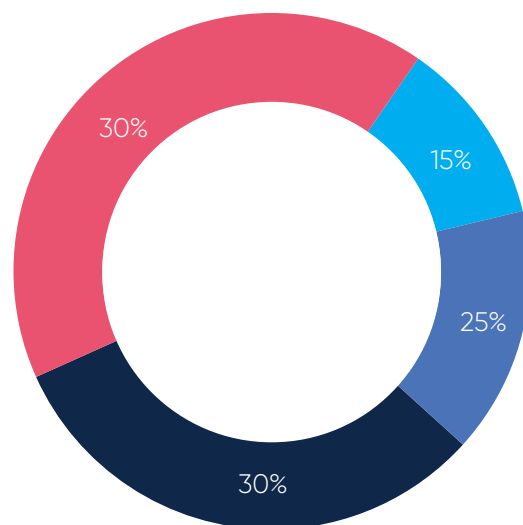
- Merchant Finance Limited (MFL) – Majority-owned by Fijian Holdings Limited, MFL was originally established in the 1980’s by AGC Finance, Fiji Development Bank and the International Finance Corporation (IFC).
- Credit Corporation (Fiji) Limited – CCFL was established in 1992 and is owned by PomSox-listed Credit Corporation (PNG) Limited.
- BSP Finance Limited (BSPFL) – Established in 2015, BSPFL is a subsidiary of Bank South Pacific Limited (BSP) headquartered in PNG.

The credit institutions collectively operate with \$402m of gross loan receivables. Their respective market shares in terms of term deposits and loans & advances are shown below¹:



**Credit Institutions
Consumer Loans & Advances**

- Kontiki Finance Limited - **\$83.1m**
- BSP Finance Limited - **\$63.7m**
- Credit Corporation (Fiji) Limited - **\$125.2m**
- Merchant Finance Limited - **\$130.3m**



**Credit Institutions
Term Deposits Market Share**

- Kontiki Finance Limited - **\$104.5m**
- BSP Finance Limited - **\$60.3m**
- Credit Corporation (Fiji) Limited - **\$122.2m**
- Merchant Finance Limited - **\$124.0m**

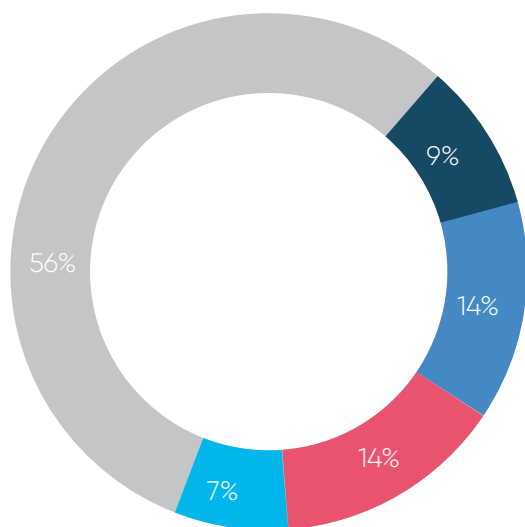
¹Sources: Most recent published *Key Disclosure* Statements for MFL (30 June, 2017); CCFL (31 December, 2017); BSP-FL (31 December, 2017); and KFL audited financial statements for the six months to 31 December, 2017.

2.4.2 Overall Consumer Lending Market

The commercial banking sector is made up of six licensed Banks:

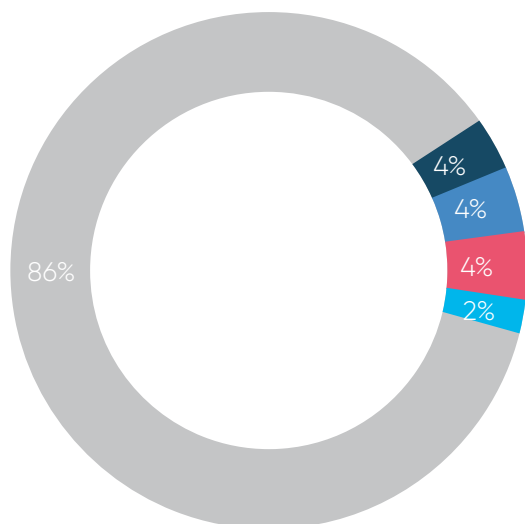
- ANZ Banking Group Limited
- Bank of Baroda
- Bank of South Pacific Limited
- Bred Bank (Fiji) Limited
- Home Finance Company Limited, trading as HFC Bank
- Westpac Banking Corporation

The licensed credit institution and banking sectors collectively have an estimated \$904m in gross receivables for the consumer lending market (excluding mortgages). The estimated consumer lending and term deposit market shares of the respective institutions are shown below² :



Total Market Share Consumer Loans & Advances

- Banks - **\$501.4m***
- Merchant Finance Limited - **\$130.3m**
- Credit Corporation (Fiji) Limited - **\$125.2m**
- Kontiki Finance Limited - **\$83.1m**
- BSP Finance Limited - **\$63.7m**



Total Market Share Term Deposits

- Banks - **\$2,460.2m**
- Merchant Finance Limited - **\$124.0m**
- Credit Corporation (Fiji) Limited - **\$122.2m**
- Kontiki Finance Limited - **\$104.5m**
- BSP Finance Limited - **\$60.3m**

*Loans and advances to private individuals, excluding mortgages.

²Source: Most recent published Key Disclosure Statements for MFL (30 June, 2017); CCFL (31 December, 2017); BSPFL (31 December, 2017); KFL audited financial statements for the six months to 31 December, 2017; and latest RBF Quarterly Report for commercial banks.

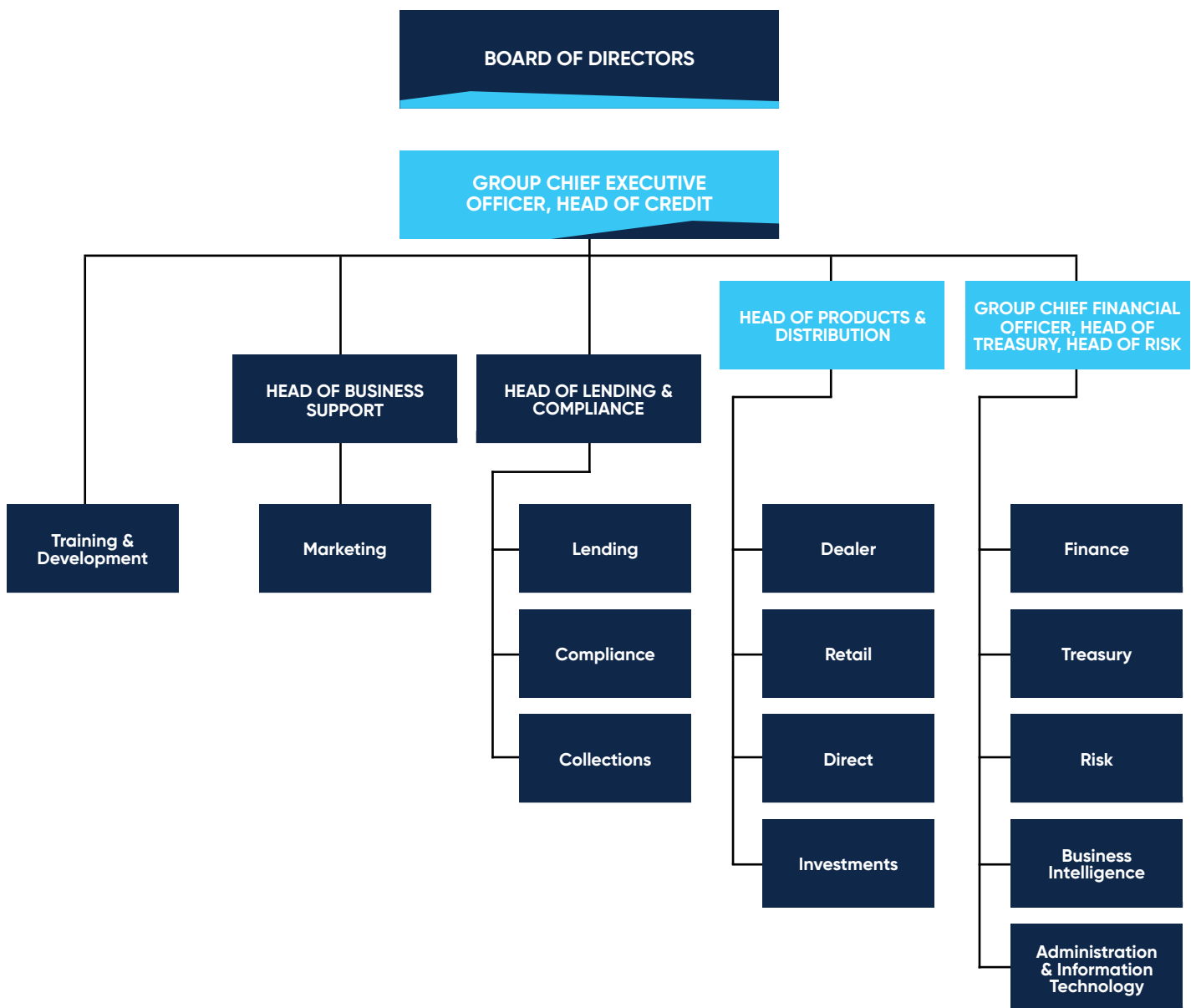


BOARD AND MANAGEMENT

3

3.1 Organisational Structure

The key positions and divisions in the Company are shown in the following diagram:



3.2 Board of Directors



Daryl Tarte | Chairman
MF

A Fiji citizen and Member of the Order of Fiji, Daryl has worked in executive, advisory and governance roles over many years. He joined the sugar industry in 1968 and served as the Secretary of the Sugar Board & Advisory Council, then as Executive Vice Chairman. Other roles in the industry include being the first Industrial Commissioner of the Sugar Industry Tribunal.

Daryl is a director of Namale Plantations Resorts. Daryl previously chaired the Capital Markets Development Authority, Kontiki Growth Fund and MIOT Private Hospitals, and was the director of Air Terminal Services. He was the long-serving Manager of the Sugar Cane Growers Fund Authority and recently retired as a director of Telecom Fiji.

Daryl is also an author, having written several successful novels as well as the Biography of Ratu Sir Penaia Ganilau.

Daryl is an independent director of KFL.



Francis Chung | Director
BCom, CA (NZ) – Retired, CA (Fiji)

Francis is a Fiji citizen and brings many years of experience in accounting, taxation and management. After joining the then Ernst & Whinney in 1986, he became the sole Partner of the firm from 1988 to 1999, with a specialisation in tax. Following the firm's international transition to Ernst & Young, he served as Managing Partner from 2000 until his retirement in 2011.

He is currently the Financial Advisor to the Damodar Group of Companies and is a director of several other companies including Dominion Insurance, Solander Pacific and Crab Company of Fiji. He is currently the honorary Treasurer of the Fiji Red Cross Society and Champagnat Marist Education.

Francis graduated from the University of Canterbury, New Zealand with a Bachelor of Commerce in 1974 and completed his Fiji accountancy qualification in 1986. He is a current member of the Fiji Institute of Accountants and recently retired from Chartered Accountants Australia & New Zealand.

Francis is an independent director of KFL.



Glen Craig | Director

Glen is a Vanuatu citizen. He is the Managing Partner of the specialist South Pacific corporate advisory firm, Pacific Advisory. He is a Licensed Securities Dealer and holds a CSP Licence from the Vanuatu Securities Commission.

Glen has an extensive private sector background in the tourism, finance and property industries with practical hands-on knowledge of the intricacies of the region and consults regularly to government and financial institutions in the region. He has resided in Vanuatu for the last 13 years and has served on numerous private and public sector boards.

Glen is passionate about driving development in the South Pacific through direct investment in developing sustainable industries using the region's natural resources.



Griffon Emose | Director

BCom, Grad Dip App Fin & Inv., CFA

A Fiji citizen, Griffon is the Managing Director of Kontiki Capital. He was previously the Manager Public Awareness & Investor Education at the Capital Markets Development Authority and an economist at the Ministry of Finance where he served with the Economic Policy Analysis Unit and the Financial Management Reform Project. He is licensed by the RBF as an Investment Adviser Representative and serves as a director of the South Pacific Stock Exchange and on several other boards. Past directorships include for Fiji Gas and Pleass Global.

Griffon graduated with a Bachelor of Commerce from the University of Auckland, New Zealand and completed the Graduate Diploma in Applied Finance & Investment through the Securities Institute of Australia (now the Financial Services Institute of Australasia). He is a member of the CFA Institute and earned the CFA Charter in 2005.



Litia Niumataiwalu | Director

MCom, BBus, DipBank

Litia is a Fiji citizen, with over 18 years of experience in the banking and finance sector in Fiji with National Bank of Fiji / Colonial. Since leaving the banking industry, she has managed various family business interests whilst undertaking financial and business consulting work.

She is currently the Deputy Chairperson of the Pacific Islands Association of Non-Governmental Organisations, Vice President of the Fiji Council of Social Services and National Executive Committee Member / National Treasurer of the Fiji Young Women's' Christian Association. She previously served as a director of the Fiji Cancer Society and Fiji Indigenous Business Council.

Litia graduated with a Master of Commerce (Banking & Finance) and Bachelor of Business (Banking & Finance) from the University of Sydney and the University of South Australia respectively, in Australia. She also completed a Diploma in Banking from the University of the South Pacific in Fiji.

Litia is an independent director of KFL.

3.3 Senior Management

Gregory Cathcart | Group Chief Executive Officer, Head of Credit
DipBus (Finance), F Fin

Greg is a Fiji citizen with over 36 years' experience as a finance executive in several geographies including Australia, New Zealand, Fiji, Papua New Guinea, Indonesia, Kuwait, and Bahrain. He has a record of successfully delivering performance outcomes, onboarding and managing large multi-partnered deals, launching and managing retail deposit and loan products, and negotiating and managing wholesale funding facilities.

Greg has previously held senior and executive positions with listed entities and major corporates abroad. These include Executive Director and Chief Executive Officer of Pacific Retail Finance Group (division of NZX-listed PRG, later sold to NYSE-listed GE), Head of Business Development & Support at Australian Guarantee Corporation (division of ASX-listed Westpac) and Group Credit Manager at NZX-listed Fisher & Paykel Finance (later sold to ASX-listed FXL).

Greg has a Post Graduate Diploma in Business with a Finance major from the Business School at Auckland University, New Zealand and is a Fellow of the Financial Services Institute of Australasia (FINSIA). He was elected Chairman of the Finance Companies Association, the professional industry body for Licensed Credit Institutions in Fiji, in 2016. He also served previously on the Accounting, Law and Finance Committee at Unitec in Auckland, New Zealand for seven years until 2006.

David Oliver | Group Chief Financial Officer, Head of Treasury, Head of Risk, Company Secretary
BA (Hons) Econ, Grad Dip App Fin & Inv., F Fin, FRM

David is a Fiji citizen with over 25 years of investment banking experience in New Zealand, Fiji, and the Pacific. He is highly experienced in financial risk management, evaluating business feasibility, acquisition, divestiture, valuation, due diligence and financing transactions.

David was previously Manager, Corporate Advisory at Macquarie Bank in New Zealand. Prior to that, he managed the Department of Public Enterprises in Fiji, where he oversaw the development and implementation of Fiji's public enterprise reform programme. He has extensive experience as a business and economic analyst, having previously filled this role at Telecom New Zealand, New Zealand Treasury and Shell Oil (NZ).

David holds a Bachelor of Arts (First Class Honours) in Economics from Victoria University of Wellington, New Zealand and is a Fellow of the Financial Services Institute of Australasia (FINSIA), having completed the Graduate Diploma in Applied Finance & Investment. He is a member of the Global Association of Risk Professionals (GARP) and is certified with the Financial Risk Manager (FRM) designation. He is licensed by the RBF as an Investment Adviser and Broker Dealer Representative.

Phillip Lacey | Head of Products and Distribution

A New Zealand citizen, Phillip has over 30 years of financial services experience, specialising in relationship-managed sales in direct and intermediary channels. He was previously General Manager of NYSE-listed GE Capital's NZ Mortgage business and ran credit, collections and loss-recoveries functions for Pacific Retail Finance. He also served as Head of Collections for AGC Finance (owned by Westpac Bank) managing a human resource of 60 employees.

Phillip assisted with establishing Simply Insurance for Pacific Retail Finance, which achieved a maiden NPBT of NZ\$8.9m in its first full year of operations. At PRF, he conducted risk analysis of Direct Channel products and processes and detailed process approval of all distribution collateral including TV campaigns, radio, direct mail and print media.

He also ran and owned a three-branch Wizard Home Loans franchise, writing loans of NZ\$96m and won Wizard Home Loans performance awards in multiple years.



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RELATED PARTY TRANSACTIONS

4

KFL has entered into several agreements with related parties, the main terms of which are highlighted below. Copies of the agreements are available for inspection by shareholders at the Company's registered office at a cost of \$0.10 per page printout.

4.1 Platinum Insurance Limited

KFL has a wholly-owned subsidiary company, Platinum Insurance Limited (PIL), which is registered in Vanuatu. PIL was established to provide loan protection insurance to KFL's clients. In return, KFL:

- Collects insurance premiums from clients, on behalf of PIL.
- Invests surplus cash held by PIL within relevant prudential guidelines.
- Provides administrative and other services to PIL as required.
- May receive dividends and other returns from time to time, as shareholder

4.2 Investment Advisory Agreement

Under an agreement dated 7 October, 2016 and amended on 17 January, 2018, Kontiki Capital Limited (KCL) was engaged by KFL to provide advisory services for the listing of KFL on the South Pacific Stock Exchange (SPSE). KCL's services under the agreement include the following:

- Conduct due diligence of KFL
- Conduct a valuation and prepare a research report
- Prepare the offer document for listing
- Coordinate production of the Independent Accountants Report
- Arrange regulatory approvals as required
- Overall management of the listing and market trading post-listing

In return, KCL will be paid a total of \$70,000.

While KCL does not own any shares in KFL, some of its directors / shareholders (Griffon Emose, Jignesh Pala and David Oliver) are shareholders of KFL. In addition, Griffon Emose is a director of KFL.

4.3 Share Options

4.3.1 Director and Executive Options

KFL will consider granting options to the directors and senior management as a long term incentive, along similar lines to those other financial services businesses operated in the region. The purpose of these options will be to bind the key directors and executives to the business over the medium to long term. An additional purpose is to incentivise thereby having them share the risks and rewards of the business so as to align their interests with those of them the shareholders.

4.3.2 Founder Options

To recognise the instrumental role of the founders in the establishment of the Company, KFL granted share options to Impala Investments Limited and Corbett Holdings Limited under separate Share Option Deeds dated 30 December, 2014. At the date of this Information Memorandum, there are no outstanding options issued under the Share Option Deeds. Any further share options issued would entitle the holder to subscribe for one ordinary share in KFL at a price of \$0.10 at any time before close of business on 31 December, 2019. The Share Option Deeds, which expire on 31 December, 2019, also contain anti-dilution clauses.



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ARTICLES OF ASSOCIATION

5

Key provisions in the Company's Articles of Association (Articles), with particular emphasis of governance-related matters, are detailed below.

5.1 Share Capital

Currently, the share capital is divided into a single class of shares.

All shares have equal rights including with respect to dividends, voting, participation in new issues of shares and in winding up.

Subject to the Articles, the directors may issue, allot or dispose of the shares to persons on terms determined by the directors and at the issue price determined by the directors.

The Company may, subject to the Companies Act 2015, by resolution:

- increase its share capital by creating new shares of the amount specified in the resolution
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares
- subdivide its shares or any of them into shares of a smaller amount than its existing shares but so that, in the subdivision, the proportion between the amount paid and the amount (if any) unpaid on each share of a smaller amount is the same as it was in the case of the share from which the share of the smaller amount is derived and
- cancel shares that, at the date of the resolution, no person has taken or agreed to take or that have been forfeited, and reduce the amount of its share capital by the amount of the shares cancelled or forfeited.

5.2 Voting

At any general meeting, a resolution put to the vote of the meeting shall be decided either on a show of hands or on a poll.

- On a show of hands, each member present in person and each other person present as a proxy or representative has one vote
- On a poll, each Member present in person has one vote for each fully paid share held by that Member, or pro-rata for partly paid shares. Each other person present as a proxy or representative has one vote for each fully paid share held by the member that person represents, or pro-rata for partly paid shares

5.3 Appointment and Retirement of Directors

Unless otherwise determined by a General Meeting, the number of directors shall not be less than five and no more than seven. The Company in General Meeting may from time to time increase or reduce the number of directors, and may also determine in what rotation such increased or reduced number is to go out of office.

No corporation is eligible to be appointed as a director and directors shall not be required to hold any share qualification.

One third (or nearest number to a third) of directors, being the longest serving directors at that point, retire at each annual general meeting of the Company and all retiring directors are eligible to offer themselves for re-election.

No person shall be eligible for election to the office of director at any annual general meeting unless a Member intending to propose that person has delivered to the registered office of the Company a notice in writing, duly signed by the nominee and consenting to the nomination eleven clear days before the annual general meeting.

The Members may remove a director from office or appoint a director by way of an ordinary resolution.

The directors may appoint a person either to fill a casual vacancy or as an addition to the Board of Directors. Any director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

5.4 Directors' Remuneration

The remuneration of the directors is determined by the Company and reviewed in its general meetings.

Every director shall also be entitled to be paid out of the funds of the Company all reasonable travelling, hotel and other expenses incurred in attending meetings of the Company or of directors or any committees thereof or while engaged on the business of the Company, and, if any of the directors shall be called upon to perform extra service or exercise any special professional requirements for any purpose of the Company or to make special exertions in going from usual residence or abroad or otherwise for any purposes of the Company, shall be paid all his travelling outlays and such additional sum by way of remuneration, as shall be fixed by the directors.

Fees payable to non-executive directors shall be a fixed sum and shall be determined by a general meeting of the Company.

Salaries payable to executive directors may include a commission on or percentage of profits or turnover.



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DIVIDEND POLICY

6

6.1 Dividend Pay-out Ratio

Subject to the Company's cashflows, capital requirements and business plans, as well as any restrictions under section 23 of the Banking Act relating to the payment of dividends, the directors intend to distribute 50% of net profit after tax by way of dividends, with the remainder to be reinvested in the Company. No dividend shall be paid otherwise than out of profits.

6.2 Dividend Reinvestment Plan

The directors have also approved a Dividend Reinvestment Plan (DRP) which will give shareholders the option of reinvesting their dividends into the Company for additional shares, rather than receiving cash.

Dividends will be reinvested at a share price that is a discount to the weighted average KFL share price on the South Pacific Stock Exchange during the preceding month. The discount has initially been set at 5% and the percentage will be reviewed by the Board from time to time.

Election to reinvest under the DRP may be made each time KFL declares a dividend. A shareholder electing to reinvest a dividend may choose to reinvest part or all of the dividend payout. By default, dividends will be paid out in cash in the absence of an election to reinvest under the DRP.



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FINANCIAL INFORMATION

7

7.1. Historical Performance

Replication of historical primary financial statements audited by Ernst & Young for the financial years 2015 – 2017 are provided below. The basis of preparation of these primary financial statements are contained within the full audited financial statements of the Company which are publicly available, and should be read in conjunction with these full financial statements. Unmodified audit opinions were provided in relation to these financial statements.

The presentation of these primary statements below differ from the presentation format utilised in the audited financial statements, however the recognition and measurement principles are consistent, as well as profit for the year and total equity figures.

7.1.1 Consolidated Statement of Comprehensive Income

(FJ\$'000)	Audited 4 months to 30 June 2015	Audited 12 months to 30 June 2016	Audited 12 months to 30 June 2017	Audited 6 months to 31 December 2017
Interest Income	70	4,876	13,345	10,400
Interest Expenses	(29)	(1,137)	(3,231)	(2,628)
Net Interest Income	42	3,739	10,114	7,773
Fee and other income	47	480	890	678
Total Operating Income	88	4,219	11,004	8,450
Impairment charges on financial assets	(72)	(475)	(1,313)	(847)
Net Operating Income	17	3,744	9,691	7,604
Depreciation	(52)	(185)	(370)	(245)
Operating Expenses	(1,054)	(2,987)	(5,260)	(4,270)
Profit before tax	(1,090)	572	4,060	3,089
Net tax expenses	20	(3)	(940)	(672)
Profit for the year	(1,070)	568	3,120	2,417

Comments

KFL's interest income for FY2017 increased by 174% to \$13.3m. This increase was driven by the growth in KFL's loan book during FY2017.

KFL's interest expense increased by 184% to \$3.2m on the back of a 77% growth in customer deposits. The Company's operating expenses also increased, in line with the increase in size of the Company.

Overall, KFL recorded an NPAT of \$3.1m for FY2017, up from \$0.6m in FY2016. KFL's NPAT for the six months to 31 December, 2017 was \$2.4m.

7.1.2 Consolidated Statement of Financial Position

(FJ\$'000)	Audited June 2015	Audited June 2016	Audited June 2017	Audited December 2017
Assets				
Cash and cash equivalents	2,294	2,738	3,368	5,948
Financial investments	1,356	14,400	24,900	31,755
Loans and advances to customers	3,126	34,239	62,664	83,075
Plant and equipment	540	685	802	1,389
Intangible assets	0	283	491	600
Other assets	116	1,041	1,384	2,764
Total Assets	7,431	53,385	93,609	125,530
Equity and Liabilities				
Deposits from customers	5,877	44,563	78,655	104,545
Trade and other payables	244	2,394	4,436	6,253
Total Liabilities	6,121	46,956	83,091	110,798
Shareholders Equity				
Issued capital	2,380	6,930	7,900	9,698
Retained earnings	(1,070)	(502)	2,618	5,034
Total Equity	1,310	6,428	10,518	14,732
Total Equity and Liabilities	7,431	53,385	93,609	125,530

Comments

The Company commenced trading in March, 2015 and by 31 December, 2017 had a loan book of \$83.1m, representing 91% of the licensed consumer credit market, excluding home loans. At this date the Company's total assets were \$125.5m.

The increase in Financial Investments is in line with the Company's policy to invest excess funds into interest bearing assets to generate interest income and reduce gap costs relating to the cost of deposits raised from customers.

7.1.3 Consolidated Statement Of Cash Flows

(FJ\$'000)	Audited 4 months to 30 June 2015	Audited 12 months to 30 June 2016	Audited 12 months to 30 June 2017	Audited 6 months to 31 December 2017
Cash flow from operating activities				
Interest received	70	4,876	13,345	10,947
Interest paid	(29)	(1,137)	(3,231)	(2,628)
Non-Interest income received	47	480	890	131
Payments to suppliers and employees	(911)	(2,987)	(3,164)	(3,613)
Net customer loans granted	(3,197)	(31,113)	(29,738)	(21,258)
Net cash received in respect of deposits	5,877	38,685	34,093	25,889
Income tax paid	0	(89)	(1,090)	(441)
Other revenue/(expenses)	0	837	(242)	0
Net cash flow from operating activities	1,858	9,552	10,864	9,029
Cash flow from investing activities				
Acquisition of investment securities	(1,356)	(13,044)	(10,500)	(7,288)
Payments for property, plant and equipment	(589)	(613)	(704)	(958)
Net cash flow from investing activities	(1,944)	(13,657)	(11,204)	(8,246)
Cash flow from financing activities				
Capital contribution from shareholders	2,380	4,550	970	1,798
Net cash flow from financing activities	2,380	4,550	970	1,798
Net increase in cash and cash equivalents	2,294	445	629	2,580
Cash and cash equivalents at 1 July	0	2,294	2,738	3,368
Cash and cash equivalents at 30 June	2,294	2,738	3,368	5,948

7.2 Financial Projections

Financial projections for the financial years 2018 – 2020 and associated hypothetical assumptions are provided below. These projections were prepared by KFL only for the purpose of this Information Memorandum, and were independently reviewed by Independent Accountants, KPMG, and should be read in conjunction with the Independent Accountant's Report in Section 8.0.

7.2.1 Consolidated Statement of Forecast Comprehensive Income

(FJ\$'000)	Projection 2018*	Projection 2019	Projection 2020
Interest income	23,767	36,779	45,233
Interest expense	(6,345)	(9,497)	(11,388)
Net interest income	17,422	27,282	33,845
Fee and other income	1,225	1,550	2,000
Total operating income	18,647	28,832	35,845
Impairment charges on financial assets	(2,082)	(3,696)	(4,011)
Net operating income	16,565	25,136	31,834
Depreciation	(590)	(869)	(956)
Operating expenses	(9,439)	(13,080)	(15,302)
Profit before tax	6,536	11,188	15,576
Net tax expense	(1,459)	(1,103)	(1,611)
Profit for the year	5,078	10,084	13,964

*Incorporates actual figures for the first 9 months

7.2.2 Consolidated Statement of Forecast Financial Position

(FJ\$'000)	Projection 2018*	Projection 2019	Projection 2020
Assets			
Cash and cash equivalents	11,366	15,751	19,863
Financial investments	44,685	59,854	77,515
Loans and advances to customers	103,456	145,450	180,479
Plant and equipment	1,645	2,051	2,476
Intangible assets	702	865	993
Other assets	1,604	2,197	2,617
Total Assets	163,458	226,169	283,943
Equity and Liabilities			
Deposits from customers	135,721	187,321	233,153
Trade and other payables	9,375	12,895	15,151
Total Liabilities	145,096	200,215	248,304
Shareholders Equity			
Issued capital	11,565	12,385	14,220
Retained earnings	6,797	13,569	21,419
Total Equity	18,362	25,955	35,639
Total Equity and Liabilities	163,458	226,169	283,943

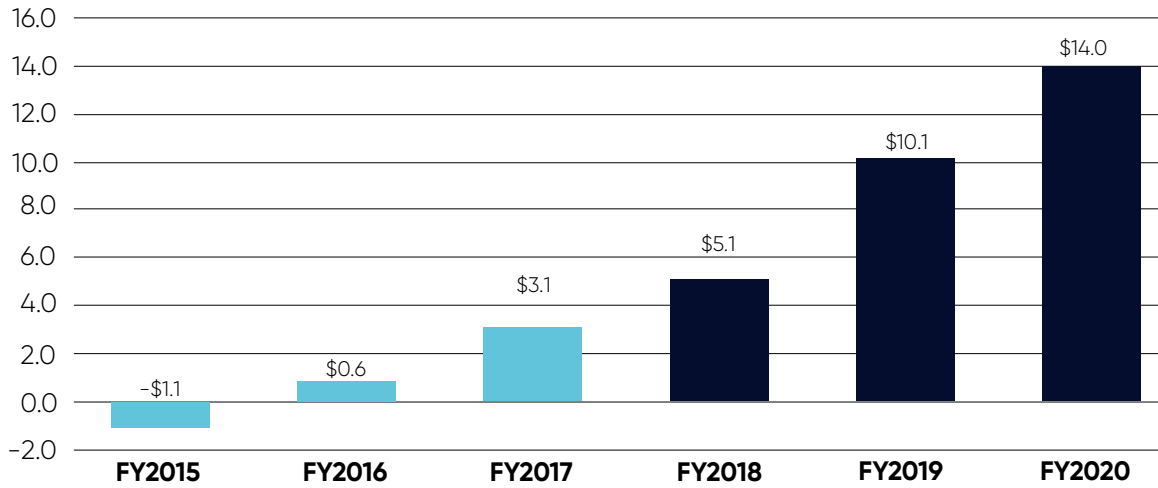
*Incorporates actual figures for the first 9 months

7.2.3 Consolidated Statement of Forecast Cashflows

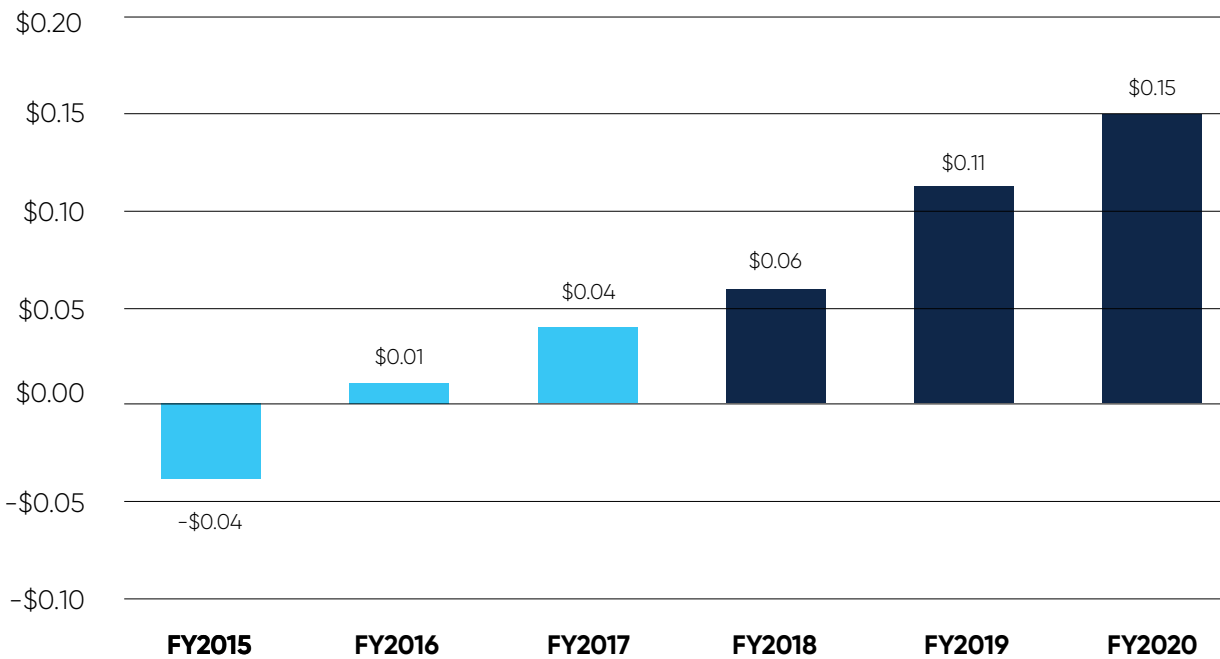
(FJ\$'000)	Projection 2018*	Projection 2019	Projection 2020
Cash flow from operating activities			
Interest received	23,767	36,779	45,233
Interest paid	(6,345)	(9,497)	(11,388)
Non-Interest income received	1,225	1,550	2,000
Payments to suppliers and employees	(9,439)	(13,080)	(15,302)
Net customer loans granted	(40,792)	(41,995)	(35,028)
Net cash received/(repaid) in respect of deposits	57,065	51,600	45,832
Income tax paid	(1,169)	(1,103)	(1,611)
Other revenue/(expenses)	2,348	(769)	(2,173)
Net cash flow from operating activities	26,661	23,485	27,563
Cash flow from investing activities			
Acquisition of investment securities	(19,785)	(15,170)	(17,661)
Payments for property, plant and equipment	(1,644)	(1,438)	(1,510)
Net cash flow from investing activities	(21,428)	(16,608)	(19,171)
Cash flow from financing activities			
Capital contribution from shareholders	3,665	820	1,834
Dividends paid	(899)	(3,312)	(6,115)
Net cash flow from financing activities	2,766	(2,492)	(4,280)
Net increase in cash and cash equivalents	7,998	4,385	4,112
Cash and cash equivalents at 1 July	3,368	11,366	15,751
Cash and cash equivalents at 30 June	11,366	15,751	19,863

*Incorporates actual figures for the first 9 months

GROUP NET PROFIT AFTER TAX (\$m)

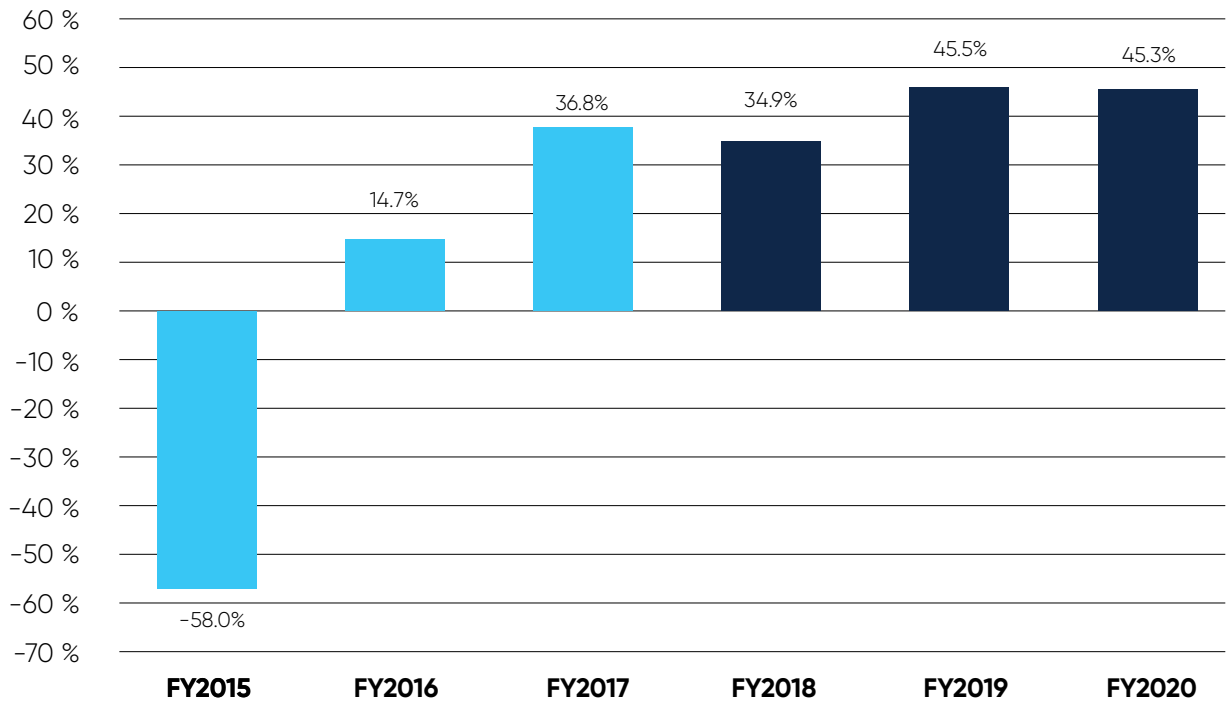


GROUP EARNINGS PER SHARE (\$m)

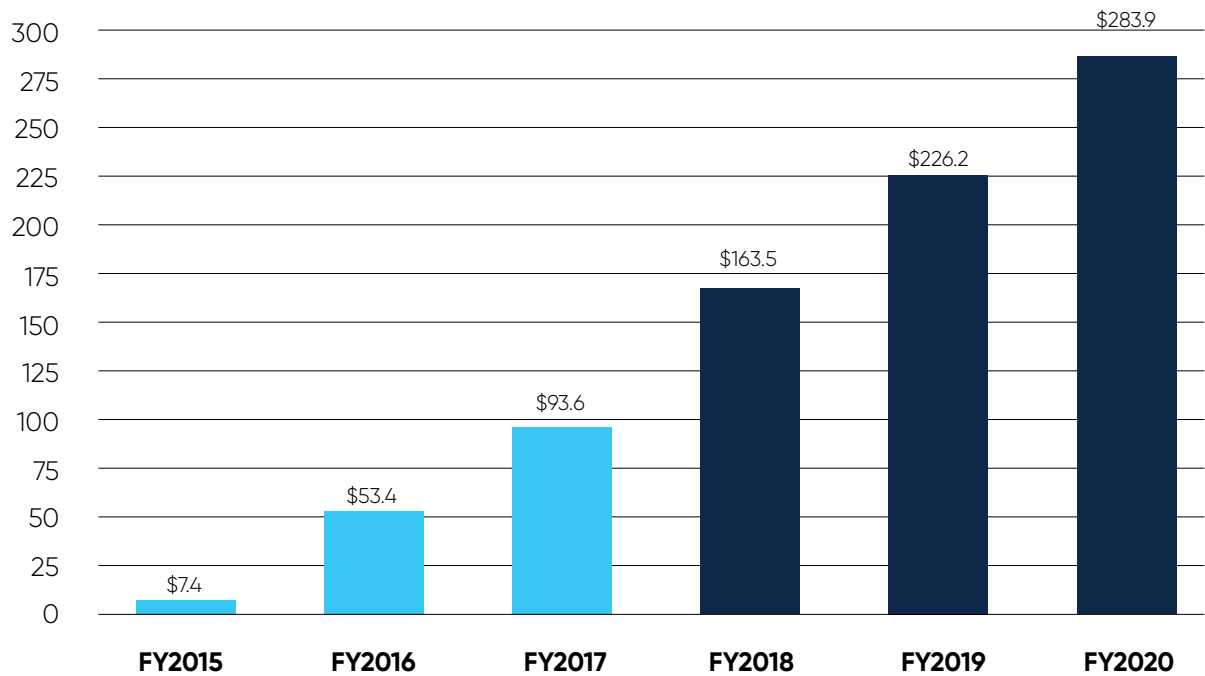


Note: the 10-for-1 share split on 31 August, 2017 was retrospectively applied to historical "per share figures"

GROUP RETURN ON EQUITY



GROUP TOTAL ASSETS UNDER MANAGEMENT (\$m)



7.3 Key Assumptions

KFL's projections are based on the following key hypothetical assumptions applying during the projection period ³:

- There will be no material changes in the consumer credit market. The market is expected to continue to experience similar growth in the medium term as it has in the past five years.
- There will be no significant changes in the nature of the competitive environment in which the Company operates.
- Current monetary policy setting will continue.
- GDP growth rates of:
 - 3.8% in 2017
 - 3.0% in 2018
 - 2.9% in 2019
- KFL will experience cost inflation at a rate of 5% per annum, in excess of RBF's forecast inflation, which is projected to be 2.5% at the end of 2017.
- There will be no material changes in the Overnight Policy Rate, which was 0.5% at the date of this Information Memorandum.
- KFL estimates it will write total net loans of:
 - \$41m in FY2018,
 - \$42m in FY2019,
 - \$35m in FY2020.
- Total assets under management will increase by 75% to \$163m in FY2018, 38% in FY2019 and 26% to \$284m in FY2020.
- The opening receivables will reduce by an average of 5.1% over the forecast period due to scheduled amortization, prepayments and early repayment on a monthly basis.
- Impairment expense is estimated to be an average of 2.2% of the book.
- Total Provisions is assumed to reach 2.5% by the end of FY2018 and gradually rising to 3.2% by the end of FY2020.
- KFL is assumed to raise an average of \$51m per year in term deposits over the next 3 years at an estimated interest rate of 5.8%
- It is assumed that the company will maintain a loan to deposits ratio (LDR) of 80% in the projected years.
- Capital expenditure of \$1.7m in FY2018, \$1.4m in FY2019 and \$1.5m in FY2020.
- The dividend payout ratio will be up to 50%.
- 20% of all dividends are assumed to be reinvested in the company by shareholders for the FY2018. This is expected to increase to 30% by FY2020 under the Dividend Reinvestment Scheme.
- Monthly claims expense is assumed to be 0.8% of unearned premium reserve.
- The effective average tax rate for FY2018 has been assumed at 21.0%, reducing to 11% from July 2018 onwards. The latter reflects the impact of the reduced corporate tax rate upon listing.

Note that KFL's projections for FY2018 incorporate actual figures for the first nine months of FY2018 (i.e. period ending 31 March, 2018). Results to date for FY2018 are therefore consistent with the projections.

Furthermore, it should be noted that risks and uncertainties may cause these future projections to differ materially from the actual performance or achievements.

³An assessment of the impact of the change in treatment of loan provisioning under IFRS 9 is currently in progress and has not been formally reflected in the projections.



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INDEPENDENT ACCOUNTANT'S REPORT

8



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Board of Directors
Kontiki Finance Limited
GPO Box 12508
Suva

Our ref KONTIKI18ADV-
EM-FINALIAReport-
L1505-SMNma

29 May 2018

Dear Directors

Independent Accountant's Report on the Examination of Prospective Financial Information

We have been engaged by Kontiki Finance Limited ("Kontiki Finance" or "the Company") to report on the projected consolidated Statements of Financial Position as at 30 June 2018, 30 June 2019 and 30 June 2020, and the projected consolidated Statements of Comprehensive Income and Cash Flows for the years ending on those dates (together, "Prospective Financial Information") for inclusion in the Kontiki Finance Limited Information Memorandum dated on or about 29 May 2018 and relating to the compliance listing of 88,851,623 fully paid ordinary shares in Kontiki Finance Limited.

The nature of this report is such that it can only be issued by a chartered accountant with a current Certificate of Public Practice (CPP) issued by the Fiji Institute of Accountants in accordance with the Fiji Institute of Accountants Act (Cap. 259). Steve Nutley of KPMG holds the appropriate CPP. We also confirm that neither KPMG, Steve Nutley, nor any other current KPMG Partner is the Auditor of Kontiki Finance or involved in the preparation of the Company's current financial accounts.

Scope

The directors have requested KPMG to review the Prospective Financial Information of Kontiki Finance as described in Section 7.2 of the Information Memorandum. The directors' hypothetical assumptions underlying the Prospective Financial Information are described in Section 7.3 of the Information Memorandum.

Prospective financial information relates to events and actions that have not yet occurred and may not occur. Whilst evidence may be available to support the assumptions on which prospective financial information is based, such evidence is generally future oriented and accordingly, the Company's actual

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results may vary from the directors' financial projections, and such variations may be material.

The stated basis of preparation used in the preparation of the Prospective Financial Information is the recognition and measurement principles contained in International Financial Reporting Standards and the Company's adopted accounting policies.

Directors' Responsibility

The directors of Kontiki Finance are responsible for the preparation of the Prospective Financial Information, including the assumptions. This includes responsibility for such internal control as the directors determine is necessary to enable the preparation of the Prospective Financial Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the basis of preparation of the Prospective Financial Information based on our review. We have conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3400 *The Examination of Prospective Financial Information*.

Our limited assurance procedures consisted of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Conclusions

Prospective Financial Information

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that in all material respects, the Prospective Financial Information:

- is not prepared on the basis of the directors' hypothetical assumptions described in Section 7.3 of the Information Memorandum; and
- is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Financial Reporting Standards and the Company's adopted accounting policies.

The Prospective Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of Kontiki Finance for the years ending 30 June 2018, 30 June 2019 and 30 June 2020. There is a considerable degree of subjective judgement involved in preparing the Prospective Financial Information since it relates to events and transactions that have not yet



occurred and may not occur. Actual results are likely to be different from the Prospective Financial Information, and the variation may be material.

The projections have been prepared by the directors using a set of assumptions that include hypothetical assumptions about future events and management actions that are not necessarily expected to occur and are also subject to uncertainties and contingencies, which are often outside the control of Kontiki Finance. Evidence may be available to support the directors' hypothetical assumptions on which the Prospective Financial Information is based, however such evidence is generally future-oriented and therefore speculative in nature. Consequently, readers are cautioned that these projections may not be appropriate for purposes other than that described in this report. The limited assurance conclusion expressed in this report has been formed on the above basis.

We have assumed, and relied on representations from certain members of management of Kontiki Finance, that all material information concerning the prospects of Kontiki Finance has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 7.2 of the Information Memorandum, which describes the purpose of the Prospective Financial Information, being for the inclusion in the Information Memorandum. As a result, the Prospective Financial Information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the Prospective Financial Information to which it relates, for any purpose other than that for which it was prepared.

Consent

KPMG has consented to the inclusion of this assurance report in the Information Memorandum in the form and context in which it is included.

Declaration of Interest

KPMG does not have any interest in the outcome of this proposed listing other than the provision of this Independent Accountant's Report for which normal professional fees will be received.



KPMG does not have any other existing relationship with Kontiki Finance other than as Independent Accountant to which this report relates, and as adviser in relation to the provision of accounting advice on the application of IFRS 9: *Financial Instruments*, which is not the subject of this report, nor of the Information Memorandum.

Yours faithfully

A handwritten signature in black ink, appearing to be 'SN', written over a circular scribble.

Steve Nutley
Partner

KPMG

KPMG



Champions of Financial Literacy in Fiji

CORPORATE GOVERNANCE

9

KFL is committed to developing and maintaining corporate governance policies that are consistent with industry best-practice. To this end, the Company supports the Reserve Bank of Fiji's Corporate Governance Code for the Capital Markets. The Code's principles, and how these are implemented within KFL, are detailed below.

Principle 1 - Establish Clear Responsibilities for Board Oversight

The Company's Corporate Governance Policy clearly defines the role of the Board and its committees, namely the Audit Committee and the Asset and Liability Committee (ALCO). The Board has overall responsibility for the company, including approving and overseeing the implementation of its business objectives, risk strategy, financial soundness, corporate governance and corporate values.

The Board is also guided by the Board Charter which includes, amongst other things:

- a commitment to ensure compliance of the Company's legal and regulatory obligations to respective stakeholders;
- the roles, functions, obligations, rights, responsibilities and powers of the Board;
- the policies, practices and procedures the Board must follow in carrying out its duties, functions and responsibilities; and
- a commitment to review, ratify, monitor and implement systems of risk management and internal control, as well as corporate governance.

Principle 2 - Constitute an Effective Board

- Candidates for directorship may be nominated by shareholders in a general meeting or appointed by the Board on a temporary basis. Directors appointed by the Board may only hold the position until the next Annual General Meeting.
- The Board Charter sets the guidelines that directors should meet. In particular:
 - Proposed Board members must meet the fit and proper criteria as defined by the RBF Banking Supervision Policy Statement No 10: *Fit and Proper Requirements for Licensed Financial Institutions in Fiji*.
 - Directors should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgement about the affairs of KFL.
 - The Board should possess, both as individuals and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity.
 - The Board should have an adequate mix of core competencies in finance, accounting, financial services, business or management experience, industry knowledge, legal, strategic planning and risk management.
- The Board Charter also requires that the Company must have policies and practices for the selection, approval, renewal and succession of directors. New directors must also be provided sufficient time to familiarise themselves with KFL's business and risk profile, risk management, governance practices and internal controls. In practice, this includes the provision of an information pack containing all relevant documents upon appointment and briefings by senior management.
- The Board reviews and reassesses the adequacy of the Board Charter regularly.

Principle 3 - Appointment of Chief Executive Officer

- The Corporate Governance Policy clearly defines the roles and responsibilities of the CEO. The CEO's contract of employment also details the duties, functions and responsibilities of the position.
- The Board is responsible for selecting the CEO and having in place an appropriate succession plan. The Board also provides oversight of the CEO, in particular:
 - monitoring to ensure the CEO's actions are consistent with the strategy and policies approved by the Board;
 - setting formal performance standards consistent with the long-term objectives, strategy and financial soundness of the Company, and monitoring performance against these standards; and
 - ensuring that the CEO's knowledge and expertise remain appropriate given the nature of the business and the institution's risk profile.
- The Board ensures that the Company's organisational structure facilitates effective decision making and good governance.

Principle 4 - Appointment of Board and Company Secretary

- The Shareholders are responsible for selecting the Board
- The Board is responsible for appointing a competent Company Secretary who is the administrative link between the Board and management. The Company Secretary also monitors statutory requirements and board policies and procedures, and ensure that they are followed in a timely manner.

Principle 5 - Timely and Balanced Disclosure

- The Company has a policy of informing shareholders promptly of any events that might significantly affect the value of the Company. This is a requirement under the SPSE Listing Rules, which KFL is required to follow as a listed company.
- In addition, annual reports are provided to shareholders and annual general meetings are held annually to provide shareholders the opportunity to have their queries answered and be updated on the Company's performance and plans.
- The Company also welcomes contact with shareholders at any time should they have pressing concerns or queries.

Principle 6 - Promote Ethical and Responsible Decision-Making

- The Corporate Governance Policy is designed to promote sound corporate governance practices within KFL. The Policy promotes principles of transparency, accountability, responsibility and relevant disclosure. It also emphasises the separate responsibilities of directors and Senior Management and has been written considering all relevant legislative and regulatory requirements.
- Other policies and procedures have been put in place to cascade the core corporate governance principles contained in the Policy down to all aspects of the Company's operations.

Principle 7 - Register of Interests

- The Corporate Governance Policy sets out principles governing conflicts of interest of employees. In particular, employees are required to declare any position or interest outside KFL that could lead to a conflict of interest, as well as communicate any potential conflicts of interest to the CEO for proper management of the conflict.
- Similarly, the Board Charter sets out principles governing conflicts of interest for directors. The minutes of board meetings reflect any declarations of conflicts of interest and how the conflict was managed. A register of interests for directors is also maintained.

Principle 8 - Respect Rights of Shareholders

- All shareholder queries may be directed to the Company Secretary who is responsible for replying to/addressing them.
- Aside from attendance at the AGM, shareholders are able to submit written questions for the AGM via the Company Secretary.
- KFL also has a website which is regularly updated with significant events that may be of interest to shareholders.

Principle 9 - Accountability and Audit

- The Company has an external auditor to serve as an independent evaluator of the Company's financial reporting.
- This function is supported by an Internal Audit function involving an independent party.
- The Company has a Audit Committee in place that meets quarterly, or more often as needs dictate. The committee, amongst other things, is tasked with overseeing the external and internal audit function.

Principle 10 - Recognise and Manage Risk

The Company has a comprehensive risk management framework of policies and procedures. Details are provided in Section 10 of this document.



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RISK MANAGEMENT

10

10.1 Overview

As a credit institution, KFL is exposed to various risks. To be consistently successful, it is critical that the Company mitigate these risks and to this end, KFL has a *Risk Management Framework* which aims to:

- i. recognise the loss-inflicting capacity of risk events;
- ii. develop an awareness and control culture across KFL;
- iii. develop techniques to assess the impact of risks;
- iv. anticipate and respond to changing social, environmental and legislative requirements;
- v. establish clear roles, responsibilities and reporting lines within KFL for risk management;
- vi. provide opportunities for shared learning on risk management across KFL; and
- vii. reinforce the importance of risk management for KFL management and staff.

Under this framework, the Board of Directors is responsible for ensuring that appropriate policies are in place to mitigate or control risks while the CEO and management, through the Head of Risk, are responsible for the development, implementation and maintenance of risk policies. This function is supported by the Internal Audit process, which sees regular and independent review of key risk areas by the Internal Auditor.

More specifically, the Board of Directors has oversight of credit risk, the ALCO Committee has oversight of liquidity risk and the Board Audit Committee has oversight of all other risks. These functions are supported by the Internal Audit process, which sees regular and independent review of key risk areas by the Internal Auditor, as well as the annual external audit process.

10.2 Role of RBF

KFL operates in a closely regulated industry under the oversight of the RBF. As guardian of the banking and finance industry, RBF seeks to safeguard the interests of all stakeholders by preventing overly risky industry practices and promoting market integrity and efficiency. As such, RBF has an important role to play in KFL's risk management framework, including.

- Monitoring KFL's operations against relevant laws, regulations and policies.
- Conducting routine and special inspections of KFL's business.
- Requiring regular reporting and disclosure by KFL to RBF.

Under the Banking Act, RBF also has powers to direct licensed entities to take actions to manage or mitigate risks, including recapitalisation of the business, if the RBF deems that this is in the best interests of the market.

10.3 Key Risk Areas

The following are the main risk areas identified for KFL and existing mitigating factors that have been put in place.

10.3.1 Business Risk

Business risk, is the risk of not achieving KFL's business objectives and hence not generating an appropriate return for KFL investors. Business risk is influenced by numerous factors, including sales volume, pricing, input costs, competition, government regulations and the economy.

Mitigating Factors

Business risk is regularly assessed and monitored, utilising several tools developed by KFL as listed below. Each of the tools are approved by the Board and reviewed regularly.

- Business Plan – This details the Company's philosophies, target markets, activities, initiatives, and plans on how to achieve its business objectives.
- Financial Plan – This converts the Business Plan into a financial plan or budget.
- Capital Plan – This plan assesses and outlines the regulatory capital required for implementing the business and financial plans.

10.3.2 Credit Risk

Credit risk is the risk that KFL will incur a loss because its clients or counterparties fail to discharge their contractual obligations. KFL is exposed to several types of credit risk, namely:

- Credit risk of loans to clients – The risk that clients will not repay their loans resulting in loans written off as bad debts
- Portfolio risk – Relates to lending exposure to a specific sector(s) of the economy. When a particular sector(s) encounters problems, loans to that sector(s) might have a higher risk of default.
- Counterparty risk – Relates to exposure to government securities, banks and other financial counterparties with which KFL places liquidity

Mitigating Factors

KFL has implemented a Credit Policy and Credit Procedures to manage and control all credit risks. These are designed to ensure consistent, sound and prudent credit and lending practices, and take into account all relevant legislative and regulatory requirements.

Policies and procedures include the following:

- A robust credit assessment process that screens potential clients, thoroughly analyses the financial status of loan clients and determines the maximum amount that should be loaned to a particular client as well as how the loan should be structured.
- Maximum loan exposures for particular economic sectors or industries.
- Limits on the amount of risk KFL is willing to accept for individual counterparties. Counterparty limits for liquidity placements are established by the use of credit risk rating. Risk ratings are subject to regular revision.
- A good collections process and a well-trained and motivated collections team.
- Close monitoring of loan accounts and counterparty arrangements on an ongoing basis. The account review process provides early identification of possible changes in the creditworthiness of clients or counterparties and allows KFL to assess potential losses as a result of the risks to which it is exposed and take corrective action.
- The account review process also allows appropriate provisioning on loans in accordance with the current arrears position of the accounts. Provisions may be adjusted where there are any known difficulties in the cashflows of clients, or infringement of the original terms of the contract.

In addition, loan protection insurance is provided to KFL's clients by KFL's wholly-owned captive insurer, Platinum Insurance Limited (PIL), thereby reducing the risk of loan defaults.

Measures have also been put in place to manage PIL's underwriting risk. These include:

- Re-insurance arrangements entered into by PIL
- Annual audit of PIL by a chartered accountancy firm in Vanuatu
- An actuarial review of PIL's business, conducted every year by a qualified actuary

10.3.3 Liquidity Risk

Liquidity risk is the risk that KFL will not have sufficient cash and other liquid assets to meet liabilities and other commitments when they arise. A liquidity shortfall in meeting commitments could affect KFL's reputation and threaten its solvency.

Mitigating Factors

KFL takes fixed term deposits, but does not take demand deposits that could cause large variations in available funds on a daily basis. In addition, KFL is not exposed to significant contingent liabilities from letters of credit, guarantees, forward transactions and the like.

KFL also has a Liquidity Risk Management Policy in place. Under this policy, KFL:

- Aims to match the maturity profile of its term deposit base with that of the loan portfolio as closely as possible.
- KFL also manages liquidity placements so as to ensure adequate liquidity at all times.
- Cashflows and liquidity are monitored on a daily basis. This incorporates an assessment of expected cashflows and the availability of maturing liquidity placements to provide additional funding if required

Liquidity risk management is overseen by the Asset and Liability Committee (ALCO), which meets monthly.

10.3.4. Operational Risk

Operational risks are uncertain future events that may prevent the company from achieving its business objectives. These may be grouped into:

- Process Risk - Relating to losses from the execution and maintenance of transactions, and the various aspects of running a business, including products and services.
- People Risk – Relating to employee error, employee misdeeds or employment disputes.
- System Risk – Relating to piracy, theft, failure, breakdown or other disruption in technology, data or information.
- External Risk – Relating to damage to physical assets including from changes in the regulatory environment, failure at suppliers or outsourced operations, fire or natural disaster, terrorism, vandalism and theft.

Mitigating Factors

KFL has an Operational Risk Management Framework which outlines the following:

- Governance – The structure and roles and responsibilities of risk management. This involves senior management / departmental heads, the Head of Risk and the Internal Auditor providing three layers of assurance. This is further overseen by the Board through the Board Audit Committee.
- Risk Management Strategy – Sets out the processes of risk identification, assessment, management, reporting and supervision.
- When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The Holding Company and the Group cannot expect to eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Holding Company and the Group is able to manage risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including use of internal audit.

All operational risks are contained in the Operational Risk Register which is maintained by the Head of Risk.

The Framework complies with the RBF's Banking Supervision Policy Statement No 16 – Minimum Requirements for the Management of Operational Risk for Licensed Financial Institutions in Fiji.

10.3.5 Money Laundering and Terrorist Financing Risk

Money Laundering and Terrorist Financing Risk is the risk that Kontiki Finance will be used by criminals as a medium to launder and move funds, or to obtain finance, for criminal activity.

Mitigation Factors

The management and monitoring of money laundering and terrorist financing risk is governed by the Policy for the Management and Money Laundering and Terrorism Financing Risk. Amongst other things, this calls for:

- Strict identification standards for determining the true identity of clients
- Careful monitoring the frequency and nature of cash transactions

10.3.6 Market Risk

Market risk refers to the risk of losses in on- and off-balance sheet positions arising from movements in market prices, including interest rates, exchange rates and equity values.

Interest rate risk is the risk arising from adverse movements in interest rates. This risk is particularly relevant to KFL as all term deposits and loans have an interest rate component.

Exposure to foreign exchange risk is low as the Company has limited and infrequent foreign exchange exposure from expenses or capital purchases. Similarly, KFL does not hold trading equity investments and therefore is not exposed to changes in market prices and equity values.

Mitigating Factors

Management of Market Risk is governed by the Risk Management Framework which outlines the following:

- Governance – The structure and roles and responsibilities of risk management. This involves senior/ line management and the Head of Risk. This is further overseen by the Board through the Asset Liability Committee (ALCO).
- Risk Management Strategy – Sets out the processes of risk identification, assessment, management, reporting and supervision. Specific measures to mitigate market risk include:
 - Fixing of interest rates as appropriate
 - Hedging with a portfolio of loans and deposits with similar volumes in each maturity time band.
 - A maximum loan and deposit term of seven years, which limits long-term exposure
 - Careful monitoring of products and re-pricing as necessary

10.4 Capital Management

Critical to KFL's business is that it maintains adequate capital at all times to ensure compliance with regulatory capital requirements, support the growth of its business and maximise shareholder value. From the risk management perspective, maintaining sufficient capital also allows KFL to weather any unforeseen shocks to its business, the industry or the economy, which might lead to the realisation of some of the risks mentioned above.

In this regard, KFL carefully manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, KFL may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new securities to raise new capital.

KFL's approach to capital management includes

- Maintaining a minimum of 15% of risk weighted assets to total capital at any point in time, in line with RBF guidelines.
- A stock exchange listing to allow KFL ready access to capital. Should new capital be required, a capital raising via a rights issue on the stock exchange would be a viable option. The offer structure, including amount and offer price, would be adjusted to ensure offer viability.
- In addition, KFL maintains a close working relationship Kontiki Capital Ltd, which has extensive experience in, and a successful track record of, structuring and managing capital raisings in the Fiji market.

10.5 Performance to Date

KFL's Risk Framework and associated policies have been fully implemented and are regularly monitored and, where appropriate, fine-tuned and improved.

KFL's Capital Adequacy Ratio (CAR) was 16.5% as at 31 December, 2017. This compares with the minimum CAR required by RBF of 15%.

In addition, over the most recent full financial year (ended 30 June, 2017) and adding the six months (ending 31 December, 2017) since that period:

- The Overdue Index, a measure of underperforming loans, averaged 2.8%, with the index as at 31 December, 2017 also at that level.
- Risk exposure to individual loans was also low as indicated by the following:
 - The average loan size trended downwards from 0.034% of total receivables to just 0.015% of total receivables as at 31 December, 2017.
 - The maximum exposure to a single client was 0.9% of total receivables as at 31 December, 2017, and had averaged 0.8% of total receivables over the period. This compares with the maximum of 25% under the Banking Act.



Our Term Deposit offerings have been the best in the country since our inception

GUIDE TO INVESTORS

11

The following questions and answers are provided as a guide and should not be taken as providing securities recommendations or investment advice. KFL strongly recommends that you seek detailed advice from your investment adviser prior to making any investment decision concerning KFL shares.

(i) What does owning shares mean?

Owning a share means you become a shareholder or part-owner of the Company.

(ii) What are my rights or entitlements as a shareholder?

Your rights as a shareholder include:

- the right to participate in the profits of the Company through dividends if and when dividends are declared;
- the right to any issuance of bonus shares (if issued) to capitalise retained earnings for re-investment back into the Company;
- the right to attend and where applicable to vote, at shareholders' meetings; and
- the entitlement to the proceeds on a pro-rata basis arising out of the winding up of the Company once all creditors are satisfied.

(iii) How can I buy or dispose shares?

The Company intends to achieve a stock exchange listing, which will allow shareholders to buy and sell shares freely.

In addition, KFL's share registry will be maintained by the South Pacific Stock Exchange's Central Share Registry (CSR). CSR will handle the recording of any changes in shareholding, the issue and replacement of share certificates, if applicable, processing of dividend payments, maintenance of shareholder records and related matters.

(iv) How do I gain financially from owning shares?

There are two financial benefits which may arise from the ownership of shares namely:

Income return in the form of dividends paid on the shares; and

Growth return in the form of capital growth if the share price rises.

The Board will determine whether or not dividends are paid during or after each financial year based on various conditions. The amount of dividends may vary from year to year or might not even be paid in any particular year. The share price is dependent on many factors and may fluctuate up or down. In general, shares should not be considered as a short term investment.

(v) How is a dividend declared and paid?

The Board determines how much out of the Company's profits is required for reinvestment in the Company and how much can be reasonably paid out to the shareholders in the form of dividends. A final decision is then made on how much dividends to declare, accounting for various criteria and conditions. There is a set time period in which dividends once declared must be paid out to shareholders. Dividend payments will be processed by the South Pacific Stock Exchange's Central Share Registry (CSR).

(vi) What affects the value and price of shares?

The price a share is sold at will depend on internal and external factors including (but not limited to) the following:

- the financial performance of the Company;
- the dividend policy of the Company;
- profit outlook assessments for the Company;
- the financial position of the Company;
- the risk factors relevant to the Company; and
- the tax status of KFL dividends and trading in KFL shares.

ADDITIONAL INFORMATION

12

The information contained herein is for compliance purposes.

(i) Share options

The Company has not granted or intends to grant to any person or corporation an option to subscribe for shares in the Company other than as detailed in Section 4.2.

(ii) Class of shares

The Company currently has a single class of ordinary shares.

(iii) Shares issued other than in cash

There are no shares or debentures of the Company which, within two years preceding the date of this statement, have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash.

(iv) Shareholding Interests of Directors and Senior Management in KFL

Name	Position	No. of Shares Held Directly	No. of Shares Held Indirectly
Daryl Tarte	Director	333,340	0
Francis Chung	Director	833,340	0
Glen Craig	Director	0	7,515,160 ⁴
Griffon Emose	Director	1,547,130	0
Litia Niumataiwalu	Director	0	0
Greg Cathcart	Senior Manager	0	14,877,983 ⁵
David Oliver	Senior Manager	210,030	18,806,193 ⁶
Phillip Lacey	Senior Manager	834,550	0

(v) Shareholding Interests of Directors in Other Public Companies

KFL directors' shareholdings in public companies the past two years are detailed below:

Name	Position	Public Company(s) in which a Shareholder
Daryl Tarte	Director	• BSP Convertible Notes Limited
Francis Chung	Director	N/A
Glen Craig	Director	N/A
Griffon Emose	Director	• Kinetic Growth Fund Limited • FijiCare Insurance Limited • Yatu Lau Company Limited
Litia Niumataiwalu	Director	N/A

⁴Held through holding companies Retail Holdings Limited and Bus Behind Limited.

⁵Held through holding company, Corbett Holdings Limited

⁶Held through holding company, Impala Investments Limited

(vi) Documents available for inspection

Copies of the following documents are available for inspection by shareholders during normal office hours (9am to 5pm) at the registered office of the Company:

Company Details

- Certificate of Incorporation;
- Articles of Association of the Company;
- Reserve Bank of Fiji (RBF) approval letters;
- Company structure;
- Shareholders list;
- Business license;
- Corporate governance policies;
- Details of directors and key management personnel;
- Directors register of interest forms and the 'Fit and Proper' form required under the Capital Markets Policy Statement No 6.;
- Other material contracts.

Financial details

- Audited financial statements of the Company since inception;
- Projected financial statements for the three years ending 30th June 2018, 2019 and 2020.

(vii) Independent accountants

KPMG has acted as independent accountants. They have given and have not, before the delivery of a copy of this Information Memorandum for registration, withdrawn their written consents for the inclusion of their name as auditors or independent accountants of the Company in the form and context in which it is included.

(viii) Solicitors

The Company's solicitor is Munro Leys Law who has given and have not, before the delivery of a copy of this Information Memorandum for registration, withdrawn their written consents for the inclusion of their name as solicitors of the Company in the form and context in which it is included.

(ix) Pending litigation

There is no current material litigation or arbitration, including those pending or threatened, nor any facts likely to give rise to any proceedings which may materially affect the business/financial position of the Company.

(x) Material acquisitions and expansion

There have not been any material acquisitions and or expansions by the Company since the last balance date.

(xi) Key director details**(xii) Directors' and Senior Management fit and proper**

All directors and senior management of the Company have been assessed as meeting the "Fit and Proper" requirements of the RBF as defined in the Banking Supervision Policy Statement No. 10 – Fit & Proper Requirements.

No director is or has been involved, either directly or indirectly, in any insolvency, bankruptcy or criminal proceedings, or been restricted by the RBF or a court of a competent jurisdiction from acting as an investment adviser, dealer in securities, director or employee of a financial institution or engaging in any type of business practice or activity.

(xiii) Other information

Name	Age	Residential Address	Date of Initial Appointment	Expiry of Current Appointment ⁷
Daryl Tarte	82	30 Deovji Street, Tamavua, Suva, Fiji Islands	1 October, 2014	2020 AGM
Francis Chung	66	20 Verrier Road, Suva, Fiji Islands	1 October, 2014	2018 AGM
Glen Craig	45	Teouma Bay, Whitesands, Vanuatu	7 January, 2015	2018 AGM
Griffon Emose	45	18 Storck Street, Nasese, Suva, Fiji Islands	1 October, 2014	2019 AGM
Litia Niumataiwalu	58	35 Reservoir Road, Suva, Fiji Islands	11 July, 2016	2019 AGM

Aside from Kontiki Capital Limited, as detailed in this document, the remuneration of the consultants or experts listed in the Corporate Directory is not dependent on the success or otherwise of the Offer.

There is no other information that the Company believes to be necessary or material enough and important that needs to be disclosed in this Information Memorandum that a prospective investor needs to pay attention to.

⁷Directors retire by rotation under the Articles of Association, and may offer themselves for re-election

FURTHER NOTICE TO INVESTORS

13

Investors are advised that no person other than the Company is authorised to give any information or to make any representation that is not contained in this Information Memorandum and such information not contained herein shall not be relied upon as having been authorised by the aforementioned parties.

The information contained in this Information Memorandum shall not under any circumstances imply that it is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs, conditions and prospects of the Company of the shares since the date of this Information Memorandum.

Should there be any material change that occurs and which are required to be disclosed by law or the RBF, the Company if so required will issue and lodge an amendment to this Information Memorandum or provide a reasonable supplementary document or replacement document and take immediate steps to comply with the said requirements.

Investors should take notice of such announcements and documents upon their release. The release of such documents and announcements shall be deemed to be valid notice of such changes. All investors should be aware that they may be required to bear the risk of an investment in the shares for an indefinite period of time.

No representation or undertaking is made by either the Company, its Sponsor/Investment Advisor or their respective affiliates, directors, officers, employees, agents, representatives or advisors to any investor in the shares regarding the legality of an investment by such investor under appropriate legal, investment or similar laws.

The Information Memorandum is solely issued for the purpose of the compliance listing of KFL and all investors in the shares should not construe the contents contained herein or its appendices as legal, business financial or tax advice. All investors are encouraged to consult their own professional advisers on the legal, tax, business, financial and other aspects relating to an investment in the shares of the Company.

The distribution of this Information Memorandum may be restricted by law in certain jurisdictions and accordingly all investors must at their own expense make themselves knowledgeable of such restrictions and without the liability to the Company or the Sponsor/Investment Advisor.

The Information Memorandum does not constitute an offer of, or an offering to purchase, any shares in any jurisdiction in which such offer or offering would be unlawful and any person in possession of this Information Memorandum shall not circulate to any other person, reproduce or otherwise distribute this Information Memorandum or any information contained herein for any purpose other than intended for by the Company or its Sponsor/ Investment Advisor.

The Information Memorandum contains information that relates to future projections and/or statements. Whilst due care has been exercised in deriving such judgements or projections, actual results or performances in relation to such assumptions might actually differ and therefore, all investors are advised to exercise caution when relying on such assumptions and/or projections. It is advised that all investors should, at their own expense, perform their own due diligence on these projections and assumptions prior to making any to purchase shares. The assumptions have been drawn up based on current existing market conditions, existing regulatory and tax environment and laws, current trend in foreign currency fluctuations and other conditions deemed necessary by the Company.

As a result of the risks and uncertainties that may cause these future projections to differ from the actual performance or achievements whether materially or otherwise, it is strongly advisable that no undue reliance is placed on such statements.

STATEMENT BY THE DIRECTORS

14

After due enquiry, the directors confirm that in their opinion, during the period between the date of the last audited financial statements for the half-year ended 31 December, 2017 of the Company and the date of the Information Memorandum, there have arisen no circumstances that would materially adversely affect:

- a. the trading or profitability of the Company; or
- b. the value of its assets; or
- c. the Company having sufficient working capital to last at least 12 months and to pay its liabilities due within the next 12 months.

After making due enquiry, the directors and management named in Section 3 of this document, meet the requirements under the Reserve Bank of Fiji's Capital Markets Supervision Policy Statement No. 6 "Fit and Proper Requirements for Licensed Intermediaries and Issuers". The directors and management having been gauged accordingly, are clear of submissions of any kind under bankruptcy or insolvency laws current or prior to their engagement with the Company. It has also been found that the directors and management have neither been convicted or subject to any criminal proceedings, order, judgement or ruling of any court of competent jurisdiction or the RBF to have acted partially or fully in misconduct of any kind.

The directors have viewed and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of the information therein. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Information Memorandum false or misleading.

The directors undertake that they will advise the RBF of any material change with regard to the information contained in this Information Memorandum after the date hereof at any time prior to the Listing Date.

This Information Memorandum is dated on the thirteenth day of June 2018 and is signed and authorised by all the directors of Kontiki Finance Limited.



Mr. Daryl Tarte



Mr. Francis Chung



Mr. Glen Craig



Mr. Griffon Emose



Ms. Litia Niumataiwalu

CORPORATE DIRECTORY

15

Company Details:	<p>Name: Kontiki Finance Limited</p> <p>Date of Incorporation: 26 July, 2006 Place of Incorporation: Suva Company No. 18908 TIN No: 50-51838-0-2 Head Office: Level 5, TappooCity Building, Thomson Street, Suva</p> <p>Phone: 330 3400 Fax: 330 3401 Email: enquiries@kontikifinance.com</p>
Auditors:	<p>Ernst & Young Level 7, Pacific House 1 Butt Street Suva</p>
Independent Accountants:	<p>KPMG BSP Suva Central Renwick Road Suva</p>
Solicitors:	<p>Munro Leys Law Level 3, Pacific House 1 Butt Street Suva</p>
Investment Advisor & Listing Manager:	<p>Kontiki Capital Limited Level 2, Plaza 1, FNPF Boulevard 33 Ellery Street Suva</p>
Capital Markets / Financial Markets Regulator:	<p>Reserve Bank of Fiji Tower 4, RBF Building Pratt Street Suva</p>
Securities Exchange:	<p>South Pacific Stock Exchange Level 2, Plaza 1, FNPF Boulevard 33 Ellery Street Suva</p>
Share Registry:	<p>Central Share Registry Limited Level 2, Plaza 1, FNPF Boulevard 33 Ellery Street Suva</p>

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