



**Minutes of Annual Shareholders Meeting of Kingfish Limited held at the Bruce Mason Centre, Takapuna on Wednesday 5<sup>th</sup> July 2006 commencing at 10.00am**

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**PRESENT**

Directors

Rob Challinor - Chairman  
Ian Hendry  
Annabel Cotton  
Carmel Fisher

Shareholders and invitees

67 Shareholders (and accompanying guests)

4 Invitees

4 Visitors

**IN ATTENDANCE**

Anna Wight	- Kingfish Corporate Manager/Secretary
Bruce Baillie	- PWC, Auditor
John Strowger	- Chapman Tripp
Joshua Pringle	- Chapman Tripp

**INTRODUCTION**

The Chairman, Rob Challinor, welcomed members and invitees, advised of venue safety procedures and administrative matters, noted that the notice of meeting had been circulated to shareholders, confirmed that a quorum was present, outlined the meeting conduct, declared the meeting open and introduced the Directors and Corporate Manager.

**APOLOGIES**

The Corporate Manager advised that apologies had been received from 2 shareholders, and that proxies had been received from 359 shareholders holding 5,660,395 shares.

**MINUTES OF  
LAST MEETING**

The Chairman advised that the minutes from the last Annual Shareholders Meeting held on 17 June 2005 had been made available on the Kingfish website and copies were also available at the ASM for inspection. He advised that these minutes were approved by the Kingfish Board in August 2005.

**ANNUAL REPORT** The Chairman confirmed that the 2006 annual report containing the financial statements and the auditor's report thereon for the year ended 31 March 2006 had been circulated to shareholders, he advised that under the Companies Act 1993, there was no requirement for the annual report to be approved at the ASM and indicated that he would be happy to take any comments or questions in relation to the report following the Chairman's and Manager's address.

**CHAIRMAN'S ADDRESS**

The Chairman then delivered his address commenting on the results for the year and updating these to 30 June 2006. He outlined the movements in the NAV and share and warrant price for the 12 months to 31 March 2006 and to the end of the 30 June 2006 quarter. He commented on the level of share price discount that had prevailed and advised that further discussion on this would be covered in the Manager's Address. The Chairman then announced that the Kingfish Board was pleased to declare a 2.5 cents per share special dividend payable on 4 August 2006 based on eligible shareholding as at 21 July 2006. The presentation was concluded with a summary of the proceeds received from the Waste Management amalgamation that had enabled the fully imputed special dividend to be declared at this ASM.

**MANAGER'S ADDRESS**

Carmel Fisher, representing the Manager then delivered her address which covered a review of the March 2006 year and an update to 30 June 2006. She provided an analysis of the portfolio performance, composition and changes, along with an overview of the Fisher Funds investment approach and an outlook for the March 2006 year. Carmel Fisher discussed at length the share price discount and the reasons why the discount may prevail; covering what the Kingfish Board had done to date and continues to do to address the discount, highlighting the buyback announced in October 2005, increased sharebroker awareness and a focus on media coverage. The presentation was concluded by reinforcing why Kingfish remains an attractive investment and thanking investors for their ongoing support.

**QUESTIONS**

***The Chairman declared the meeting open for questions on the financial statements and the annual report.***

A shareholder enquired how many times a year Fisher Funds visits the portfolio companies. Carmel Fisher, representing the Manager outlined that visits are made where possible up to 4 times a year, with attendances at ASM's and visits following result announcements along with other spontaneous meetings. She

highlighted the additional process in the investment decision making, of visiting the Board to determine the strengths of individual Directors - she concluded, that after many years of investing, Fisher Funds has a comprehensive understanding of the portfolio companies which enables regular informal communication with CEO's and executives.

An investor in both Kingfish and the Fisher Funds Growth Fund commented that it appeared that the Growth Fund had performed better than his investment in Kingfish. Carmel Fisher replied that it was important to note that both investments share the same portfolio, investment decision making processes and investment management. She explained that the growth fund is valued daily and this is reflected by the unit price. Kingfish is however valued by the market and is subject to market forces outside the control of the manager.

A question was raised on what level of the Waste Management proceeds had been committed to other investments and what portion remained uncommitted. Warren Couillault (Fisher Funds Chief Investment Officer) was introduced to the meeting and advised that of the approximate \$16m proceeds, \$10m had been reinvested in Rakon, Delegats, Michael Hill and Pumpkin Patch, leaving approximately \$6m uncommitted. Rob Challinor added that the Board had utilised the debt facility under the terms of the Management Agreement and Constitution to fund these investment opportunities in advance of receiving the Waste Management proceeds.

A shareholder enquired about the warrants/options and the plans when the funds came in and the impact on the share price. Rob Challinor began by providing the background to the issuing of the warrants at the 31 March 2004 IPO. He advised that very few warrant holders had exercised on the first exercise date of 31 March 2006 and that it was reasonable to expect investors to hold on to warrants until the latest` exercise date. He outlined that the warrants are traded on the market and currently are trading at 35c. He noted that the dilutionary effect of the warrants had been a contributor to the discount. He further noted that the best measure of any discount is the diluted NAV to the share price and that the directors have no influence over who buys and sells the warrants and it is a judgmental decision for each individual investor to make. He concluded that the recent buyback announced had included warrants as part of the buyback programme.

A shareholder addressed a question to Carmel Fisher regarding Kidicorp and the offering of shares in Kidicorp at 20c approximately

one year ago. He sought the opinion of the Manager on the recent announcement by Kidicorp on the issuing of shares to the Kidicorp Board at 16c and whether it was fair to existing shareholders including Kingfish.

Carmel Fisher acknowledged that it was a difficult question comparing the share price of over one year ago to a deal proposed to take place in one weeks time, based on market and share price movements. Warren Couillault advised that Kidicorp was forced to issue the shares by the takeovers panel to dilute the major shareholder and was obliged to issue these shares at a certain discount. He confirmed that Fisher Funds did not have any issues with the offer and that it was two years ago that Kingfish had bought the Kidicorp shares at 20c and subsequently had purchased additional shares at less than and above 20c. He concluded that Kidicorp is held in the Nursery portfolio and is also held in other Fisher Funds portfolios.

A shareholder, proxy holder and representative of the Shareholders Association raised two questions in relation to recent announcements by the Board. The first question pertained to the special dividend and the impact that it may have on future dividends. The second question related to the level of debt to fund the Rakon and Delegats acquisitions and the intention to repay.

Rob Challinor addressed the question on the debt first and highlighted that under the Management Agreement the Manager has the right upon notification to the Board to borrow up to \$15 million. This right had existed for the last two years but the Manager had not chosen to exercise this until recently. The Manager had requested the borrowing in recognition of investment opportunities in advance of receiving the Waste Management proceeds.

He concluded that the Manager may request further levels of debt in the future and that the Board does not interfere with the way in which the funds are drawn down and invested. Carmel Fisher reiterated the debt was for the specific purpose of participating in the IPO's in advance of the Waste Management proceeds and the decision was made to borrow on a short term basis rather than sell holdings from the portfolio. She confirmed that the debt would be repaid by the end of the week.

Rob Challinor responded to the second question regarding the dividend policy by outlining the proposed changes to the way that investment vehicles will be taxed. He explained the concept of a Portfolio Investment Entity ("PIE") and the flow through method of taxation to investors at their marginal tax rates and the removal of tax on gains or losses arising from the sales of investments. He highlighted that currently only gains/losses arising from sales of investments in Nursery are subject to tax. Kingfish Holdings, holds

its investments on capital account and consequently the proceeds from the Waste Management amalgamation were not taxable. He explained that if Kingfish does qualify as a PIE entity it may impact the dividend policy and the manner in which dividends can be paid. He concluded that it remained uncertain until the legislation was finalised and that the Board would inform shareholders once the legislation was in place. Carmel Fisher reiterated that the special dividend announced at the ASM was a one off and that it will not impact the next annual ordinary dividend as the dividend policy remained unchanged.

## **ELECTION OF DIRECTORS**

The Chairman advised that under the constitution one third of the independent directors must retire by rotation. Rob Challinor advised that he retires by rotation and, being eligible, offers himself for re-election.

The Chairman requested that Annabel Cotton chair the meeting.

Annabel Cotton addressed the meeting and put forward the opportunity for the shareholders to re-elect Rob Challinor to the Board.

Rob Challinor addressed the meeting.

It was moved and seconded "THAT Rob Challinor be re-elected as a director of Kingfish"

Annabel Cotton declared the motion unanimously carried by a show of hands.

Following his re-election, Rob Challinor returned to the Chair.

## **ADOPTION OF NEW CONSTITUTION**

The Chairman advised that the notice of meeting contained an explanatory note on the adoption of the proposed new constitution. He explained that it is proposed that the constitution be updated to reflect recent changes to the NZX listing rules. He acknowledged that the adoption of an "autopilot" or "reference" constitution had been a controversial issue for the Shareholders Association given any of the NZX changes to the listing rules are automatically incorporated into the constitution. He provided an assurance as Chairman, that if any proposed changes to the listing rules are not considered by the Board to be in the best interests of shareholders the Board will challenge the proposals and if considered desirable will not adopt. He advised that the company had sought legal

advice and noted that most listed companies had elected to adopt a reference constitution. He concluded by stating that the Board believed the adoption of the new constitution to be in the best interests of shareholders and the Board accordingly recommended that shareholders vote in favor of this resolution.

It was moved and seconded "THAT the Company revoke its existing constitution and adopt the new constitution described in the explanatory notes accompanying the notice of meeting."

A shareholder requested that the Chairman amend his earlier assurance to also consider that if proposed NZX listing rules changes are not adopted then the Company is in risk of being delisted (which is not in the best interests of shareholders) and that if the Board considered that shareholders rights were abridged then shareholders would be notified. Rob Challinor reinforced that the Board would be keeping abreast of any proposed changes and would advise shareholders and would make strong representation if they considered any changes to not be in their best interests. He advised other protections existed such as the Minister of Commerce obtaining assurances from the Securities Commission on any proposed changes; this was confirmed by Mr John Strowger from Chapman Tripp. The Chairman agreed to amend his earlier assurance upon consultation with the Board.

Another shareholder thought it unacceptable, that the Companies Act could be effectively diluted by the listing rules. He advised that for this reason he would vote against the adoption of the new constitution and that if there was not a clear majority he would request a poll.

While the chairman acknowledged that he had some sympathy for the previous shareholders comments, he informed the meeting that it was his perception that as Kingfish operated under a simple structure it was therefore less likely to be affected by any rule changes. From a practical point of view if the new constitution was not adopted, shareholder meetings would be required to be called to approve and adopt all future changes to the listing rules.

The Chairman advised that the adoption of the new constitution was a special resolution and required 75% endorsement.

The Chairman declared the motion carried by a show of hands.

**APPOINTMENT  
AND  
RENUMERATION  
OF AUDITOR**

The Chairman advised that PricewaterhouseCoopers are automatically re-appointed auditor of the company for the year ending 31 March 2007, but a resolution was required in respect of their remuneration.

Rob Challinor thanked Bruce Baillie and the PWC team for their commitment and support.

It was moved and seconded "THAT the auditor's remuneration is left in the hands of the directors".

The Chairman declared the motion unanimously carried by a show of hands.

**GENERAL  
BUSINESS**

***The Chairman invited members to raise matters of a general nature. Discussion followed relative to a number of matters including:***

The Chairman responded to a question relating to the possibility of Kingfish investing in Australian shares in light of the proposed tax changes by highlighting that the prospectus stated that Kingfish would invest in small NZ companies with a market capitalization of less than \$400m. He stated that at this stage Kingfish would not be looking to invest in Australian companies. He confirmed that if in the Manager's opinion, the Company should invest in Australian companies and the Board endorse the decision, then a shareholders meeting would be required to confirm this. He advised that Fisher Funds does invest in Australian Companies through other Fisher Funds products.

Another shareholder questioned the recent buyback of 100,000 shares at a price 6c higher than the share price of the previous week. Carmel Fisher responded by explaining that the buyback programme enabled the company to buyback a certain number of shares over a one year period. She highlighted that the share price may fluctuate from week to week and that you cannot reference a historical transaction against what is happening today. She concluded by stating that the buyback programme had been successful with an average price to date of \$1.06 being paid.

A warrant holder sought clarification on the impact of IFRS and the adoption of the new valuation method and recording of transaction costs as noted on page 31 in the Annual Report.

Rob Challinor explained that currently investments are valued and recorded at last sale price but under NZ IFRS they will be required to be valued at last bid price which may result in a lower valuation. He explained that under IFRS transaction costs (such as brokerage) will be expensed rather than capitalised in the cost of the investment. He concluded that this is not anticipated to have a material impact on Kingfish.

**QUESTIONNAIRE** The chairman requested that all attendees please complete the copy of the ASM/Annual Report questionnaire and place in the box in the foyer.

**CLOSURE** The chairman thanked attendees and invited those present to join the Directors for light refreshments. The meeting was declared closed at 11.10am

CONFIRMED:

\_\_\_\_\_ Chairman

\_\_\_\_\_ Date