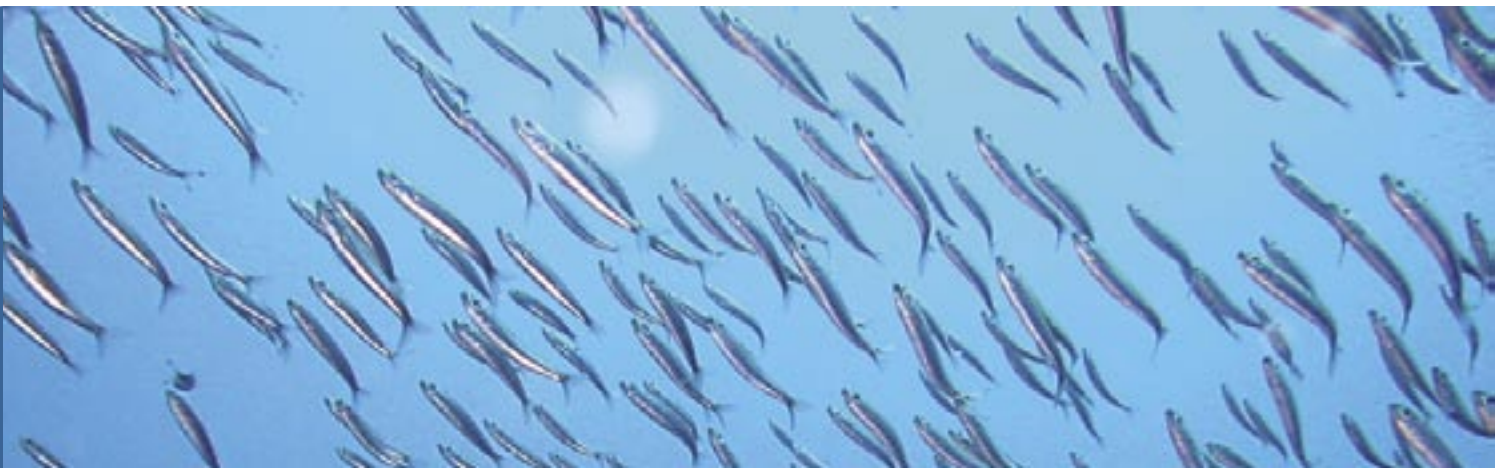




# Annual Report

31 MARCH 2005





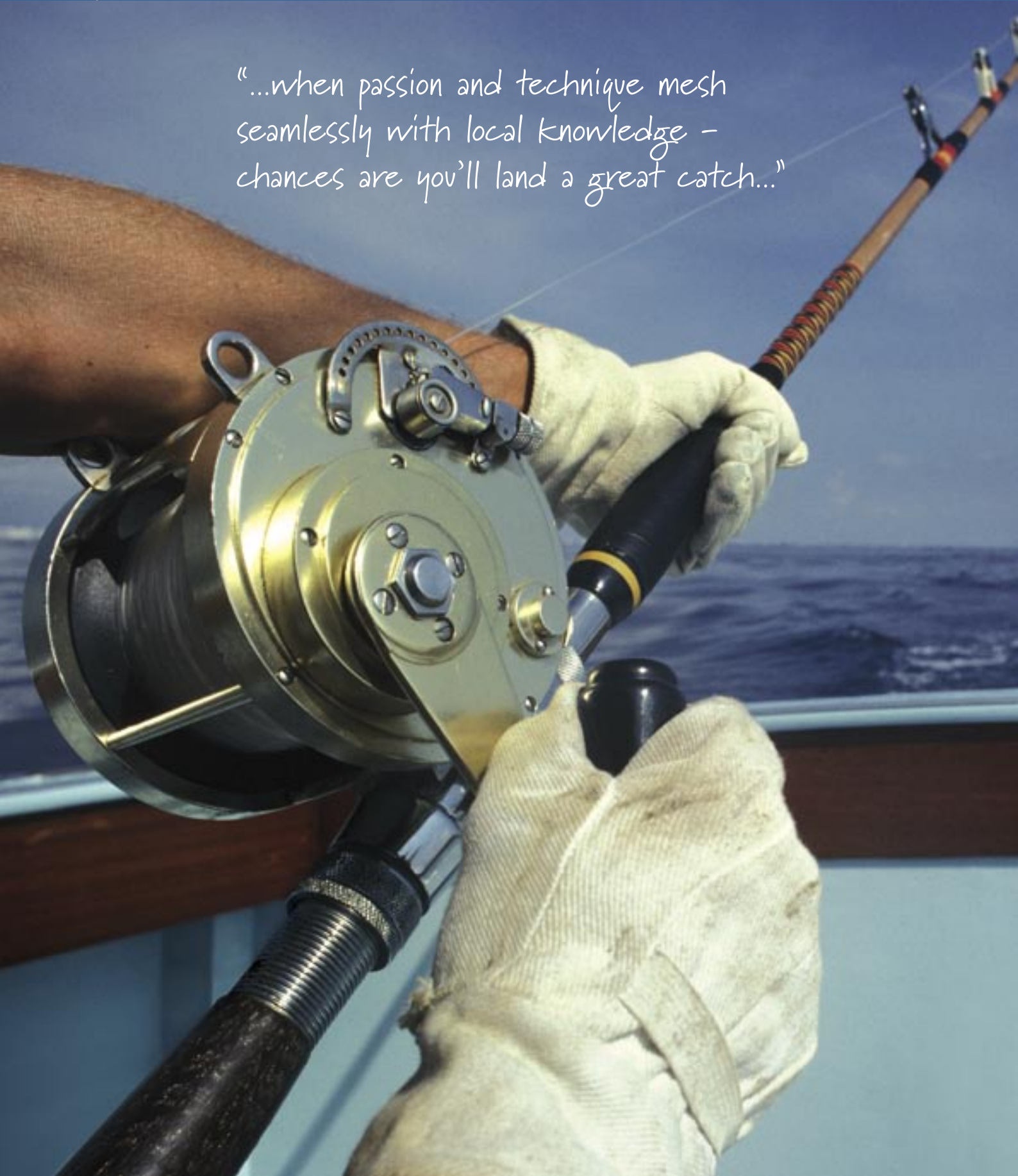
- ◆ Listing on NZSX on 31 March 2004.
- ◆ \$16.7 million surplus after taxation for the year to 31 March 2005.
- ◆ 94% of funds invested at 31 March 2005.
- ◆ Core portfolio of 8 stocks established.
- ◆ Net Asset Value at 31 March 2005 up 32.7% to \$1.2852 (net of the performance fee) from the initial IPO level of \$0.9684.
- ◆ Increase in Net Asset Value of 32.7% against the 13.4% benchmark return.
- ◆ Combined market value of shares and warrants at 31 March 2005 23% above the issue price.

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"...when passion and technique mesh seamlessly with local knowledge - chances are you'll land a great catch..."



**Kingfish Limited** is a listed investment company that invests in New Zealand companies. The investment portfolio of Kingfish is managed by Fisher Funds Management Limited, a specialist New Zealand investment manager with a track record of successfully investing in small company shares. The company was listed on the New Zealand Exchange in March 2004 following a successful \$58.5 million IPO. Kingfish provides investors with an opportunity to invest in a diversified portfolio of investments through a single company. Kingfish may invest in small companies that are listed on the NZSX, NZAX and unlisted small companies.

## INVESTMENT OBJECTIVES

*The key investment objectives of Kingfish are to:*

- Achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors;
- Deliver investors a regular and growing income stream in the form of imputed dividends; and
- Provide a portfolio of securities that allows investors access to a number of smaller companies through a single investment.

## INVESTMENT APPROACH

*The investment philosophy of Kingfish is summarised in the following broad principles:*

- We seek to buy and hold shares in companies for the medium to long term.
- Our preference is to invest in companies that have a proven track record of growing profits.
- The Kingfish portfolio will represent the “best ideas” of the Manager, and will be concentrated in those companies that meet our investment criteria.
- Kingfish will invest as a long-term investor and will sell only on the basis of a fundamental change in the original investment case.
- Kingfish will focus on achieving an absolute return for shareholders, rather than outperforming an NZSX market index.
- The Manager places significant emphasis on fundamental analysis – understanding the business, knowing the management and board, identifying a company’s sustainable competitive advantage.

## THE KINGFISH STRUCTURE

Kingfish has two subsidiaries: Kingfish Holdings Limited and Kingfish Nursery Limited. Kingfish Holdings owns the core Kingfish portfolio of companies and makes investments for the long term, seeking to generate returns from companies that have proven their ability to grow their earnings. Approximately 85% of the total Kingfish Group assets are held by Kingfish Holdings at any time. Kingfish Nursery owns shares in those companies that have not yet met all of the Manager’s investment criteria to become a core holding, but do have potential. Young companies or those that have recently been purchased may need to be monitored closely before becoming a substantial holding. The Manager may want to assess the company’s management and prospects before committing significant assets to the investment. Kingfish Nursery will sell holdings from time to time and provide fully for tax on any gains. Approximately 15% of the total Kingfish Group assets are held by Kingfish Nursery at any time.



The Directors of Kingfish Limited ("Kingfish") present you with the first Annual Report since the company was listed on the New Zealand Stock Exchange on 31 March 2004.

It is pleasing to be able to report for the first full year of operations a net surplus after tax of \$16.7 million. This surplus includes \$19.8 million of unrealised gains on investments and is after incurring \$1.9 million of issue expenses relating to the Initial Public Offering ("IPO") and NZSX listing.

The Directors have declared a final fully imputed dividend of 2 cents per share that will be paid to all eligible shareholders.

The dividend is in accordance with the Company's policy of paying dividends equivalent to the income received by Kingfish after deducting operating and management costs, including tax and financing costs of the Company. The record date for the final dividend entitlement is 5pm on 26 May 2005 and the date of payment is 10 June 2005.

The Directors formally established a Dividend Reinvestment Plan during the year, offering shareholders the opportunity to reinvest dividends in Kingfish ordinary shares, and thereby increase their shareholding. Shares will be issued at a 3% discount to the volume weighted average share price of all sales of shares which take place through NZSX on the first five trading

days that the shares trade ex-entitlement.

Kingfish's Net Asset Value ("NAV") per share has increased 32.7% from the net \$0.9684 raised in the IPO to \$1.2852 as at 31 March 2005. The increase in the NAV was substantially ahead of the benchmark rate of 13.4%, (being 7% plus the change in the NZX 90 day bank bill index for the year).

The Company's recent achievements would not be possible without the experience of the Manager - Fisher Funds Management Limited ("Fisher Funds"). Fisher Funds offers investors an outstanding track record of investing in New Zealand small companies for the past 7 years.

The Management Agreement with Fisher Funds provides for an annual performance fee for returns above the benchmark rate, contingent upon the NAV per share reaching \$1.33. This NAV per share was achieved during March and again on 7 April 2005. A performance fee of \$2.2 million is recognised on an accrual basis in the financial statements based on the performance of the Group up to balance date. This performance fee has been paid to Fisher Funds subsequent to balance date. In accordance with the Management Agreement half the value of the performance fee received has been subscribed by Fisher Funds for 759,560 Kingfish shares at an issue price equal to the

audited NAV per share of \$1.2852 at year end.

Kingfish shares were trading at \$1.03 as at 31 March, which was at a discount of 10% to the diluted NAV. While the ordinary shares were trading at a discount to NAV, investors who bought shares in the IPO have seen a gain of 23% at 31 March 2005 after taking into account the combined market value of shares and warrants.

Kingfish shares traded between \$0.88 and \$1.22 during the 12 months and Kingfish warrants traded between \$0.126 and \$0.359.

The Institute of Chartered Accountants of New Zealand has announced that New Zealand entities will adopt International Financial Reporting Standards ("NZIFRS") for financial years commencing after 1 January 2007. Entities may however, choose to adopt NZIFRS from 1 January 2005. The Board in conjunction with external professional advisors is considering the implications of NZIFRS on Kingfish and is currently working on quantifying this impact on the financial statements. As progress is made towards adoption of NZIFRS the Board intends to update shareholders and users of the financial statements with the likely impacts of adopting NZIFRS.

The release of our Annual Report is followed by the Annual Shareholders Meeting to be held on 17 June 2005, which the Board

recognises as an important forum at which shareholders can meet the Board. Full participation of shareholders is encouraged at the Annual Shareholders Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. Shareholders are encouraged to submit questions in writing prior to the meeting.

On behalf of the Board, I would like to thank you for becoming shareholders of Kingfish.

The Board is committed to delivering strong long-term growth and returns to its shareholders whilst at the same time ensuring compliance with all aspects and principles of corporate governance. We look forward to the future with confidence, with the knowledge that the strong portfolio composition and the experience of the Manager, Fisher Funds, place us in a position to deliver value to our shareholders for many years to come.

**For and on behalf of the Board of Directors**



Rob Challinor  
**CHAIRMAN**



## OVERVIEW

We are pleased with the inaugural year of Kingfish Limited as a listed company. It was a year during which all the elements were favourably aligned for the successful investment and subsequent performance of the Kingfish issue proceeds.

The Kingfish IPO raised \$58.5 million from investors wanting to participate in a company that invests in quality New Zealand small companies.

Investors had seen the New Zealand share market lift 25.6% in 2003, and small companies perform even better at 26.2% and so were favourably disposed towards an investment vehicle such as Kingfish.

The funds raised in the IPO were then invested relatively quickly such that by 30 September 2004, more than 80% of the portfolio had been invested in 16 stocks. The New Zealand share market continued its buoyant tone throughout 2004 contributing to a 27% lift in the Kingfish Net Asset Value ("NAV") in the nine months to December 2004.

The New Zealand share market (as measured by the NZSX 50) ended the 2004 calendar year with a 25% gross return, comprising 17%

capital growth and 8% dividend yield. The performance of small listed companies was even more impressive with the NZSX's Small Company Index lifting 36% for the year. This strong performance reflected a buoyant economy which grew at its fastest pace in four years, while the global economy was the strongest in nearly three decades. This supportive economic environment enabled listed companies in all sectors to grow their profits by an average of 12% over the calendar year. As companies announced stronger profit results, analysts upgraded their profit forecasts for the year ahead, and investors were also prepared to increase the multiple\* paid for stocks on the basis of increased future earnings.

As we highlighted in our interim report, Pumpkin Patch was the star of our first six months, contributing a whopping 6% to our performance as its share price lifted 65% in the four months following its listing in June 2004. During our first six months we also benefited from strong performances from Ryman Healthcare, Metlifecare, Freightways and Waste Management.

The tide turned at the beginning of 2005. Many market commentators had been picking a market turnaround on the basis that after two strong years, the economy and therefore the share market had to slow down. The February

*"Look at a day when you are supremely satisfied at the end. It's not a day when you lounge around doing nothing; it's when you've had everything to do, and you've done it."*

*Margaret Thatcher*

\* The multiple refers to a ratio of the share price to the earnings of the company, which is used to determine how expensive a share is. A high multiple means that you are paying a high price for the current earnings per share that the company is generating, and vice versa.

profit reporting season was generally good and the market lifted in response. However there was a definite change in investor sentiment in early March following the announcement by the Reserve Bank of New Zealand of yet another interest rate increase. The NZSX50 index posted its first quarterly decline in two years in March 2005, falling by 0.8%. NZSX's Small Company Index fared slightly worse falling 2.1% for the quarter.

The Kingfish NAV lifted 5% in the three months to March 2005, in spite of the poor market. The main contributors were again Pumpkin Patch whose share price lifted 19%, Mainfreight up 18% and Waste Management up 8%.

#### NET ASSET VALUE VERSUS SHARE PRICE

The most appropriate measure of our skill in managing the Kingfish portfolio is the change in the NAV. By constructing a portfolio of shares in good quality businesses, and then closely monitoring the portfolio companies, we were able to lift the Kingfish NAV by 32.7% in the 12 months to 31 March 2005. This increase was certainly assisted by a supportive market environment, however superior stock selection enabled us to exceed the market return of 17% and the Small Company Index return of 23%. Further, the Kingfish portfolio had a higher than average cash balance during the year, which drags on performance, as investments were made progressively throughout the first half.

The other measure that will be important to you is the performance of the Kingfish share price. This is not a measure of how well the Kingfish portfolio has performed, but rather, it is a reflection of how the market views shares in Kingfish at any point in time.

Within our investment portfolio, the share

price of a company can be out of synch with the underlying performance of the company, or indeed with the market. So it is with investment company shares such as Kingfish – their performance is dependent on the supply and demand for these types of shares. During the past year, investors have had plenty of opportunity to invest in the New Zealand share market sector, through new IPOs, new investment companies such as Kingfish and Salvus and through the NZ Exchange's new Smartshares product. So, supply has not been tight. We have also had plenty of media commentary about the likelihood of a flat New Zealand share market performance in the next 12 months. These and other factors have contributed to the combined Kingfish share and warrant price moving from a 5% premium to NAV at 30 June 2004 to a 4% discount to NAV at 31 March 2005. The total return for shareholders as measured by the change in the combined value of shares and warrants was a rise of 23% for the year to March 2005. This compares with the actual growth in NAV of 32.7%.

#### SELECTING YOUR PORTFOLIO STOCKS

Since the end of the March financial year, the New Zealand share market has continued to fall and the Kingfish NAV had fallen 11% in the four weeks to 28 April 2005. We hope that you will take some comfort from understanding how we go about selecting and monitoring portfolio stocks, even when the market environment is negative.

We employ a process that we call STEEPP analysis to analyse existing and new portfolio companies. This analysis gives each company a score against a number of criteria that we believe need to be present in a successful portfolio company.

All companies are then ranked according to their STEEPP score, to determine how significant their weighting within the portfolio will be (or indeed whether they make the grade to be a portfolio company in the first place). The STEEPP criteria are as follows:

 <b>STRENGTH OF THE BUSINESS</b>	 <b>TRACK RECORD</b>	 <b>EARNINGS HISTORY</b>
<p>What is the company's competitive advantage? Is it sustainable? Is the company a market leader, does it have a dominant position? A strong business is one that can maintain its profit margins even in a competitive market, by doing something better than its competitors or having something they don't have. We insist that every one of our portfolio companies has a sustainable competitive advantage, which we liken to having protective armour to 'keep out the enemy'.</p>	<p>How has the company performed over a two or three year period? Has the company performed under the same management team? Has it grown organically or by acquisition? How did the company fare in a downturn? We prefer to buy established companies rather than start-ups. If we do not know how the company has performed in the past, then an investment decision becomes a leap of faith that the idea or concept will be successful.</p>	<p>Has the company been able to grow its earnings in the past, and how consistent has earnings growth been? We are less interested in cyclical companies whose earnings ebb and flow according to the changing commodity cycles. We are more interested in those companies that can grow their earnings irrespective of the economic environment. This criterion is linked with the first criterion – strength of business – as we find that the strong businesses with a dominant or monopolistic market position tend to be the companies that can consistently grow their earnings.</p>



# E

**EARNINGS  
GROWTH  
FORECAST**

Is the company forecast to grow its earnings over the next one to three years? Is the rate of earnings growth likely to be faster than the market average? How believable and achievable is the forecast rate of growth? As growth investors, we are very interested in the long-term earnings growth potential of a company. We often notice that analysts 'can't see the wood for the trees' and focus on the next profit result, rather than thinking about where the company's earnings might be in five year's time. We think that our long-term horizon enables us to identify successful growth companies before other investors do.

# P

**PEOPLE**

Who is the management team and how long have they been in their roles? Who are the directors, what is their history with the company, and what do they bring to the board? Is there a succession plan for the key executive roles? Do the management team own shares in the business, and how are they incentivised and rewarded? For us, the quality of the company management and its corporate governance is of paramount importance. We want to have confidence in the people running the business, because as we have seen on numerous occasions, a good CEO can make the difference between a top-performing company and a mediocre one.

# P

**PRICING**

How much of the future earnings growth is already reflected in the current share price? How likely is it that the price earnings multiple might expand as the market learns more about this company? How does the price earnings multiple relate to the expected earnings growth (are we paying too much for the rate of growth)? We are less focused on the valuation, and pay scant attention to discounted cashflow analysis. We are not looking to buy cheap stocks, but rather we want to pay a fair price for above average earnings growth.

Using this STEEPP analysis, we constructed and maintained a portfolio which comprised 16 securities at the end of March 2005. Since we disclosed our portfolio holdings in the September interim report, we have disposed of our holding in Briscoes and added Turners & Growers to the Kingfish Nursery portfolio.

#### KINGFISH HOLDINGS PORTFOLIO STOCKS

Company	% of total Kingfish portfolio
Freightways	11%
Mainfreight	10%
Metlifecare	15%
Michael Hill	8%
Pumpkin Patch	11%
Ryman Healthcare	9%
Turners Auctions	6%
Waste Management	14%
Cash	2%
<b>Sub Total</b>	<b>86%</b>

#### KINGFISH NURSERY PORTFOLIO STOCKS

Company	% of total Kingfish portfolio
Cadmus Technology	13%
Comvita	
Just Water International	
Kidicorp	
NZ Exchange	
Pod	
Steel & Tube	
Turners & Growers	
Cash	1%
<b>TOTAL</b>	<b>100%</b>

Kingfish Holdings owns the core portfolio of companies that we expect to own for many years. Kingfish Nursery buys shares in companies that have not yet met all our investment criteria to become a core holding, but show signs of having the potential to do so in the future.

#### THE KINGFISH PORTFOLIO STOCKS

The following is a brief introduction to each of your portfolio companies, with a description of why we believe they deserve a position in the Kingfish portfolio. Market capitalisations shown are as at 29 April 2005. H denotes the stock is held in the Kingfish Holdings portfolio and N denotes the stock is held in the Kingfish Nursery portfolio.





## CADMUS TECHNOLOGY (N)

### What does it do?

Cadmus is a technology provider designing, manufacturing and supplying EFTPOS (electronic funds transfer at point of sale) terminals and equipment to businesses.

### Why do we own it?

We are in the early stages of owning this company, but are interested in the future opportunities that will arise as EFTPOS terminals are required to change to meet new universal standards. We are also encouraged by the involvement of ex Navman CEO Peter Maire as director.

#### 2004 financials at a glance:

<b>2004 Profit</b>	(\$0.5m)
<b>2004 Dividend Yield</b>	Nil
<b>Market Capitalisation</b>	\$48m



## COMVITA (N)

### What does it do?

Comvita develops and sells a range of therapeutic products based on honey and bee products, both in New Zealand and internationally.

### Why do we own it?

We are interested in the company's international expansion plans and also the company's recent initiatives in the area of manuka wound dressings. The company has real growth potential if it can successfully complement its honey-based nutraceutical business with medical products.

#### 2004 financials at a glance:

<b>2004 Profit</b>	\$1.3m
<b>2004 Dividend Yield</b>	3%
<b>Market Capitalisation</b>	\$26m

## Freightways

## FREIGHTWAYS (H)

### What does it do?

Freightways operates nationwide courier services with brands including NZ Couriers, Post Haste, Castle Parcels, and Sub 60, as well as a mailbox delivery and management service, and Online Records Management, a document destruction and records management business.

### Why do we own it?

Freightways is one of two dominant players in the courier market, with a market share of around 45% which is similar to that of NZ Post. The company is a strong, successful operator with a history of consistent earnings growth. We rate the management team and board very highly and believe that the company has the potential to be a true 'all-weather performer'.

#### 2004 financials at a glance:

<b>2004 Profit</b>	\$15.4m
<b>2004 Dividend Yield</b>	6%
<b>Market Capitalisation</b>	\$337m



### JUST WATER INTERNATIONAL (N)

#### What does it do?

Just Water International operates in the water-cooler business providing water coolers to businesses with the brands Just Water, Cool Water Company, and Aqua Cool. The company has completed and continues to consider acquisitions in the drinking water and beverage sector.

#### Why do we own it?

The company generates significant cashflow from its rental customers and has a significant market share in the water-cooler sector. The company offers growth potential through an expanded client base and new initiatives such as mineral-enhanced water.

2004 financials at a glance:	
2004 Profit	\$2.7m
2004 Dividend Yield	Nil
Market Capitalisation	\$53m



### KIDICORP (N)

#### What does it do?

As the name suggests, Kidicorp acquires and manages childcare centres throughout the North Island. Each early childhood centre retains its own brand, however the company seeks to achieve efficiencies through standardising non-education operations, bulk purchasing and staff retention etc.

#### Why do we own it?

We believe that a well managed, corporatised collection of childcare centres should succeed in an increasingly cost-pressured, regulated but nevertheless growing sector.

2004 financials at a glance:	
2004 Profit	(\$11.6m)
2004 Dividend Yield	Nil
Market Capitalisation	\$24m



### MAINFREIGHT (H)

#### What does it do?

Mainfreight is a specialist freight forwarding and distribution business, with interests also in managed warehousing, transportation of hazardous substances, international freight and full truckload freight.

#### Why do we own it?

We have owned Mainfreight shares for a number of years and have a great deal of respect for the management team and directors of the company. While the company has had a variable experience in Australia, their New Zealand business has been a consistent and impressive profit generator. We believe growth opportunities arise from the integration of recent acquisitions.

2004 financials at a glance:	
2004 Profit	\$5.6m
2004 Dividend Yield	3.7%
Market Capitalisation	\$210m



## METLIFECARE (H)

### What does it do?

Metlifecare develops and manages retirement villages, nursing homes and related facilities around New Zealand. The company earns its revenue from service fees (occupancy licences) and sales and resales of retirement units.

### Why do we own it?

We appreciate the demographic trends that support the growth of the retirement village sector, we like the property exposure combined with the operating profits of Metlifecare, and we are enthusiastic about the growth opportunities that will emerge as the company develops its accumulated land bank.

#### 2004 financials at a glance:

<b>2004 Profit</b>	\$17.5m
<b>2004 Dividend Yield</b>	1.4%
<b>Market Capitalisation</b>	\$310m



## MICHAEL HILL INT'L (H)

### What does it do?

Michael Hill is a specialist jewellery retailer, with some 80% of jewellery supplied by its manufacturing divisions. The company operates 46 stores in New Zealand, 100 in Australia and 7 in Canada.

### Why do we own it?

Fisher Funds has invested in Michael Hill shares for many years and been impressed with the company's adherence to a policy of controlled profitable growth. The company has survived and indeed flourished in the competitive New Zealand and Australian retail markets, and will have plenty of growth opportunities if it can replicate its successful format in Canada.

#### 2004 financials at a glance:

<b>2004 Profit</b>	\$15.1m
<b>2004 Dividend Yield</b>	2.9%
<b>Market Capitalisation</b>	\$283m



## NZ EXCHANGE (N)

### What does it do?

The NZ Stock Exchange demutualised in 2002 and listed as NZ Exchange in June 2003. The company now operates the stock exchange, the secondary market NZAX, and the NZ debt exchange.

### Why do we own it?

We own NZX because of its virtual monopolistic position, and because the management has shown itself to be capable and entrepreneurial. In recent times, the company has been innovative in its launch of a range of exchange-tradeable funds under the Smartshares brand, and announced a joint venture to undertake share registry business in New Zealand. As trading volumes and participation in the NZ stock exchange increase, the company's profitability is likely to continue to improve.

#### 2004 financials at a glance:

<b>2004 Profit</b>	\$4.8m
<b>2004 Dividend Yield</b>	4.1%
<b>Market Capitalisation</b>	\$100m



### POD (N)

#### What does it do?

Pod's core interests are the manufacture and marketing of knit fabrics and more recently completed garments, as well as Mollers Textiles, one of New Zealand's major suppliers of "ready made" curtain products. Pod is a leader in Merino fabrics.

#### Why do we own it?

We have a small holding in Pod and are interested in the company's plans to transform from a commodity fabric manufacturer to a marketer of branded fabrics and clothing. It has had some early success in moving away from a production base to a sales and marketing focus, which has led to an added value approach with a design emphasis and more complete product range and brands.

#### 2004 financials at a glance:

2004 Profit	\$5m
2004 Dividend Yield	3.7%
Market Capitalisation	\$38m



### PUMPKIN PATCH (H)

#### What does it do?

Pumpkin Patch is a specialist childrenswear manufacturer and retailer. The company has grown to 67 stores in Australia, 37 in New Zealand plus 10 in Britain and supplies David Jones in Australia, Nordstrom in the US and Roches in Ireland.

#### Why do we own it?

We bought Pumpkin Patch in its June 2004 IPO because we recognised it as a retail brand that had real international growth potential. We have been rewarded with strong share price performance as the company has exceeded prospectus forecasts and analyst expectations. We rate the company's design skills and successful product and retail store-format differentiation.

#### 2004 financials at a glance:

2004 Profit	\$8.1m
2004 Dividend Yield	Nil
Market Capitalisation	\$441m



### RYMAN HEALTHCARE (H)

#### What does it do?

Ryman Healthcare was formed in 1984 to develop, construct and operate retirement villages in New Zealand. Initially operations were confined to the South Island but since 1997 expansion into the North Island has included acquisitions and development of properties in Wellington, Lower Hutt, Hamilton and Auckland.

#### Why do we own it?

We like Ryman Healthcare for many of the same reasons that we own Metlifecare. Ryman's properties differ in that they are in different locations than Metlifecare's, have more of a care offering and it has a more substantial landbank.

#### 2004 financials at a glance:

2004 Profit	\$18.4m
2004 Dividend Yield	2.7%
Market Capitalisation	\$341m



## STEEL & TUBE (N)

### What does it do?

The core business of Steel & Tube is the bulk purchase and subsequent distribution of steel. The company has around 35% market share of the steel distribution market in New Zealand with competitor Fletcher Easy Steel making up a further 30%.

### Why do we own it?

The company's historical earnings have benefited from growth in the manufacturing, rural and construction sectors in recent years. The company pays an attractive dividend yield and has consistently grown its earnings and dividends in the past three years.

#### 2004 financials at a glance:

2004 Profit	\$28.5m
2004 Dividend Yield	12.4%
Market Capitalisation	\$365m



## TURNERS AUCTIONS (H)

### What does it do?

Turners Auctions is New Zealand's largest, and only nationwide auctioneer of motor vehicles and commercial goods. The company has two divisions – Auctions, where it derives its revenue from commissions; and Fleet where it generates revenue by importing and selling vehicles and other goods.

### Why do we own it?

The company's core business is robust and the Turners brand is solid. We believe that the company has real opportunities to grow profits with the introduction of finance for car purchasers, its North American joint venture and enhancements to its existing auction offer.

#### 2004 financials at a glance:

2004 Profit	\$7m
2004 Dividend Yield	5.3%
Market Capitalisation	\$74m



## TURNERS & GROWERS (N)

### What does it do?

Turners & Growers started as a fruit and flower shop in 1897 and is now a fruit, produce and flower wholesaler and distributor. The company is also involved with glasshouse tomato production and other covered crops, the operation of packhouses, and in December 2002 the group acquired 100% of pipfruit exporter ENZA.

### Why do we own it?

We have recently acquired a small holding in Turners & Growers as we believe it may gain further market share in apple exports as the sector reconsolidates. We are also a keen supporter of its incoming CEO Jeff Wesley, formerly of Turners Auctions.

#### 2004 financials at a glance:

2004 Profit	\$9.7m
2004 Dividend Yield	7.5%
Market Capitalisation	\$170m

Waste Management



## WASTE MANAGEMENT (H)

### What does it do?

Waste Management operates in all segments of the waste collection business – from industrial and commercial waste, domestic waste collection, the operation of landfills and transfer stations, to composting and recycling.

### Why do we own it?

Fisher Funds has invested in Waste Management shares for a number of years and have been rewarded with consistent and significant annual earnings growth. The company has a dominant market position and has been able to grow earnings from a diverse range of activities within the waste industry. The company bulked up its Australian presence through the purchase of three businesses in Adelaide last year, acquisitions which are now beginning to make a sizeable bottom line contribution.

#### 2004 financials at a glance:

2004 Profit	\$24.6m
2004 Dividend Yield	6.5%
Market Capitalisation	\$605m

## OUTLOOK

The Kingfish portfolio currently contains 16 stocks and we are comfortable that this portfolio of companies will fare well in the year ahead. The February profit result season did not produce any negative surprises from our companies. Indeed many of our portfolio companies gave strong profit guidance for their full year 2005 results.

There is no doubt that the market environment has changed from that prevailing in 2004. Investors are cautious about the outlook and there has been a flight to quality. However, investors are not consistent in their behaviour, as evidenced by good quality businesses with resilient earnings such as Waste Management and Freightways being sold along with the rest of the market.

We remain cautious regarding the macro-economic outlook over the medium term. "Stronger for longer" does not continue forever and higher interest rates and NZ dollar must have an effect at some stage. Indeed the domestic economy appears to have peaked. Economic indicators in the opening months of 2005 have tended to confirm that economic growth will ease to its long-term trend as resource constraints and interest rate hikes begin to have an effect. We expect this trend to continue well into 2005 as higher interest rates work through the economy (it typically takes 12-18 months for interest rate increases to fully work through). There are also signs that inflationary pressures from both capacity constraints and labour shortages remain acute and, as such, there remains a chance of a further interest rate increase by the Reserve Bank. There could be some cushioning effect though from the NZ dollar depreciating in the coming year as the economy slows.

Our investment strategy has not changed from that articulated in our December quarter update. Our portfolio returns over time will resemble more what our companies are doing rather than what the share market is doing. We choose companies with strong management, established track records of success and good growth prospects. From time to time, share prices will be out of synch with the underlying performances of our companies. However our experience underlines our confidence that over time, increasing earnings will be reflected in increasing share prices. This knowledge will see us through any weaker periods in the market.

**Carmel Fisher**  
**Managing Director**  
**Fisher Funds Management Limited**



**ROB CHALLINOR  
CHAIRMAN**

**BCom (Economics),  
FCA, FCIS, CMA.**

Rob has 20 years experience as a director of numerous public and private companies. He is currently Chairman of Sheffield Limited and a director of The Warehouse Group Limited and Ports of Auckland Limited. In addition, Rob is a partner and director of investment bankers Northington Partners Limited, and a member of the Australasian Advisory Board of international strategy consultancy L.E.K. Consulting. He has recently retired as Chairman of Mighty River Power Limited; other former directorships include National Australia Bank New Zealand Limited, Tower Health and Life Limited, Television New Zealand Limited and Electricity Corporation of New Zealand Limited. Earlier in his career he was a partner in Deloitte and a corporate finance advisor. Rob is a Fellow of the Institute of Directors. His principal place of residence is Auckland.



**IAN HENDRY  
INDEPENDENT  
DIRECTOR**

**FCII, APML.**

Ian has over 40 years experience in the financial services industry and held senior management positions with a major UK insurance company in London and Hong Kong before coming to New Zealand in 1988 to become a co-founder of Sovereign Limited. Ian was Group Managing Director at the time of Sovereign's IPO in 1998 and for three years after its acquisition by ASB Bank later that year. Ian is a Fellow of the Chartered Insurance Institute and is a Director of Sentinel Limited and Clavell Capital Limited, and has also served as a director of the Investment Savings and Insurance Association of New Zealand. His principal place of residence is Auckland.



**ANNABEL COTTON  
INDEPENDENT  
DIRECTOR**

**BMS (Accounting &  
Finance), ACA, CSAP.**

Annabel is a qualified investment analyst and accountant and has over 20 years experience working in financial markets. Annabel established the investor relations programmes for Telecom Corporation of New Zealand and Air New Zealand, and has for the last eight years specialised in providing independent investor relations advice to a number of New Zealand listed companies. Annabel is a Member of the Securities Commission and a director of Genesis Power Limited. Annabel's principal place of residence is Auckland.



**CARMEL FISHER  
DIRECTOR**

**BCA.**

Carmel established Fisher Funds Management Limited in 1998. Carmel has over 20 years experience in the investment industry. Carmel spent her early working career with sharebrokers Frances, Allison Symes and Co and Mouat Bolland (which subsequently become MB Stockbrokers). Carmel moved to Prudential Assurance in 1988 and in 1991 launched the Prudential Emerging Companies Trust, which in the year to December 1992 achieved an 83% return and was the best performing fund for the year. Carmel then moved to Sovereign Assurance and in 1994 developed and launched another small company fund, the Sovereign NZ Select Equities Fund. In late 1997, Carmel resigned from Sovereign Asset Management to form Fisher Funds Management Limited. Over the past seven years Fisher Funds has offered investors an outstanding track record of investing in New Zealand small companies. Carmel's principal place of residence is Auckland.

*"We would rarely buy a stock before we have met with management and visited their operation, and we pride ourselves on the relationships we have established..."*



The Board of Directors (“Board”) of Kingfish Limited (“Kingfish”, “the Company”) recognises the need for strong corporate governance practices and has adopted a comprehensive corporate governance code. This code meets the required corporate governance principles under the NZX Corporate Governance Best Practice Code and the Securities Commission Corporate Governance Principles.

The Board believes that the corporate governance structures and practices must encourage the creation of value for Kingfish’s shareholders whilst ensuring the highest standards of ethical conduct and providing accountability and control systems commensurate with the risks involved.

### ROLE AND COMPOSITION OF THE BOARD

Kingfish retains a separate Board of Directors from the Manager, Fisher Funds Management Limited. The Board aims to ensure that shareholders’ interests are held paramount.

The Board is responsible for the direction and control of Kingfish and is accountable to shareholders and others for Kingfish’s performance and its compliance with the appropriate laws and standards.

A key responsibility of the Kingfish Board is to monitor the performance of the Manager on an ongoing basis.

Kingfish offers shareholders a highly experienced Board with financial markets experience and strengths in funds management and corporate governance.

The Kingfish Constitution requires a minimum of three Directors with a maximum of seven. At least two of the Directors must be ordinarily resident in New Zealand. The composition of the Board must include a minimum of two Independent Directors. The Board elects a Chairman whose primary responsibility is the efficient functioning of the Board

The Board is currently made up of four Directors and the Board considers that all the non-executive Directors are independent in terms of the New Zealand Exchange requirements.

### INDEPENDENT DIRECTORS

- Rob Challinor (Chairman)
- Annabel Cotton
- Ian Hendry

### DIRECTOR

- Carmel Fisher

Profiles of the individual Directors can be found on page 17.

Appropriate notice of Director nominations has been provided in accordance with the requirements of the New Zealand Exchange, the Kingfish Constitution and the Companies Act 1993.

The Board met 11 times during the year and received papers, including regular reports from the Corporate Manager and Investment Manager to read and consider before each meeting. The Board is provided at all times with accurate timely information on all aspects of Kingfish operations. The Board is kept informed of key risks to Kingfish on a continuing basis. In addition the Board meets whenever necessary to deal with specific matters needing attention between the scheduled meetings.

BOARD MEMBERS	MEETINGS ATTENDED
Rob Challinor - Chairman	10
Ian Hendry	10
Annabel Cotton	11
Carmel Fisher	11
<b>Meetings Held</b>	<b>11</b>

The Board will annually review the performance of the Board as a whole and each Director. The Directors, subsequent to year end, are conducting the first formal review process.

#### BOARD COMMITTEES – AUDIT COMMITTEE

The Kingfish Audit Committee has been established to focus on audit and risk management and specifically addresses responsibilities relative to financial reporting and regulatory conformance.

The Audit Committee is accountable for ensuring the performance and independence of the external auditors – PricewaterhouseCoopers. The Audit Committee also recommends to the Board which services other than the statutory audit, may be provided by PricewaterhouseCoopers as auditors.

The Audit Committee comprises Annabel Cotton (Chairman), Ian Hendry and Rob Challinor. Meetings are held not less than twice a year having regard to Kingfish's reporting and audit cycle.

AUDIT COMMITTEE MEMBERS	MEETINGS ATTENDED
Annabel Cotton - Chairman	2
Ian Hendry	2
Rob Challinor	2
<b>Meetings Held</b>	<b>2</b>

The Audit Committee may have in attendance such members of management including the Kingfish Corporate Manager, a representative from the Manager, Fisher Funds and such other persons including the external auditors, as it considers necessary to provide appropriate information and explanations.

A copy of the full terms of engagement of the Audit Committee is available at [www.kingfishlimited.co.nz](http://www.kingfishlimited.co.nz)

#### OTHER COMMITTEES

Due to the importance of Nomination and Remuneration matters these are addressed by the Board as a whole and consequently there is no separate Nomination or Remuneration Committee.

#### RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for Kingfish's system of risk management and internal control. Kingfish has in place policies and procedures to identify areas of significant business risk and implement procedures to manage effectively those risks. Key risk management tools used by Kingfish include the Audit Committee function, outsourcing of certain functions to experts, internal controls, financial and compliance reporting procedures and processes, business continuity planning and insurance.

A copy of the full terms of the Risk Management Policy is available at [www.kingfishlimited.co.nz](http://www.kingfishlimited.co.nz)

## ETHICAL CONDUCT

Kingfish has adopted a policy of business ethical conduct that is designed to formalise its commitment to the highest standards of ethical conduct and to provide all Directors and representatives with clear guidance on those standards. These are governed by the Code of Ethics, Conflicts of Interest Policy and the Insider Trading Policy.

The Code of Ethics details the ethical and professional behavioural standards required of the Directors and the Corporate Manager. The code also provides the means for proactively addressing and resolving potential ethical issues.

The Conflicts of Interest Policy details the process to be adopted for identifying conflicts of interest and the actions that should be taken.

The Insider Trading Policy details the procedure whereby Kingfish Directors may trade in Kingfish shares and Kingfish warrants, exercise warrants and take up shares purchased under the Dividend Reinvestment Plan. Directors may not trade in Kingfish shares or warrants when they have price sensitive information that is not publicly available. In addition, except where the Directors have the permission of the Board, the Directors may trade in the Company shares and warrants only during the trading window commencing immediately after Kingfish's weekly disclosure of its Net Asset Value ("NAV") to the New Zealand Exchange, and ending at the close of trade two days following the NAV disclosure.

The Company maintains an interests register in which the particulars of certain transactions and matters involving Directors must be recorded. Details of all matters entered into the register by individual Directors are outlined on pages 42 to 43.

A copy of the full terms of the Code of Ethics, Conflicts of Interest Policy and the Insider Trading Policy is available at [www.kingfishlimited.co.nz](http://www.kingfishlimited.co.nz)

## SHAREHOLDER RELATIONS

The Board recognises the importance of providing comprehensive and timely information to shareholders.

Up to date Company information is contained on the Kingfish website which includes the publication of the most recent NAV. The NAV is released to the NZX on a weekly basis and at each quarter. Information is also communicated to shareholders in the Interim Report and the Quarterly Shareholders Update.

The release of the Annual Report is followed by the Annual Shareholders Meeting which the Board recognises as an important forum at which the shareholders can meet and question the Board. Full participation of shareholders is encouraged at the Annual Shareholders Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. Shareholders are encouraged to submit questions in writing prior to the meeting.



## DIRECTORS' STATEMENT OF RESPONSIBILITIES

FOR THE PERIOD ENDED 31 MARCH 2005



We have pleasure in presenting the financial statements for Kingfish Limited for the period ended 31 March 2005.

We have ensured that the financial statements for Kingfish Limited give a true and fair view of the financial position of the Company as at 31 March 2005 and its financial performance and cash flows for the period ended on that date.

We have ensured that the accounting policies used by the Company comply with generally accepted accounting practice in New Zealand and believe that proper accounting records have been kept. We have ensured compliance of the financial statements with the Financial Reporting Act 1993.

We also consider that adequate controls are in place to safeguard the Company's assets and to prevent and detect fraud and other irregularities.

The Kingfish Board authorised these financial statements for issue on 29 April 2005.

ROB CHALLINOR

ANNABEL COTTON

CARMEL FISHER

IAN HENDRY

	NOTES	2005 GROUP \$000	2005 PARENT \$000
Interest		848	70
Dividends		1,915	0
Management fee income	10	0	3,017
Realised losses on the sale of investments		(201)	0
Unrealised gains on investments		19,799	0
<b>Total income</b>		<b>22,361</b>	<b>3,087</b>
Operating expenses	1	(3,602)	(3,061)
Issue expenses		(1,856)	(1,856)
<b>Total expenses</b>		<b>(5,458)</b>	<b>(4,917)</b>
<b>Operating surplus/(deficit) before income tax</b>		<b>16,903</b>	<b>(1,830)</b>
Income tax (expense)/benefit	3	(217)	21
<b>Operating surplus/(deficit) after income tax</b>		<b>16,686</b>	<b>(1,809)</b>

*The Accounting Policies set out on pages 28 and 29 and the Notes to the Financial Statements set out on pages 30 to 36 should be read in conjunction with this Statement of Financial Performance.*

**KINGFISH LIMITED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
*FOR THE PERIOD ENDED 31 MARCH 2005*

	NOTES	2005 GROUP \$000	2005 PARENT \$000
<b>Net surplus/(deficit) for the period</b>		<b>16,686</b>	<b>(1,809)</b>
<b>Contributions from owners</b>	2	<b>58,500</b>	<b>58,500</b>
<b>Movements in equity for the period</b>		<b>75,186</b>	<b>56,691</b>
<b>Equity at beginning of period</b>		<b>0</b>	<b>0</b>
<b>Equity at end of period</b>		<b>75,186</b>	<b>56,691</b>

*The Accounting Policies set out on pages 28 and 29 and the Notes to the Financial Statements set out on pages 30 to 36 should be read in conjunction with this Statement of Movements in Equity.*

	NOTES	2005 GROUP \$000	2005 PARENT \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
- Cash on deposit		4,752	492
- Accounts receivable	6	105	0
- Intercompany receivables	10	0	2,039
- Current tax receivable	3	41	43
<b>Total Current Assets</b>		<b>4,898</b>	<b>2,574</b>
<b>Investments</b>	<b>8</b>	<b>74,507</b>	<b>0</b>
<b>Investment in Subsidiaries</b>	<b>5</b>	<b>0</b>	<b>56,165</b>
<b>Future Income Tax Benefit</b>	<b>3</b>	<b>26</b>	<b>0</b>
<b>Deferred Tax Asset</b>	<b>3</b>	<b>0</b>	<b>20</b>
<b>TOTAL ASSETS</b>		<b>79,431</b>	<b>58,759</b>
<b>CURRENT LIABILITIES</b>			
- Accounts payable	7	4,002	2,068
<b>Total Current Liabilities</b>		<b>4,002</b>	<b>2,068</b>
<b>Deferred Tax Liability</b>	<b>3</b>	<b>243</b>	<b>0</b>
<b>Total Liabilities</b>		<b>4,245</b>	<b>2,068</b>
<b>EQUITY</b>			
- Share capital	2	58,500	58,500
- Retained earnings	4	16,686	(1,809)
<b>Total Equity</b>		<b>75,186</b>	<b>56,691</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>79,431</b>	<b>58,759</b>

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



Director - Rob Challinor

29th April 2005



Director - Annabel Cotton

29th April 2005

*The Accounting Policies set out on pages 28 and 29 and the Notes to the Financial Statements set out on pages 30 to 36 should be read in conjunction with this Statement of Financial Position.*

**KINGFISH LIMITED**  
**STATEMENT OF CASHFLOWS**  
 FOR THE PERIOD ENDED 31 MARCH 2005

	2005 GROUP \$000	2005 PARENT \$000
<b>Operating activities</b>		
<i>Cash was provided from:</i>		
- Interest received	847	70
- Dividends received	1,811	0
- Other income	0	978
<i>Cash was applied to:</i>		
- Taxes paid	(41)	(42)
- Operating expenses	(3,129)	(2,849)
<b>Net cash outflows from operating activities</b>	<b>(512)</b>	<b>(1,843)</b>
<b>Investing activities</b>		
<i>Cash was provided from:</i>		
- Sale of investments	4,203	0
<i>Cash was applied to:</i>		
- Purchase of investments	(57,439)	(56,165)
<b>Net cash outflows from investing activities</b>	<b>(53,236)</b>	<b>(56,165)</b>
<b>Financing activities</b>		
<i>Cash was provided from:</i>		
- Proceeds of share issue	58,500	58,500
<b>Net cash inflows from financing activities</b>	<b>58,500</b>	<b>58,500</b>
<b>Net increase in cash held</b>	<b>4,752</b>	<b>492</b>
Cash at beginning of period	0	0
<b>Cash at end of period</b>	<b>4,752</b>	<b>492</b>
<b>Composition of cash</b>		
- Cash and bank balances	4,752	492
	4,752	492

*The Accounting Policies set out on pages 28 and 29 and the Notes to the Financial Statements set out on pages 30 to 36 should be read in conjunction with this Statement of Cashflows.*

	2005 GROUP \$000	2005 PARENT \$000
Reconciliation of operating surplus to net cash flows from operating activities		
<b>Reported surplus/(deficit) after tax</b>	<b>16,686</b>	<b>(1,809)</b>
<b>Items not involving cash flows</b>		
- Increase in deferred tax liability/(asset)	243	(20)
- Increase in future income tax benefit	(26)	0
- Unrealised gains on investments	(19,799)	0
	<b>(19,582)</b>	<b>(20)</b>
<b>Impact of changes in working capital items</b>		
- Increase in fees payable	2,328	2,068
- Increase in GST payable	0	0
- Increase in withholding tax payable	1	0
- Increase in interest and dividends receivable	(105)	0
- Increase in intercompany receivables	0	(2,039)
- Increase in current taxation receivable	(41)	(43)
	<b>2,183</b>	<b>(14)</b>
<b>Items classified as investing activities</b>		
- Realised losses on investments	201	0
	<b>201</b>	<b>0</b>
<b>Net cash outflow from operating activities</b>	<b>(512)</b>	<b>(1,843)</b>

*The Accounting Policies set out on pages 28 and 29 and the Notes to the Financial Statements set out on pages 30 to 36 should be read in conjunction with this Statement of Cashflows.*

**KINGFISH LIMITED**  
**STATEMENT OF ACCOUNTING POLICIES**  
*FOR THE PERIOD ENDED 31 MARCH 2005*

**ENTITIES REPORTING**

The consolidated financial statements for the Group are for the economic entity comprising Kingfish Limited (the "Parent") and its subsidiaries Kingfish Holdings Limited and Kingfish Nursery Limited.

**STATUTORY BASE**

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, the Companies Act 1993 and New Zealand Financial Reporting Standards.

**ACCOUNTING PERIOD**

Kingfish Limited was incorporated on 30 January 2004. The company commenced operations on 31 March 2004. The financial statements cover the results of operations since the date of incorporation.

**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 consolidated 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 accounted for 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 13 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 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, receivables and accounts payable. The various accounting policies associated with these financial instruments have been disclosed above.

#### **Statement of Cashflows**

The following are definitions of the terms used in the Statement of Cashflows:

- (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 Institute of Chartered Accountants of New Zealand has announced that New Zealand entities will adopt International Financial Reporting Standards ("NZIFRS") for financial years commencing after 1 January 2007. Entities may however, choose to adopt NZIFRS from 1 January 2005. The Company has chosen to adopt NZIFRS for the financial year commencing on 1 April 2007.

The Board in conjunction with external professional advisers is considering the implication of NZIFRS on Kingfish and is currently working on quantifying this impact on the financial statements. As progress is made towards adoption of NZIFRS the Board intends to update shareholders and users of the financial statements with the likely impacts of adopting NZIFRS.

**KINGFISH LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*FOR THE PERIOD ENDED 31 MARCH 2005*

**NOTE 1**

	2005 GROUP \$000	2005 PARENT \$000
<b>Operating Expenses</b>		
Audit fees	32	17
Directors' fees	118	37
Manager's fee	940	836
Manager's performance fee	2,196	1,952
Other expenses	316	219
<b>Total operating expenses</b>	<b>3,602</b>	<b>3,061</b>

**NOTE 2 SHARE CAPITAL****Ordinary Shares**

As at 31 March 2005 there were 58,500,000 ordinary shares issued and fully paid up. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

**Warrants/Options**

There were 58,500,000 Kingfish Limited warrants on issue at 31 March 2005. Each Kingfish Limited warrant held entitles the holder to subscribe for an ordinary share at an exercise price of \$1 and is exercisable on either 31 March 2006, 31 March 2007 or finally 31 March 2008. Holders can elect to exercise some or all of their options on any of these dates subject to a minimum exercise of 500 options. The fair value of the warrants based on the last trading price as at 31 March 2005 was \$0.20 each.



**NOTE 3**

	2005 GROUP \$000	2005 PARENT \$000
<b>Income Tax</b>		
<b>(i) Taxation expense</b>		
Net surplus/(deficit) before tax	16,903	(1,830)
Tax thereon at 33%	5,578	(604)
<i>Adjusted for the tax effect of:</i>		
- Imputation credits	(500)	0
- Non-deductible issue expenses	583	583
- Non-deductible performance fees	616	0
- Realised losses Kingfish Holdings	136	0
- Unrealised gains Kingfish Holdings	(6,196)	0
Taxation expense/(benefit)	217	(21)
<i>Taxation expense comprises:</i>		
- Current tax	0	(1)
- Future income tax benefit	(26)	0
- Deferred tax	243	(20)
	217	(21)
<b>(ii) Current tax provision</b>		
Opening balance	0	0
Current tax movement	0	0
Tax consolidated group offsets	0	1
Tax paid	41	42
Closing balance receivable	41	43
<b>(iii) Movements in future income tax benefit</b>		
Opening balance	0	0
Excess imputation credits converted to tax loss	26	0
Tax losses utilised	0	0
Closing balance receivable	26	0
<b>(iv) Movements in deferred tax</b>		
Opening balance	0	0
Market value adjustment	(337)	0
Timing differences	94	20
Closing balance	(243)	20

*Note: The market value adjustment in (iv) above Movements in deferred tax relates to unrealised gains on investments held by Kingfish Nursery Limited.*

	2005 GROUP \$000	2005 PARENT \$000
<b>NOTE 3</b>		
<b>Income Tax continued</b>		
<b>(v) Movements in imputation credit account</b>		
Opening balance	0	0
Net imputation credits received	746	0
Net imputation credits attached	0	0
Tax paid	41	42
Closing balance	787	42
<b>NOTE 4</b>		
<b>Retained Earnings</b>		
Balance at beginning of year	0	0
Net surplus/(deficit) for the year	16,686	(1,809)
Dividends paid and provided	0	0
<b>Balance at end of year</b>	<b>16,686</b>	<b>(1,809)</b>

Subsequent to balance date a net dividend of \$1,185,000 has been declared as payable to shareholders. The record date for the final dividend entitlement is 5pm on 26 May 2005 and the date of payment is 10 June 2005.

**NOTE 5 INVESTMENTS IN SUBSIDIARIES**

The Parent's investment in subsidiaries comprises shares at cost. The subsidiaries are:

NAME OF ENTITY	% HOLDING	PRINCIPAL ACTIVITIES
Kingfish Holdings Limited	100%	Long-term investment in growing NZ companies.
Kingfish Nursery Limited	100%	Short-term investment in growing NZ companies.

All subsidiary entities have a balance date of 31 March.

	2005 GROUP \$000	2005 PARENT \$000
<b>NOTE 6</b>		
<b>Accounts Receivable</b>		
Interest receivable	1	0
Dividends receivable	104	0
<b>Total accounts receivable</b>	<b>105</b>	<b>0</b>

**NOTE 7**

	2005 GROUP \$000	2005 PARENT \$000
<b>Accounts Payable</b>		
Fees payable to the Manager	2,290	2,035
Other fees payable	38	33
GST payable	0	0
Withholding tax payable	1	0
Investment purchases payable	1,673	0
<b>Total accounts payable</b>	<b>4,002</b>	<b>2,068</b>

**NOTE 8**

	2005 GROUP \$000	2005 PARENT \$000
<b>Investments</b>		
The investment portfolio revalued to current market values at balance date is summarised as follows:		
New Zealand equities at cost	54,709	0
Unrealised gains on New Zealand equities	19,798	0
<b>Total investments</b>	<b>74,507</b>	<b>0</b>

**NOTE 9**

**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 to Fisher Funds Management Limited for the year ended 31 March 2005 totalled \$940,000.

As at 31 March 2005 Fisher Funds Management Limited owned 635,000 Kingfish shares and 635,000 warrants.

A performance fee of \$2,196,000 is payable to Fisher Funds Management Limited and has been expensed in the accounts. (See Note 13) The performance fee will be recovered from Kingfish Holdings Limited and Kingfish Nursery Limited in proportion to their Net Asset Value at balance date and this recovery has been recognised in the Parent financial statements.

All members of the Group are considered to be related parties of Kingfish Limited. This includes the subsidiaries identified in Note 5.

During the year, the Parent had related party transactions with the subsidiaries as described in Note 10.

Subsequent to balance date Kingfish Nursery Limited declared a net dividend of \$146,000 and Kingfish Holdings Limited declared a net dividend of \$1,039,000 each of which is due to be received by the Parent.

**NOTE 10 INTERNAL MANAGEMENT FEE**

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.

	2005 GROUP \$000	2005 PARENT \$000
Internal Management Fee Income comprises:		
Manager's performance fee	0	1,952
Manager's fee	0	836
Internal charges	0	229
	<b>0</b>	<b>3,017</b>

The internal charges in the consolidated Group represent the net effect of GST not recoverable on expenses recharged to Kingfish Holdings Limited and Kingfish Nursery Limited. This is shown in the financial statements as an operating expense of \$28,000 to the consolidated Group. The Manager's performance fee and the Manager's fee are shown exclusive of GST in the Parent company financial statements.

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

The following management fees were receivable by the Parent (on a GST exclusive basis) from the subsidiaries as at 31 March 2005:

	2005 HOLDINGS \$000	2005 NURSERY \$000	GST INCLUDED IN SUBSIDIARIES \$000	2005 PARENT \$000
Manager's fee	81	12	(10)	83
Manager's performance fee	1,918	278	(244)	1,952
Internal charges	4	1	(1)	4
	<b>2,003</b>	<b>291</b>	<b>(255)</b>	<b>2,039</b>

(See Statement of Accounting Policies for GST treatment)

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

**NOTE 11 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 and Parent to interest rate risk are short-term deposits. The Group and Parent invest 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 incurs 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 Company 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 12 SEGMENTAL REPORTING**

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

**NOTE 13 PERFORMANCE FEE**

The Management Agreement with Fisher Funds Management Limited provides for an annual performance fee which is payable once the Net Asset Value per share exceeds \$1.33, allowing for any capital adjustments.

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

- a. The excess return calculated using the starting Net Asset Value which in this case is \$0.9684; and
- 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 Bank Bill Index in the period plus 7% per annum.

The Group has expensed \$2,196,000 in its Statement of Financial Performance for this performance fee.

The Net Asset Value exceeded the \$1.33 threshold during March and on 7 April 2005 and the performance fee has been paid to the Manager subsequent to balance date.

**NOTE 14 NET ASSET VALUE**

The audited Net Asset Value per share of Kingfish Limited as at 31 March 2005 was \$1.29 per share.

The audited diluted Net Asset Value per share of Kingfish Limited at 31 March 2005 was \$1.14 per share.

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 any of 31 March 2006, 31 March 2007 or 31 March 2008.

**NOTE 15 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

There were no contingent liabilities or capital commitments as at 31 March 2005.





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### **Auditors' Report**

To the shareholders of Kingfish Limited

We have audited the financial statements on pages 23 to 36. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2005 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 28 and 29.

#### **Directors' Responsibilities**

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2005 and their financial performance and cash flows for the year ended on that date.

#### **Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

#### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors.



**Auditors' Report**  
Kingfish Limited

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 23 to 36:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 29 April 2005 and our unqualified opinion is expressed as at that date.

A handwritten signature in dark ink, appearing to read 'Price Waterhouse Coopers'.

Chartered Accountants

Auckland

## SIZE OF SHAREHOLDING AT 31 MARCH 2005

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% OF TOTAL
1 – 999	38	20,652	0.0
1,000 – 4,999	1,749	4,580,426	7.8
5,000 – 9,999	1,751	9,757,141	16.7
10,000 – 49,999	1,773	26,936,734	46.0
50,000 – 99,999	98	5,327,668	9.1
100,000 – 499,999	46	6,760,608	11.6
500,000 +	7	5,116,771	8.8
	<b>5,462</b>	<b>58,500,000</b>	<b>100</b>

## SIZE OF WARRANT HOLDING AT 31 MARCH 2005

SIZE OF HOLDING	NUMBER OF WARRANT HOLDERS	NUMBER OF WARRANTS	% OF TOTAL
1 – 999	2	885	0.0
1,000 – 4,999	1,509	3,956,815	6.8
5,000 – 9,999	1,508	8,268,350	14.1
10,000 – 49,999	1,613	24,948,473	42.7
50,000 – 99,999	99	5,505,808	9.4
100,000 – 499,999	60	10,418,922	17.8
500,000 +	9	5,400,747	9.2
	<b>4,800</b>	<b>58,500,000</b>	<b>100</b>



## DIRECTORS' SECURITY HOLDINGS AS AT 31 MARCH 2005

	SHARES HELD	WARRANTS HELD
Ian Hendry	50,000	50,000

Rob Challinor has a non-beneficial ownership of 10,000 shares and 10,000 warrants as a Trustee of the Challinor Trust.

Annabel Cotton has a non-beneficial ownership of 20,000 shares and 20,000 warrants as a Trustee of the Annabel Cotton Family Trust.

Carmel Fisher has a non-beneficial interest in 635,000 shares and 635,000 warrants as Trustee of the major shareholder of Fisher Funds Management Limited – a shareholder in Kingfish Limited.

## 20 LARGEST SHAREHOLDERS AS AT 31 MARCH 2005

	SHARES HELD	% OF TOTAL
Custodial Services Limited	1,142,930	1.95
First NZ Capital Custodians Limited	837,313	1.43
ASB Nominees Limited	801,528	1.37
Timothy Charles Glasson & Warran James Bell	700,000	1.20
ASB Nominees	635,000	1.09
Murray John Lombard Aldridge & Lesley Ann Aldridge & Nicholas Corporate Trustee Co	500,000	0.86
Hubbard Churcher Trust Management Limited	500,000	0.86
James Alton Jamieson	400,000	0.68
Irma Murray	400,000	0.68
Neil Sydney Cottle & Marilyn Frances Cottle & Polson Higgs Nominees Limited	350,000	0.60
Custodial Nominees Limited	317,258	0.54
Roxdale Foods Limited	250,000	0.43
Investment Custodial Services Limited	201,062	0.34
Michael Herbert Bird	200,000	0.34
Embar Holdings Limited	200,000	0.34
Steven Grant Marshall	200,000	0.34
Awarua Oyster Company Limited	190,646	0.33
Desmond James Harrison & Winifred Helen Harrison	183,110	0.31
Custodial Services Limited	176,800	0.30
Forsyth Barr Custodians Limited	160,500	0.27
	8,346,147	14.26%

## 20 LARGEST WARRANT HOLDERS AS AT 31 MARCH 2005

	WARRANTS HELD	% OF TOTAL
Custodial Services Limited	704,500	1.20
Nigel James Mowlem & Terance Joseph Carter	682,324	1.17
Joe Roderick Manning & Jane Frances	680,020	1.16
First NZ Capital Custodians Limited	641,623	1.10
ASB Nominees	635,000	1.09
Anthony Cornelius Bastings	550,000	0.95
Paul Jan Kriha	507,280	0.87
ASB Nominees	500,000	0.85
Hubbard Churcher Trust Management Limited	500,000	0.85
ASB Nominees	450,000	0.77
Chork Yan Lee	434,591	0.74
Kerry Wayne Hyde	415,000	0.71
James Alton Jamieson	400,000	0.68
Irma Murray	400,000	0.68
Hendry Nominees Limited	375,000	0.64
Neil Sydney Cottle & Marilyn Frances Cottle & Polson Higgs Nominees Limited	350,000	0.60
Edward Bruce Peck	300,000	0.51
John David Ross Turney & Janis Edna Grummit	300,000	0.51
Christopher Harold Benton & Anthony Christopher Edward	260,500	0.44
The Trustees Executors & Agency Company of New Zealand	250,000	0.43
	<b>9,335,838</b>	<b>15.95%</b>

**DIRECTORS' HOLDING OFFICE**

The Company's Directors as at 31 March 2005 were:

- Rob Challinor (Chairman)
- Annabel Cotton
- Carmel Fisher
- Ian Hendry

No Directors ceased to hold office during the period. In accordance with the Kingfish Constitution, Ian Hendry retires by rotation and being eligible, offers himself for re-election.

**DIRECTORS' REMUNERATION**

The following table sets out the total remuneration received by each Director from Kingfish Limited for the year ended 31 March 2005. None of the Directors of Kingfish Limited received any fees as a director of any subsidiary company of Kingfish. The Directors' fees disclosed in the financial statements include Directors' fees charged since the date of incorporation and a portion of non-recoverable GST expensed by Kingfish.

Directors' remuneration for the 12 months ended 31 March 2005

Rob Challinor	\$40,000*
Ian Hendry	\$30,000*
Annabel Cotton	\$30,000*

\* excludes GST

Carmel Fisher does not earn Directors' fees.

**EMPLOYEE REMUNERATION**

Kingfish Limited did not have any employees during the year that received remuneration which exceeded \$100,000.

**DISCLOSURE OF INTERESTS**

General Interest pursuant to section 140 of the Companies Act 1993 as at 31 March 2005

<b>Rob Challinor</b>	The Warehouse Group Limited	Director
	Northington Partners Limited	Director
	Northington Investments Limited	Director
	Sheffield Limited	Chairman
	Pastoral Management Limited	Director
	Ports of Auckland Limited	Director



## DISCLOSURE OF INTERESTS (CONTINUED)

<b>Ian Hendry</b>	Congratulations Limited	Director
	Inverclyde Investments Limited	Director
	Buddy Limited	Director
	Clavell Capital Limited	Director
	Sentinel Limited	Director
	Sentinel Assurance Limited	Director
	No 8 Ventures – 2 Limited	Director
<b>Annabel Cotton</b>	Merlin Consulting Limited	Director
	Equity Products Limited	Director
	Genesis Power Limited	Director
	Securities Commission	Member
<b>Carmel Fisher</b>	Fisher Funds Management Limited	Director

## DIRECTORS' INDEMNITY AND INSURANCE

Kingfish Limited has insured all of its Directors against liabilities and costs referred to in Section 162 (3), 162 (4) and 162 (5) of the Companies Act 1993. The insurance does not cover liabilities arising from criminal actions.

## AUDITORS' REMUNERATION

During the year the following amounts were paid/payable to the auditors – PricewaterhouseCoopers:

	\$000
Audit Fees	32
Other Services	0

## DONATIONS

The Company did not make any donations during the period ended 31 March 2005.

## NEW ZEALAND EXCHANGE WAIVERS

As at 31 March 2005, the Company held two waivers granted by the New Zealand Exchange.

1. Waiver from Listing Rules 3.1.1 and 7.3.1 (a) to the extent that Kingfish may issue shares to the Manager (Fisher Funds Management Limited) only where it is in accordance with the Performance Fee as described in Kingfish's Offer Document and the Kingfish Constitution.
2. Waiver from Listing Rule 9.2.1 under the exception provided in Listing Rule 9.2.4 (c) for the payments to the Manager (Fisher Funds Management Limited). This waiver will cease to have effect if any amendments are made to the Management Agreement.

**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  
159 Hurstmere Road  
Takapuna  
Auckland

**AUDITORS**

PricewaterhouseCoopers  
188 Quay Street  
Auckland

**SOLICITORS**

Chapman Tripp Sheffield Young  
Level 35  
23 - 29 Albert Street  
PO Box 2206, Auckland

**BANKERS**

ANZ  
Level 9  
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Wellington

**INVESTOR ENQUIRIES**

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