




KINGFISH INTERIM
R E P O R T



30 SEPTEMBER 2006



HIGHLIGHTS FOR THE PERIOD

<p>\$18.4 million surplus after taxation for the six month period</p>	<p>Core portfolio of 6 stocks maintained</p>	<p>93% of funds invested at 30 September 2006</p>
<p>Net Asset Value at 30 September 2006 of \$1.8467 up 16% for the six months</p>		<p>Net Asset Value at 30 September 2006 up 91% since listing in March 2004</p>
<p>2.5 cps fully imputed dividend in respect of year ended 31 March 2006, paid 16 June 2006</p>	<p>2.5 cps fully imputed special dividend declared at Kingfish ASM on 5 July 2006, paid 4 August 2006</p>	<p>Continuation of on-market buybacks and subsequent re-issue of treasury stock</p>

CONTENTS

Kingfish Highlights	3
Directors' Report	4
Manager's Report	7
Financial Statements	11
Accountants' Report	29
Directory	30

DIRECTORS' REPORT

The Directors of Kingfish Limited ('Kingfish') are pleased to report an \$18.4 million surplus for the six month period to 30 September 2006. This surplus includes \$13 million of unrealised gains on investments held and \$6 million of realised gains on investments sold during the period. The majority of the realised gains were a result of the Waste Management amalgamation with Transpacific Industries Group in June 2006. Details of the Waste Management amalgamation are discussed in the Manager's Report on page 9.

The Kingfish portfolio has continued its impressive performance over the last six months, increasing the Net Asset Value ('NAV') per share from \$1.5888 at 31 March 2006 to \$1.8467 at 30 September 2006, or 16%. This increase in the NAV is after the deduction of Treasury Stock and the provision for the Fisher Funds Management Limited ('Fisher Funds') performance fee. The increase in the NAV of 16% was substantially ahead of the benchmark rate for the period.

Operating expenses at \$2.9 million were in line with budget and represent 2.6% of total assets. Operating expenses increased over the period as a result of borrowing costs of \$130,000 and an increase in fees that correlate directly to the increase in the assets of Kingfish.

During the period Kingfish entered into a borrowing facility with the ASB Bank Limited for up to \$15 million, in accordance

with the terms of the Management agreement. A total of \$10 million was drawn down to fund investment opportunities in the Initial Public Offerings of Rakon Limited and Delegats Group Limited, ahead of receiving the Waste Management proceeds in June. The total \$10 million borrowings were re-paid in July 2006.

The Management Agreement with Fisher Funds provides for the payment of an annual performance fee if returns are achieved above the benchmark rate (being 7% per annum plus the change in the NZX 90 Day Bank Bill Index). Fisher Funds achieved a return for the interim period well in excess of the benchmark rate of 7.24%. A performance fee of \$1.67 million (inclusive of GST) is accordingly recognised on an accrual basis in the interim financial statements on the basis that the Directors believe there to be a reasonable probability of the necessary performance criteria, that would cause the payment of the performance fee for the 31 March 2007 year, being achieved.

Over the period Kingfish shares traded between \$1.11 and \$1.40 and Kingfish warrants traded between \$0.22 and \$0.40. Earnings per share (excluding treasury stock) for the six months to 30 September 2006 were 31 cents per share, compared to 5 cents per share for the six months to 30 September 2005.

The share price discount to the diluted NAV ranged between 2.7% and 16.5%

during the 6 month period. The diluted NAV describes the effect if all warrants in existence were exercised today at \$1.00.

At 30 September 2006, Kingfish had repurchased a total of 3,266,393 warrants and 2,979,886 ordinary shares under its on-market buyback programme. Of the total shares repurchased, 2,023,325 were re-issued and the balance of treasury stock remaining at 30 September 2006 was 956,561 shares at a net holding cost of \$0.67 per share. Details are contained in the Notes to the Financial Statements.

At the ASM, the Kingfish Board announced a 2.5 cents per share fully imputed special dividend, payable to all eligible shareholders on 4 August 2006. The Board elected to pay this special dividend because Kingfish had received greater than expected dividend income over the period. The most specific portion of this additional dividend income was from the special dividend declared by Waste Management as part of its amalgamation with Transpacific Industries Group in June 2006.

Kingfish is continuing to investigate the prospect of qualifying as a 'Portfolio Investment Entity' under the tax changes proposed to come into effect on 1 October 2007. If it does qualify, there will likely be no restriction on its ability to distribute gains from sale of investments. This should have a favourable impact on the level of future dividends paid.

The Board will provide updates on the Group's status in qualifying as a Portfolio Investment Entity following the release of the legislation later this year.

The Board continues to work towards adoption of New Zealand International Financial Reporting Standards ('NZ IFRS') for the financial year commencing on 1 April 2007. The first set of financial statements that the Group will release under NZ IFRS will be for the six months ended 30 September 2007. The Company, in conjunction with its external professional advisers has developed systems for NZ IFRS required bid price investment valuation and recording transaction costs in the >



DIRECTORS' REPORT

income statements. Further information on the adoption of NZ IFRS is contained in the notes to the Financial Statements.

Increasingly investors are seeking to receive corporate communications electronically. We are pleased to offer share and warrant holders the option to receive the Kingfish Annual report, Interim report and quarterly shareholders' update electronically. If you would like to do this please complete the enclosed election form and return to the reply paid address on the reverse of the form.

31 March 2007 sees the second warrant exercise date. Information relating to the exercise of Kingfish warrants will be sent to all warrant holders prior to the 31 March exercise date.

Our focus for 2006/07 remains to continue to deliver long term growth and increased sustainable dividends to our investors, by building on the consistent growth and track record of the past performance of Kingfish.

On behalf of the Board



Rob Challinor | CHAIRMAN

1 November 2006

“The Kingfish portfolio has continued its impressive performance over the last six months, increasing the Net Asset Value (“NAV”) per share by 16%.



MANAGER'S REPORT

The Kingfish portfolio flourished during the six months to September 2006, in spite of a relatively flat New Zealand share market and limited portfolio activity. Much of the performance can be attributed to the efforts of our superb portfolio company management teams, delivering on their promised growth initiatives.

The New Zealand share market environment

Were it not for a bout of corporate activity and a couple of successful IPOs, the performance of the New Zealand share market over the past six months would have been as bad as, or even worse than commentators have been predicting. In the first three months of the period, the market reacted negatively to the Government's increasing involvement in industry regulation, pushing the Telecom share price down nearly 10% to a thirteen-year low. Fears of regulatory creep also affected other companies with 'monopolistic characteristics' with the Sky TV and Vector share prices also falling hard. Telecom has never met our investment criteria and has therefore never featured in any of our Fisher Funds growth portfolios – our preference for growth companies certainly paid off during this period! The market backdrop during the second three months was really no better. Debate continued about the role of regulatory authorities, and on top of that, the Reserve Bank of New Zealand

“To be a winner, work with winners”.

Warren Buffett

took a particularly hawkish stance in its comments accompanying interest rate reviews. These comments caused the New Zealand dollar to rise strongly, surprising most commentators who had felt that the dollar was already at peak levels. We were thankful that our role is to predict company profits rather than currency or interest rate trends!

Corporate activity in The Warehouse provided a pleasant distraction for the market and at the time of writing, the winner of the three-way tussle for ownership is yet to be determined. The profit reporting season did not provide a catalyst for the market to move upwards or downwards. There were few real disappointments, a handful of very good profit results (including Mainfreight, Delegat's and Ryman Healthcare) and a number of management commentaries describing a difficult domestic operating environment and the challenge of operating with high oil prices and rising interest rates.

What were the highlights during the period?

We cannot talk about the past six months without singing the praises of our management teams. It has been very >

MANAGER'S REPORT

satisfying to be a substantial share holder in companies (and there have been a number) that have delivered a profit result or strategic announcement that has been positively received by the market. When the result or announcement is consistent with our earlier communications with the company, thereby proving that the management can be relied upon, it is even more satisfying. As Warren Buffett says, you can become a winner simply by associating with winners! The biggest share price contributions during the period came from Ryman Healthcare (up 34%), Metlifecare (+47%), Mainfreight (+40%) and Rakon (+113% over its issue price). In a difficult market environment, strong share price performances do not happen by chance. Rather, they reflect the market's changing view of a company's value in response to its delivering on its promises.

Ryman Healthcare announced a strong full year result with net earnings lifting 49%. Management was open about the company's development pipeline, stating that by increasing its development capability the company could accelerate its development to around 300 dwellings per annum. The company has a land bank of 1,700 dwellings available for development to meet demand over the next few years. The company also reiterated its growth expectations which continue to be strong – the company expects average annual earnings growth of 15% over the next five years. We actually think they can exceed this targeted level of growth.

Metlifecare was a strong performer, vindicating our decision not to accept last year's takeover offer from Retirement Village New Zealand. Metlifecare announced a 15% upgrade to its expected 2006 earnings and the company has made two acquisitions increasing its number of villages and dwellings to 15 and 2,172 respectively. Since we decided not to accept the takeover offer, the company has achieved operational improvements and a share price some \$2.00 (or 50%) above the takeover offer price.

We were pleased to participate in two successful IPOs – Delegat's and Rakon. Indeed, apart from the purchase of these two new companies, our transaction activity during the period was minimal. **Rakon** posted a strong debut with its share price up more than 100% since listing in May. Fisher Funds was delighted to receive a sizeable allocation in the IPO. We had spent a lot of time last year looking at the company, meeting with management and undertaking our typical investment due diligence and were very pleased when the company finally elected to list on the NZSX. Rakon has a strong track record of innovation and development of world-leading technology. Its family founders are integrally involved in the business and have a world-class reputation. Rakon is an important addition to the Kingfish portfolio because it is one of New Zealand's few truly globally unique and scaleable businesses.

Delegat's is also performing well: its share

MANAGER'S REPORT

price has gained 62% since listing in April. We chose to invest in Delegat's because it has a strong position in Marlborough Sauvignon Blanc (which is increasingly sought-after); it has been successful in building the Oyster Bay brand; and the company has a consistent history of growing market share, establishing export markets and of course, making profits.

We also need to make mention of **NZ Exchange**, which announced first-half profit growth of 23%, a capital return and share split, and two strategic acquisitions to further build its market reach. **Pumpkin Patch** also announced an excellent profit result and confirmed strong growth in the UK retail market and acceleration of its growth plans in the United States. We remain excited about the international opportunities for this company.

And the disappointments?

We reluctantly accepted the takeover offer from Transpacific Industries for **Waste Management** earlier in the year. We initially resisted the offer as we were concerned that the amalgamation process effectively shut us out from participating in the merged entity (because it offered cash consideration rather than allowing us an equity position). In the end though we accepted the offer after senior executives made it very clear that should the proposed amalgamation not proceed, the consequences for Waste Management were quite negative, including loss of key

personnel and heightened competition.

The discount to NAV

We are pleased that the combination of a share and warrant buyback programme and an increasing investor awareness of the value of the Kingfish portfolio has resulted in a reduced share price discount to net asset value. We reiterate our assertion of last year that the Fisher Funds team is very conscious of the level of share price discount to NAV and will continue to ensure that (a) the market is fully aware of the strength of the underlying Kingfish portfolio; and (b) we do everything we can to ensure that the NAV continues to increase! Over time and with sustained growth in the NAV we do not believe the shares should trade at a material discount.

How do we see the world?

Our view of the world has not changed over the past six months. We know that operating conditions are more difficult for New Zealand companies than they were at this time last year. However, we also know that that the Kingfish portfolio is stocked full of world-class companies each of which has a sustainable competitive advantage which will enable it to continue to grow in spite of the environment. Rather than us second-guessing interest rate and currency trends, and how they might impact our companies, we focus on communicating with our companies to build a deep understanding of their strategies and management approach. >

MANAGER'S REPORT

With companies as diverse as a courier business (whose revenues have proven resilient to an economic downturn because of its strength of client relationships and consistently good service), a retailer of kids clothes (that are unique in design and have a ready market as kids grow!) and a producer of a wine variety that world consumers can't get enough of, we remain confident of the future growth potential of the Kingfish portfolio. Ideally we hope to replenish the portfolio with one or two new companies each year, and we are likely to sell the occasional stock on the basis of a fundamental change in the original investment case, but otherwise we are content holders of a quality portfolio of assets.

At 30 September 2006, the Kingfish portfolio was invested in thirteen stocks, with total assets of \$111 million compared with 31 March 2006 of \$94 million, representing an increase of 18%.

Kingfish Holdings Portfolio Stocks

	PORTFOLIO WEIGHTING
Ryman Healthcare	20%
Mainfreight	17%
Metlifecare	12%
Pumpkin Patch	10%
Freightways	10%
Michael Hill	8%

Kingfish Nursery Portfolio Stocks

	PORTFOLIO WEIGHTING
Rakon	6%
Delegat's	4%
NZ Exchange	Each below 3%
Comvita	
Kidicorp	
Software of Excellence	
Cadmus Technology	

Carmel Fisher

Managing Director
Fisher Funds Management Limited

1 November 2006

KINGFISH LIMITED
consolidated statement of financial performance
for the six months ended 30 September 2006

	NOTES	6 MONTHS ENDED 30/09/06 UNAUDITED \$000	6 MONTHS ENDED 30/09/05 UNAUDITED \$000	12 MONTHS ENDED 31/03/06 AUDITED \$000
Interest		183	97	222
Dividends		1,870	1,198	2,604
Other income		7	0	0
Movement in unrealised gains on investments		13,053	892	20,506
Realised gains on the sale of investments		6,189	1,404	0
Total income		21,302	3,591	23,332
Realised losses on the sale of investments		0	0	(1,808)
Operating expenses	1	(2,863)	(814)	(2,891)
Total expenses		(2,863)	(814)	(4,699)
Operating surplus before income tax		18,439	2,777	18,633
Income tax (expense)/benefit	3	(50)	217	214
Operating surplus after income tax		18,389	2,994	18,847

The Accounting Policies set out on pages 16 to 19 and the Notes to the Financial Statements set out on pages 20 to 28 should be read in conjunction with this Consolidated Statement of Financial Performance.

KINGFISH LIMITED

consolidated statement of movements in equity

for the six months ended 30 September 2006

	NOTES	6 MONTHS ENDED 30/09/06 UNAUDITED \$000	6 MONTHS ENDED 30/09/05 UNAUDITED \$000	12 MONTHS ENDED 31/03/06 AUDITED \$000
Net surplus for the period		18,389	2,994	18,847
Total recognised revenue and expenses		18,389	2,994	18,847
Contributions from owners				
- Shares issued	2	2,605	1,328	1,328
Distributions to owners				
- Dividends paid	4	(2,931)	(1,187)	(1,187)
Share and warrant buybacks	2	(1,934)	0	(1,919)
Movements in equity for the period		16,129	3,135	17,069
Equity at beginning of period		92,255	75,186	75,186
Equity at end of period		108,384	78,321	92,255

The Accounting Policies set out on pages 16 to 19 and the Notes to the Financial Statements set out on pages 20 to 28 should be read in conjunction with this Consolidated Statement of Movements in Equity.

KINGFISH LIMITED
consolidated statement of financial position
as at 30 September 2006

NOTES	30/09/06	30/09/05	31/03/06
	UNAUDITED	UNAUDITED	AUDITED
	\$000	\$000	\$000
ASSETS			
Current Assets			
- Cash on deposit	6,781	3,066	3,259
- Accounts receivable	5 10	1	321
- Current tax receivable	3 0	41	0
Total Current Assets	6,791	3,108	3,580
Investments	7 103,472	75,586	90,405
Future Income Tax Benefit	3 1,082	0	0
TOTAL ASSETS	111,345	78,694	93,985
Current Liabilities			
- Accounts payable	6 1,829	373	1,407
- Payments received in advance of warrant exercise	2 0	0	323
Total Current Liabilities	1,829	373	1,730
Deferred Tax Liability	3 1,132	0	0
TOTAL LIABILITIES	2,961	373	1,730
EQUITY			
- Share capital	2 58,580	59,828	57,909
- Retained earnings	4 49,804	18,493	34,346
TOTAL EQUITY	108,384	78,321	92,255
TOTAL EQUITY AND LIABILITIES	111,345	78,694	93,985

These financial statements have been authorised for issue for and on behalf of the Board by:



DIRECTOR - Rob Challinor
1 November 2006



DIRECTOR - Annabel Cotton
1 November 2006

The Accounting Policies set out on pages 16 to 19 and the Notes to the Financial Statements set out on pages 20 to 28 should be read in conjunction with this Consolidated Statement of Financial Position.

KINGFISH LIMITED
consolidated statement of cash flows
for the six months ended 30 September 2006

NOTES	6 MONTHS ENDED 30/09/06 UNAUDITED \$000	6 MONTHS ENDED 30/09/05 UNAUDITED \$000	12 MONTHS ENDED 31/03/06 AUDITED \$000
Operating Activities			
<i>Cash was provided from:</i>			
- Interest received	181	98	222
- Dividends received	2,165	1,302	2,413
- Other income	7	0	0
- Taxes received	0	0	38
<i>Cash was applied to:</i>			
- Operating expenses (including performance fee)	(2,341)	(3,036)	(3,813)
- Interest paid	(102)	0	0
Net cash outflows from operating activities	(90)	(1,636)	(1,140)
Investing Activities			
<i>Cash was provided from:</i>			
- Sale of investments	17,734	5,138	9,374
<i>Cash was applied to:</i>			
- Purchase of investments	(11,557)	(5,329)	(8,246)
Net cash inflows/(outflows) from investing activities	6,177	(191)	1,128
Financing Activities			
<i>Cash was provided from:</i>			
- Proceeds of share issues and warrant exercises	1,207	1,328	1,625
<i>Cash was applied to:</i>			
- Share and warrant buy-backs	(1,934)	0	(1,919)
- Dividends paid	(1,838)	(1,187)	(1,187)
Net cash (outflows)/inflows from financing activities	(2,565)	141	(1,481)
Net increase/(decrease) in cash held	3,522	(1,686)	(1,493)
Cash at beginning of period	3,259	4,752	4,752
Cash at end of period	6,781	3,066	3,259
Composition of cash			
Cash and bank balances	6,781	3,066	3,259
	6,781	3,066	3,259

The Accounting Policies set out on pages 16 to 19 and the Notes to the Financial Statements set out on pages 20 to 28 should be read in conjunction with this Consolidated Statement of Cash Flows.

KINGFISH LIMITED
consolidated statement of cash flows continued
for the six months ended 30 September 2006

NOTES	6 MONTHS ENDED 30/09/06 UNAUDITED \$000	6 MONTHS ENDED 30/09/05 UNAUDITED \$000	12 MONTHS ENDED 31/03/06 AUDITED \$000
Reconciliation of operating surplus to net cash flows from operating activities			
Reported surplus after tax	18,389	2,994	18,847
Items not involving cash flows			
- Increase/(decrease) in deferred tax liability	1,132	(243)	(243)
- (Increase)/decrease in future income tax benefit	(1,082)	26	26
- Movement in unrealised gains on investments	(13,053)	(892)	(20,506)
	(13,003)	(1,109)	(20,723)
Impact of changes in working capital items			
- Increase/(decrease) in fees payable	422	(2,221)	(922)
Decrease/(increase) in interest and dividends receivable	293	104	(191)
(Increase)/decrease in current taxation receivable	0	0	41
	715	(2,117)	(1,072)
Items classified as financing and investing activities			
- Realised (gains)/losses on investments	(6,189)	(1,404)	1,808
- Movements in payables attributable to financing activities	(2)	0	0
	(6,191)	(1,404)	1,808
Net cash outflow from operating activities	(90)	(1,636)	(1,140)

The Accounting Policies set out on pages 16 to 19 and the Notes to the Financial Statements set out on pages 20 to 28 should be read in conjunction with this Consolidated Statement of Cash Flows.

Entities Reporting

The consolidated financial statements for the "Group" are for the economic entity comprising Kingfish Limited (the "Parent") and its wholly-owned subsidiaries Kingfish Holdings Limited and Kingfish Nursery Limited, all of which have a balance date of 31 March.

Kingfish Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Accounting Period

The financial statements cover the unaudited results from operations for the six months ended 30 September 2006.

Measurement Base

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

Accounting Policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below:

Group Financial Statements

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent.

All material transactions between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the Statement of Financial Performance from the date of acquisition or up to the date of disposal.

Investment Income

Dividends are recorded as income at the date the shares become ex-dividend.

Interest is recognised as earned.

Performance Fee

The performance fee is recognised on an accrual basis based on the performance of the Group up to the balance date. Refer to Note 11 of the Notes to the Financial Statements.

Income Tax

The income tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules. The impact of all timing differences

between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset is recognised in the financial statements only to the extent that there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

Goods and Services Tax ("GST")

Kingfish Limited is registered for GST and its financial statements are prepared on a GST exclusive basis. Kingfish Holdings Limited and Kingfish Nursery Limited are not registered for GST as their activities relate to financial services and their financial statements (as consolidated) include GST where applicable.

Investments

Investments in subsidiaries are stated at cost. Investments in equities and debt are stated at their net market value at the balance sheet date. Other investments are stated at the lower of cost or net realisable value.

Accounts Receivable

Accounts receivable are carried at estimated realisable value after providing against debts where collection is doubtful.

Financial Instruments

Financial instruments carried on the

Statement of Financial Position include cash and bank balances, investments, accounts receivable and accounts payable. The various accounting policies associated with these financial instruments have been disclosed above.

Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of investments. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (d) Cash is considered to be cash on hand, current accounts in banks and short-term deposits.

Adoption of International Financial Reporting Standards

The New Zealand Institute of Chartered Accountants has announced that New Zealand entities will adopt New Zealand International Financial Reporting Standards ('NZ IFRS') for financial years >

commencing after 1 January 2007. Entities may however, choose to adopt NZ IFRS from 1 January 2005. The Group has chosen to adopt NZ IFRS for the financial year commencing on 1 April 2007.

The first set of financial statements that the Group will release under NZ IFRS will be for the six months ended 30 September 2007. The requirement for comparative figures means that an NZ IFRS opening balance sheet has been prepared as at 1 April 2006.

The Board in conjunction with external professional advisers has considered the implications of NZ IFRS on the Group and is currently quantifying the impact on the financial statements and preparing Kingfish Limited for transition.

The Group has developed systems for bid price investment valuation and recording transaction costs in the income statements. PricewaterhouseCoopers have been engaged to perform procedures on the opening NZ IFRS balances at 1 April 2006. In accordance with FRS 41 the key areas where accounting policies may change and have an impact on the financial statements are:

IAS 39 - Financial Instruments:

Recognition and Measurement Under NZ IFRS the Group will continue to classify and measure financial assets at "fair value through profit or loss"

in the income statement (currently referred to as the Statement of Financial Performance). This designation on inception is to provide more relevant information given that the portfolio is managed, and performance evaluated, on a fair value basis, in accordance with the documented investment strategy.

Transaction costs relating to assets classified as "fair value through profit or loss" are recognised in the income statements. These have previously been recorded as part of the initial investment cost. Bid price valuation rather than last sale price will be required to be applied as a measure of fair value of investments.

IAS 12 - Income Taxes

Under NZ IFRS a "balance sheet" (currently referred to as the Statement of Financial Position) approach will be adopted. This method involves recognising deferred tax on temporary differences between the accounting and tax values for each asset and liability.

The transition from an income statement method to a balance sheet approach is likely to require the additional recognition of deferred tax assets and liabilities.

Disclosure requirements

NZ IFRS will require additional disclosure and will result in a number of changes to the way that the financial information is presented.

All the financial information in these financial statements has been prepared in accordance with current New Zealand generally accepted accounting practice ('NZ FRS'). The accounting policy differences between current NZ FRS and NZ IFRS identified above may have a significant effect on the Group's financial position and performance.

The areas identified above should not be taken as an exhaustive list of all the differences between NZ FRS and NZ IFRS. None of the potential impacts of the adoption of NZ IFRS on our financial performance and financial position, including implementation costs, has yet been quantified and the impact of them may be material.

NZ IFRS may change between the date of these financial statements and the date of adoption and the impact of these changes may be material.

Changes in Accounting Policies

There have been no changes in accounting policies during the period.



KINGFISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 for the six months ended 30 September 2006

	6 MONTHS ENDED 30/09/06 UNAUDITED \$000	6 MONTHS ENDED 30/09/05 UNAUDITED \$000	12 MONTHS ENDED 31/03/06 AUDITED \$000
NOTE 1 OPERATING EXPENSES			
Audit fees	25	11	37
Directors' fees	53	53	106
Manager's fee	746	512	1,069
Manager's performance fee	1,669	0	1,279
Interest Expense	102	0	0
Other expenses	268	238	400
Total operating expenses	2,863	814	2,891

NOTE 2 SHARE CAPITAL

Ordinary Shares

Opening balance	57,909	58,500	58,500
Proceeds of shares issued	2,605	1,328	1,328
Share buybacks-treasury stock	(1,714)	0	(1,533)
Warrant buybacks	(220)	0	(386)
Closing balance	58,580	59,828	57,909

As at 30 September 2006 there were 59,645,509 Kingfish Shares on issue, including treasury stock. (30 September 2005: 59,645,509, 31 March 2006: 59,645,509).

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

During the period the following transactions affected issued and paid up capital:

i) On 29 October 2005, Kingfish Limited announced that it would undertake an on-market buyback in accordance with section 65 of the Companies Act of its ordinary shares between 1 November 2005 and 31 October 2006. At 30 September 2006, 2,979,886 ordinary shares had been purchased at a total cost of \$3,246,821. All the shares acquired under the buyback are held as treasury stock. During the six months to 30 September 2006, 2,023,325 of the total shares purchased and held as treasury stock had been re-issued. The balance of treasury stock remaining at 30 September 2006 was 956,561 shares.

ii) On 5 April 2006, 322,600 Kingfish shares were allotted for the 31 March 2006 exercise of warrants. The shares were issued in accordance with the NZX Listing Rules. The shares allotted were transferred from treasury stock. Kingfish Limited received \$322,600 from the exercise of these warrants.

iii) On 1 May 2006, 357,782 shares were transferred from treasury stock to Fisher Funds Management Limited as per the terms of the Management Agreement. These shares were transferred as part payment of the 2006 performance fee expensed in the financial statements for the period ended 31 March 2006. These shares were issued at an issue price equal to the Net Asset Value per share at 31 March 2006 of \$1.59.

iv) On 19 June 2006, 454,670 shares were transferred from treasury stock under the terms of the Kingfish Dividend Reinvestment Plan at an issue price of \$1.19.

v) On 14 July 2006, 450,000 shares were transferred from treasury stock to ABN Amro Craigs for cash consideration per share of \$1.36.

iv) On 4 August 2006, 438,273 shares were transferred from treasury stock under the terms of the Kingfish Dividend Reinvestment Plan at an issue price of \$1.28.

Warrants/Options

As at 30 September 2006 there were 54,911,007 Kingfish Warrants on issue (30 September 2005: 58,500,000).

During the period the following transactions affected warrants on issue:

i) On 23 November 2005, Kingfish Limited announced that it would undertake an on-market warrant buyback of up to a maximum of 8.775 million warrants between 29 November 2005 and 31 October 2006. During the six months to 30 September 2006, 850,005 warrants had been acquired under the buyback. As at 30 September 2006, a total of 3,266,393 warrants at a total cost of \$606,464 had been acquired under the buy-back and subsequently cancelled.

ii) On 5 April 2006, 322,600 Kingfish shares were allotted for the 31 March 2006 exercise of warrants. The shares were issued in accordance with the NZX Listing Rules. The shares allotted were transferred from treasury stock. Kingfish Limited has received \$322,600 from the exercise of these warrants.

Each Kingfish warrant held entitles the holder to subscribe for an ordinary share at an exercise price of \$1.00 exercisable on either 31 March 2006 (see above), 31 March 2007 or finally 31 March 2008. Holders can elect to exercise some or all of their warrants on any of these dates subject to a minimum exercise of 500 warrants. The fair value of the warrants based on the last trading price at 30 September 2006 was \$0.32 each. >

KINGFISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 September 2006

6 MONTHS ENDED 30/09/06 UNAUDITED \$000	6 MONTHS ENDED 30/09/05 UNAUDITED \$000	12 MONTHS ENDED 31/03/06 AUDITED \$000
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NOTE 3 INCOME TAX

(i) Taxation expense

Net surplus before tax	18,439	2,777	18,633
Tax thereon at 33%	6,085	916	6,149
<i>Adjusted for the tax effect of:</i>			
- Imputation credits	(582)	(373)	(675)
- Non-deductible issue expenses	2	0	0
- Realised (gains)/losses Kingfish Holdings	(2,035)	(387)	628
- Unrealised gains Kingfish Holdings	(2,549)	(816)	(7,191)
- Deferred tax written back	(411)	200	421
- Future income tax benefit (recognised)/written back	(460)	246	454
- Foreign investor tax credit	0	(3)	0
Taxation expense/(benefit)	50	(217)	(214)

Taxation expense/(benefit) comprises:

Current tax	0	0	3
Future income tax benefit	(1,082)	26	26
Deferred tax	1,132	(243)	(243)
	50	(217)	(214)

(ii) Current tax provision

Opening balance	0	41	41
Current tax movement	0	0	3
Tax consolidated group offsets	0	0	(3)
Tax refunded	0	0	(41)
Closing balance receivable	0	41	0

(iii) Movements in future income tax benefit

Opening balance	0	26	26
Net imputation credits received	869	246	454
Tax losses utilised	(247)	(26)	(26)
Recognition of prior year losses	460	0	0
Future income tax benefit written back	0	(246)	(454)
Closing balance	1,082	0	0

KINGFISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 September 2006

6 MONTHS ENDED 30/09/06 UNAUDITED \$000	6 MONTHS ENDED 30/09/05 UNAUDITED \$000	12 MONTHS ENDED 31/03/06 AUDITED \$000
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NOTE 3 INCOME TAX CONTINUED

(iv) Movements in deferred tax

Opening balance	0	(243)	(243)
Market value adjustment	(1,673)	522	423
Recognition of prior year timing differences	(411)	0	0
Timing differences	541	(79)	241
Deferred tax written back	411	(200)	(421)
Closing balance	(1,132)	0	0

Note 1: The market value adjustment in (iv) above relates to unrealised losses/(gains) on investments held by Kingfish Nursery. *Note 2:* A deferred tax asset is recognised only to the extent that there is virtual certainty that the timing differences, or losses, will be utilised.

(v) Movements in imputation credit account

Opening balance	1,172	787	787
Net imputation credits received	869	556	1,007
Net imputation credits attached to dividends	(1,423)	(581)	(581)
Tax refunded	0	0	(41)
Closing balance	618	762	1,172

NOTE 4 RETAINED EARNINGS

Balance at beginning of period	34,346	16,686	16,686
Net surplus for the period	18,389	2,994	18,847
Dividends paid	(2,931)	(1,187)	(1,187)
Balance at end of period	49,804	18,493	34,346

A 2.5 cents per share dividend was paid on 16 June 2006 in respect of the year ended 31 March 2006. A 2.5 cents per share special dividend was paid on 4 August 2006. >

KINGFISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 for the six months ended 30 September 2006

	30/09/06 UNAUDITED \$000	30/09/05 UNAUDITED \$000	31/03/06 AUDITED \$000
NOTE 5 ACCOUNTS RECEIVABLE			
Interest receivable	3	1	1
Dividends receivable	0	0	295
Other receivables	7	0	25
Total Accounts Receivable	10	1	321

NOTE 6 ACCOUNTS PAYABLE			
Accrued performance fee (see note 11)	1,669	0	1,279
Management fee payable to the Manager	125	90	104
Other fees payable	34	17	23
Withholding tax payable	1	1	1
Investment purchases payable	0	265	0
Total Accounts Payable	1,829	373	1,407

NOTE 7 INVESTMENTS

The investment portfolio revalued to current market values at balance date is summarised as follows:

New Zealand equities at cost	50,114	54,760	49,951
Unrealised gains on New Zealand equities	53,358	20,684	40,311
Mandatory convertible notes at cost	0	135	150
Unrealised gains/(losses) on mandatory convertible notes	0	7	(7)
Total Investments	103,472	75,586	90,405

Kingfish Holdings Limited makes long-term investments in growing New Zealand companies. Kingfish Nursery Limited makes short-term investments in growing New Zealand companies. No equity or debt investments are held by the Parent.

NOTE 8 RELATED PARTY INFORMATION

The Manager of Kingfish Limited is Fisher Funds Management Limited. Fisher Funds Management Limited is a related party by virtue of shareholding, common directorship and a management contract. Management fees paid or payable (inclusive of GST) to Fisher Funds Management Limited for the six months ended 30 September 2006 totalled \$746,303 (30 September 2005: \$512,000, 31 March 2006: \$1,069,000).

NOTE 8 RELATED PARTY INFORMATION CONTINUED

The Management Agreement with Fisher Funds Management Limited provides for the provisional payment of a Management Fee equal to 1.25% per annum of the Gross Asset Value, calculated weekly and payable monthly in arrears. This Management Fee will be reduced by 0.10% for each 1.0% per annum by which the Gross Return achieved on the portfolio during each financial year is less than the change in the NZX 90 Day Bank Bill Index over the same period.

A performance fee inclusive of GST of \$1,668,768 has been expensed in the accounts for the six months ended 30 September 2006 (30 September 2005: \$Nil, 31 March 2006: \$1,279,000). See Note 11.

As at 30 September 2006 Fisher Funds Management Limited owned 1,752,342 Kingfish shares (representing 2.9% of total issued capital) and 635,000 warrants.

All members of the Group are considered to be related parties of Kingfish Limited. This includes the subsidiaries identified in note 7.

The Parent company provides administrative services for the subsidiaries and enters into contracts (including a management agreement with Fisher Funds Management Limited) for the provision of goods and services that directly benefit subsidiary companies. The Parent and subsidiaries have agreed that the Parent will charge an internal management fee to cover costs it has incurred on behalf of the subsidiaries.

The internal management fee income of the Parent is eliminated upon consolidation of the Group.

The internal charges in the Group represents the net effect of GST not recoverable on expenses recharged by the Parent to Kingfish Holdings Limited and Kingfish Nursery Limited. This is included in the financial statements as an operating expense of \$24,403 to the consolidated Group.

The Manager's performance fee and the Manager's fee payable by the group to Fisher Funds Management Limited are disclosed in the consolidated financial statements as operating expenses of the consolidated group.

All transactions are carried out in the ordinary course of the Group's activities and are effected on arms' length terms. No amounts owed by related parties have been written off or forgiven during the period. >

NOTE 9 FINANCIAL INSTRUMENTS

The Group is subject to a number of financial risks which arise as a result of its investment activities.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised during the year are outlined below.

Interest Rate Risk

Financial instruments which potentially subject the Group to interest rate risk are short-term deposits. The Group invests surplus cash in the New Zealand money market (short-term investments only) and interest income is therefore subject to changes in local interest rates. There is no hedge against the risk of downward movements in interest rates.

Credit Risk

In the normal course of its business, the Group is exposed to credit risk from transactions with its counterparties. There are no significant concentrations of credit risk. As the Group does not expect non-performance by counterparties, no collateral or security is required. The Group invests cash with banks rated AA3 or better.

Fair Values

Financial instruments consist of cash and short-term deposits, receivables, investments and accounts payable. The fair value of investments is estimated to be market value as detailed in the accounting policies. The fair value of all other financial instruments is represented by their carrying value.

NOTE 10 SEGMENTAL REPORTING

The Group operates in a single industry and geographical segment being financial investment in New Zealand.

NOTE 11 PERFORMANCE FEE

The Management Agreement with Fisher Funds Management Limited provides for an annual performance fee for outperforming the benchmark rate and providing excess returns.

NOTE 11 PERFORMANCE FEE CONTINUED

The performance fee payable to the Manager under the agreement is 15% of the lesser of:

- a. The excess return for the applicable period multiplied by the number of shares on issue at the end of the period; or
- b. The dollar amount by which the Net Asset Value per share exceeds the highest Net Asset Value per share at the end of the previous calculation period multiplied by the number of shares on issue.

Excess return is defined as the excess above a benchmark return which is the change in the NZX 90 Day Bank Bill Index in the period plus 7% per annum.

At 30 September 2006 the Manager had achieved an increase in the Net Asset Value of 15.8% (excluding the performance fee) for the six month period, exceeding the Benchmark return and \$1.61 (being the highest Net Asset Value per share at the end of the previous calculation period of 31 March 2006 adjusted for any capital adjustments and distributions).

The Group is expensing \$1,668,768 (inclusive of GST) in its Statement of Financial Performance on the basis that the Directors believe it is more probable than not that the necessary performance criteria, that would cause the performance fee to be paid, will be achieved at some future date (30 September 2005: \$Nil, 31 March 2006 \$1,279,000).

In accordance with the terms of the Management Agreement, half of any performance fee payable (exclusive of GST) will be applied by the Manager to subscribe for shares in Kingfish Limited, issued at a price equal to the audited Net Asset Value per share at 31 March 2007.

NOTE 12 NET ASSET VALUE

The unaudited Net Asset Value per share of Kingfish Limited as at 30 September 2006 was \$1.85 per share. (30 September 2005: \$1.31, 31 March 2006: \$1.59).
The unaudited diluted Net Asset Value per share of Kingfish Limited at 30 September 2006 was \$1.44 per share. (30 September 2005: \$1.16, 31 March 2006: \$1.30).

The diluted Net Asset Value describes the effect if all options were exercised on the date of calculation of the Net Asset Value at \$1.00. Options are exercisable on either of 31 March 2007 and/or 31 March 2008. >

KINGFISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 September 2006

NOTE 13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 30 September 2006 (30 September 2005: Nil and 31 March 2006: Nil).

NOTE 14 BORROWING FACILITY

During April 2006, Kingfish Limited entered into a borrowing facility with ASB Bank Limited for up to \$15,000,000, in accordance with the terms of the Management Agreement.

The amounts drawn down are for a 90-day period and are on normal commercial terms. During the period \$10,000,000 was drawn down to fund investment opportunities. This amount was repaid in full on 7 July 2006.

At 30 September 2006 the Group had no borrowings.

NOTE 15 SUBSEQUENT EVENTS

There were no events subsequent to 30 September 2006 which require adjustment of, or disclosure in the financial statements (30 September 2005: None, and 31 March 2006: None).

ACCOUNTANT'S REPORT



Kingfish Limited

Accountants' Report

To the shareholders of Kingfish Limited

PricewaterhouseCoopers
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Auckland, New Zealand
DX CP24073
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Telephone +64 9 355 8000
Facsimile +64 9 355 8001

We have reviewed the consolidated financial statements on pages 11 to 28. The consolidated financial statements provide information about the past financial performance and cash flows of the Group for the period ended 30 September 2006 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 16 to 19.

Directors' responsibilities

The Group's Directors are responsible for the preparation and presentation of the consolidated financial statements that present fairly the financial position of the Group as at 30 September 2006 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the consolidated financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the consolidated financial statements of the Group for the period ended 30 September 2006 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with or interests in the Group other than in our capacity as accountants conducting this review and in our capacity as auditors.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not present fairly the financial position of the Group as at 30 September 2006 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 1 November 2006 and our review opinion is expressed as at that date.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

Chartered Accountants

Auckland

DIRECTORY

Nature of Business

The principal activity of the Group is investment in New Zealand companies.

Manager

Fisher Funds Management Limited
Level 2
95 Hurstmere Road
Takapuna
Auckland

Directors

Independent Directors

Rob Challinor (Chairman)
Annabel Cotton
Ian Hendry

Director

Carmel Fisher

Registrar

Computershare Investor Services Limited
Level 2
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Takapuna
Auckland

Auditors

PricewaterhouseCoopers
188 Quay Street
Auckland

Solicitors

Chapman Tripp
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Bankers

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