



interim report | 2018

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017



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calendar


Next Dividend Payable
22 December 2017

Financial year end
31 March 2018

This report is dated 15 December 2017 and is signed on behalf of the Board of Kingfish Limited by Alistair Ryan, Chair, and Carmel Fisher, Director.



Alistair Ryan / Chair



Carmel Fisher / Director

6 months ended 30 September 2017

NET PROFIT
\$18.9m



+8.7%

— GROSS —
PERFORMANCE
RETURN

TOTAL SHAREHOLDER
RETURN

+4.7%



BEST
PERFORMING
INVESTMENT

Fisher & Paykel
HEALTHCARE

+34%

DIVIDENDS PAID

29 JUNE 2017

2.79
cents per
share

29 SEPTEMBER 2017

2.77
cents per
share

As at 30 September 2017

NAV
PER SHARE
\$1.41

SHARE
PRICE
\$1.28

SHARE PRICE
DISCOUNT TO NAV

9.2%

(including warrant price on a pro-rated basis)

**Alistair Ryan**

Chair

Directors' overview

The S&P/NZX50G continued its ascent over the six months to 30 September 2017 up 10.2%. Stand out performances from Kingfish investments Fisher & Paykel Healthcare and Xero helped to drive the rise of the New Zealand market which followed the upwards trend of global equity markets. In this supportive environment, Kingfish continued to perform well, delivering a sound absolute return of 8.7% for the period which translated to a strong net profit result of \$18.9m.

The net profit of \$18.9m for the six months ended 30 September 2017, was another positive result for Kingfish, however trailing the previous corresponding period net profit of \$23.4m. The key components of the first half result were gains on investments of \$17.1m, dividend and interest income of \$4.3m less operating expenses and tax of \$2.5m.

For the 12 months ended 30 September 2017, Kingfish's net profit was an encouraging \$17.9m, and while this number is lower than the current interim result, it is reflective of the challenging period New Zealand markets faced in the three months to December 2016 when markets were down 6.5%, before recovering in early 2017.

Management fees were slightly higher over the period due to an increase in the portfolio's gross asset value, however the overall operating expenses were lower for the six months to 30 September 2017 than the previous corresponding period. The reduction in operating expenses was due to the performance fee accrual being significantly lower at \$0.1m compared to the \$1.5m that was accrued for the six months to 30 September 2016. The performance fee that is currently accruing will only be payable if the performance criteria are met for the full year.

Five-Year Summary

Figure 1 (on page 6) summarises the five year performance history for the six month periods ended 30 September 2013 - 2017.

Figure 2 (on page 7) tracks the Kingfish share price and total shareholder return since inception.

Capital Management

Kingfish continues to distribute 2.0% of average net asset value per quarter. Over the six month period to 30 September 2017, Kingfish paid 5.56 cents per share in dividends (2.79 cents per share on 29 June 2017 and 2.77 cents per share on 29 September 2017). The next dividend of 2.83 cents per share will be paid on 22 December 2017 with a record date of 7 December 2017.

Kingfish has a dividend reinvestment plan which provides ordinary shareholders with the opportunity to reinvest all or part of any cash dividends in fully paid ordinary shares. Currently, shares issued under the reinvestment plan will be issued at a 3% discount.¹

Kingfish's share price closed at \$1.28 on 30 September 2017 compared to the net asset value of the Kingfish portfolio on this date which was \$1.41. Since March 2017 the share price to net asset value discount has been widening. The Board has a number of initiatives in place to endeavour to manage the discount and enhance shareholder value including the buyback programme. Over the six months to 30 September 2017, 934,997 Kingfish shares were purchased under the buyback programme.

Conclusion

The Board is pleased with the strong first half result for the 2018 financial year both in terms of portfolio performance and returns to shareholders. More details on the portfolio and individual portfolio holdings are included in the Manager's Report.

On behalf of the Board,



Alistair Ryan / Chair
Kingfish Limited
15 December 2017

¹ To participate in the dividend reinvestment plan, a completed participation notice must be received by Kingfish before the next record date. Full details of the dividend reinvestment plan can be found in the Kingfish Dividend Reinvestment Plan Offer Document, a copy of which is available at www.kingfish.co.nz/investor-centre/capital-management-strategies/.

Figure 1: Five Year Performance Summary

Corporate Performance

Six month period ended 30 September	2017	2016	2015	2014	2013	5 years (annualised)
Total Shareholder Return	4.7%	9.4%	(7.6%)	6.7%	13.1%	13.8%
Adjusted NAV Return	7.3%	11.1%	(1.8%)	2.0%	9.4%	13.8%
Dividend Return	4.3%	4.2%	3.9%	4.2%	4.3%	
Net Profit After Tax / (Loss)	\$18.9m	\$23.4m	(\$2.9m)	\$4.2m	\$14.9m	
Basic Earnings per Share	10.44cps	15.27cps	(2.37cps)	3.49cps	12.92cps	
As at 30 September	2017	2016	2015	2014	2013	
NAV	\$1.41	\$1.46	\$1.26	\$1.33	\$1.31	
Adjusted NAV	\$3.76	\$3.52	\$2.76	\$2.68	\$2.43	
Share Price	\$1.28	\$1.36	\$1.23	\$1.31	\$1.27	
Share Price Discount to NAV ¹	9.2%	5.8%	1.6%	1.5%	3.1%	

Manager Performance

Six month period ended 30 September	2017	2016	2015	2014	2013	5 years (annualised)
Gross Performance Return	8.7%	13.0%	(0.9%)	3.6%	11.7%	17.3%
S&P/NZX50G Index	10.2%	9.0%	(4.1%)	2.2%	7.1%	15.6%

NB: All returns have been reviewed by an independent actuary.

¹ Share price discount/(premium) to NAV (including warrant price on a pro-rated basis)

Comparative information

Kingfish's share price discount to NAV historical information has been restated following a change in calculation methodology from using data inputs of four decimal places to two decimal places.

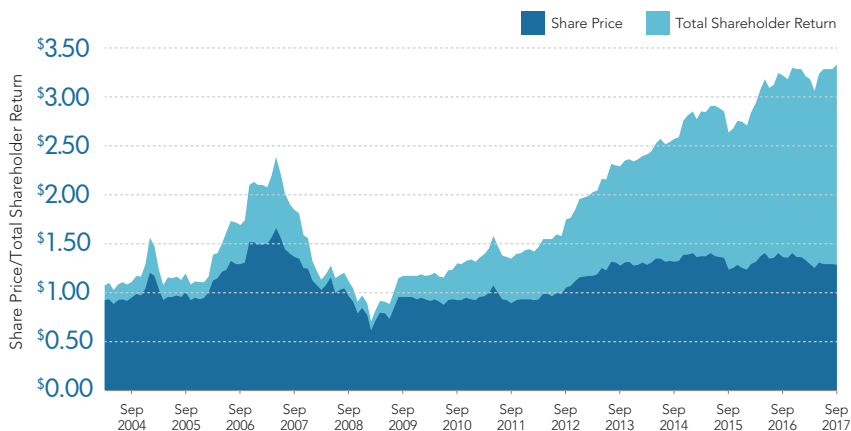
Non-GAAP Financial Information

Kingfish uses non-GAAP measures, including adjusted net asset value, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, and
- » total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

All references to adjusted net asset value, gross performance return and total shareholder return in this Interim Report are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Kingfish Non-GAAP Financial Information Policy. A copy of the policy is available at <http://www.kingfish.co.nz/about-kingfish/kingfish-policies/>

Figure 2: Total Shareholder Return



**Sam Dickie**

— Senior Portfolio Manager —

Manager's report

Kingfish performed strongly over the six months to 30 September 2017 with a gross performance return of 8.7%.

Since taking on the responsibility of managing the Kingfish portfolio earlier this year I have spent a lot of time with the team reviewing and refining the investments in the Kingfish portfolio. We have also taken the opportunity to look for new investment ideas which has resulted in us adding Xero to the portfolio (discussed further on page 10). Since March, we have met with over 50 New Zealand corporates. For the most part we have been encouraged by the world class management teams, particularly with their integrity and clearly articulated strategies.

One of the key events over the period was the New Zealand election. While the initial uncertainty over the election outcome is now behind us, there remains some uncertainty around the economic impact of the new Labour-led coalition government policy.

Although there may still be some ambiguity around the new government's policy – both in content and ability to fully implement, statements to date suggest that on balance the economic backdrop remains supportive of corporate earnings growth. We expect such an environment to continue to be beneficial

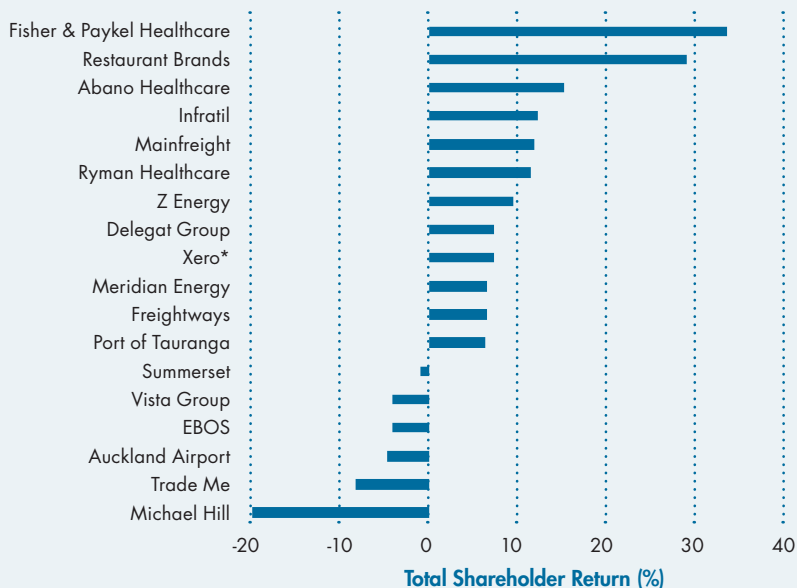
for Kingfish's portfolio companies. It is also worth remembering that nearly half of our portfolio companies' revenue is generated offshore and they are well positioned to benefit from the strengthening global economy.

Performance:

The Kingfish portfolio was up strongly for the six month period, with a gross performance return of 8.7%. Performance has been steady over the period, with Kingfish growing every month (without a single down month this calendar year). Of the 18 investments¹ held over the six month period, the majority performed well with only six falling in value.

Pleasingly, our heavyweight portfolio positions delivered solid performance and contributed the majority of returns, with Fisher & Paykel Healthcare (+34%), Restaurant Brands (+29%), Abano Healthcare (+12%), Infracore (+12%) and Mainfreight (+12%) among those to outperform the broader stock market. It was also satisfying to see smaller positions like Abano Healthcare perform strongly for the half (+15%). Notable detractors from portfolio performance were Michael Hill (-20%) and TradeMe (-8%).

As always, both in strong markets and weak markets, we remain focused on our core approach – investing in quality companies with sustainable competitive advantages and the ability to grow earnings over time.



* Purchased during the period. Total shareholder return is from the first purchase date to 30 September 2017.

¹ The Kingfish portfolio also held shares during the period in Waterman. Waterman is in the process of winding itself up and the Kingfish portfolio received a final distribution in August 2017.

Market:

The S&P/NZX50G continued its climb for the six months to 30 September 2017, up 10.2%. The strong performance of the New Zealand share market was set against a backdrop of exceptionally strong global markets and very low volatility. Almost all global equity markets continue to make fresh all-time highs and the New Zealand share market slightly outperformed a number of global share markets over the six month period including Europe and Australia, while Asian and emerging markets were ahead of New Zealand.

Portfolio activity:

Portfolio activity during the six month period was driven by our comprehensive review. We introduced **Xero** to the portfolio in September and exited our small position in **Tegel** in June (as discussed in the most recent Annual Report). We also added to our positions in **Mainfreight, Restaurant Brands, Fisher & Paykel Healthcare** and **Abano**, and adjusted our positions in **Ryman Healthcare, EBOS** and **Port of Tauranga**.

In September, we took a new position in cloud accounting software provider **Xero**. We believe Xero is a quality growth company and are attracted to numerous aspects of the company including its leading market positions, the high barriers to entry it has created through strong investment in its platform, the material runway of future growth ahead, and its highly innovative culture. We also like that Xero can use strong cash flows generated from its core markets to fund rapid growth in less

mature and new markets. At the time of its recent result, Xero announced that it would be transitioning to a sole listing on the Australian Stock Exchange (ASX) in February 2018. The rationale for the decision to migrate to the ASX is that it will advance Xero's growth goals by having enhanced access to deeper capital markets, increasing trading liquidity and a broader base of potential investors. The Company is working through the implications for our Xero holding in the Kingfish portfolio and will let shareholders know the decision in due course.

Portfolio commentary:

Key contributors

The majority of our portfolio companies had positive news stories over the six months, including our larger portfolio positions and those which we added to – **Mainfreight, Restaurant Brands, Fisher & Paykel Healthcare, Abano** and **Infratil**.

After the end of the six month period **Mainfreight** released a result that showed slower growth than usual. The result was impacted by several abnormal drags on performance such as the Kaikoura earthquake and investment in new warehouses and new IT systems. We take a long term view on the earnings power of our portfolio companies and expect **Mainfreight** earnings to rebound strongly. Strong earnings momentum continues in particular in Australia and Europe as the company continues to take share and win new customers in these markets. **Mainfreight** is leveraged to a synchronised pick up in global growth and can achieve above market growth should recent market share gains continue.

Restaurant Brands has been actively pursuing growth in its new geographies. During the period, the company announced the acquisition of 10 new sites in Australia, which continues to build the company's growing portfolio of KFC outlets in New South Wales. During the period we were also pleased to see the Board announce a new Long Term Incentive Scheme for CEO Russel Creedy and CFO Grant Ellis, who have both driven value creation for shareholders over recent years and are well incentivised for the future.

Fisher & Paykel Healthcare's impressive earnings growth has moderated in recent periods, with new product releases from competitors in both sleep apnea masks and non-invasive ventilation masks taking market share, ahead of a full global rollout of Fisher & Paykel's new non-invasive ventilation mask and the overdue release of a new sleep apnea mask. Its high-flow oxygen therapy meanwhile continues to deliver strong revenue growth and is expected to remain a material growth opportunity for the company, supported by a growing body of clinical evidence and increasing adoption rates. Positively, the tail-risk from patent disputes has reduced over the period, although litigation costs continue to weigh on overall profitability.

We participated in a \$35m (NZD) capital raising for **Abano** during the period. The new capital will help accelerate its acquisition of dental practices and is consistent with its strategy. After the distraction of multiple failed takeover attempts, we are relieved that dissenting shareholders Healthcare Partners have sold their 19% stake in the company.

The period was also positive for **Infratil** as Trustpower, its largest investment, is currently benefiting from strong hydro generation and both companies increased earnings guidance for the coming year. There was also very positive news for Infratil's 48% investment in Canberra Data Centres (CDC). Microsoft Azure has committed to increase its space at CDC instead of building its own data centres which, combined with other recent contracts, will see a material uplift to CDC's operating earnings.

Notable detractors

While the six months brought mostly good news, there were two notable detractors to performance for the period, namely **Michael Hill** and **Trade Me**.

Michael Hill continues to deliver solid performance in its traditional business – with particularly impressive performance in Canada in fiscal year 2017. This has been somewhat overshadowed by continued lack of traction in the smaller US operation and also within the immature Emma & Roe brand. The company is currently reviewing how to best position itself in both of its lagging operations to improve performance in the future.

Trade Me's classifieds businesses continue to grow strongly from increasing premium revenue streams, as evidenced in its fiscal year 2017 result in August. However, this has been overshadowed by concern that the arrival of Amazon in Australia will impact performance of its core marketplace and require Trade Me to invest to defend its platform.

Other portfolio company news

Auckland Airport's share price came under pressure during the period as the focus remains on near term capital expenditure requirements and slowing passenger growth. We remain of the view that Auckland Airport is an exceptional asset, and the increased capex profile is required to support its long term growth potential.

Delegat Group's growth story continues, with US growth underpinning its recent fiscal year 2017 result. Encouragingly, the company has recently expanded a key distribution agreement which almost doubles the size of the addressable market in the US. This underpinned an upgrade to case sale expectations which are now set to grow almost 40% over the next 5 years.

Freightways reported a typically solid fiscal year 2017 result, while concurrently reinvesting for future growth. The company also announced the acquisition of a medical waste business within its Information Management division, which increases scope for future growth. We were saddened to hear that long-time CEO Dean Bracewell has announced he is stepping down after 34 years with the business. Dean has done a fantastic job in leading the business and its growth and strong shareholder returns are largely a testament to his hard work and acumen.

Meridian also announced the retirement of its CEO Mark Binns, replaced by internal candidate Neal Barclay. Despite a sharp drop-off in hydro inflows towards the end of its financial year, Meridian managed to maintain generation at near average levels, highlighting the company's risk mitigation capabilities and the value of its storage facilities. Meridian remains well placed given the electricity market is relatively balanced following recent thermal generation closures and we do not expect any new scale generation capacity in the near term.

Summerset continues to deliver impressive earnings growth, with development margins and resale gains in particular being very strong for the six months to 30 June 2017. The company is on track for its increased build rate of 450 retirement units for the current year, up 10% on 2016 levels and reaffirmed its guidance for underlying earnings growth of approximately 30%.

Vista Group announced the addition of key customers Twentieth Century Fox and Epsilon to its Movio Media platform, which monetises its extensive filmgoer database and enables major studios and advertisers to accurately measure the results of targeted advertising campaigns. Vista also announced the acquisition of a controlling stake in its long term Latin American distribution partner, which will allow it to capture greater benefits from its push into large and under-represented markets such as Brazil.

Z Energy navigated a difficult period with distractions of the major refinery pipeline outage and the release of an inconclusive report from the Ministry of Business, Innovation and Employment on the New Zealand fuel market. Near the end of the period the company held its Investor Day in which it laid out its Strategy 3.0 framework to maximise performance of the business over the next three years.

As indicated earlier, we adjusted our holdings in **Ryman Healthcare**, **EBOS** and **Port of Tauranga** – largely to fund the Xero acquisition.

Ryman Healthcare's full year result announcement in May was overshadowed by the announcement that CEO Simon Challies was retiring for health reasons. As discussed in the Kingfish Annual Report, Simon has been an exceptional CEO. Under his leadership Ryman's portfolio has grown from 12 to 31 retirement villages across both New Zealand and Australia and underlying earnings have grown from \$35 million to around \$180 million. We take comfort in knowing Simon's successor well, as Gordon MacLeod has been a key part of the senior management team for over a decade.

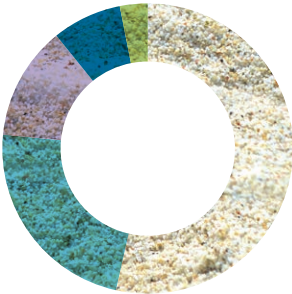
EBOS continues its reign as the best-in-class Australasian healthcare and animal care products distributor. The company has given guidance for a further 10% growth in operating earnings for the coming year, which has been bolstered by acquiring HPS, Australia's largest provider of outsourced pharmacy services to hospitals.

Port of Tauranga was rewarded for its prior investment in accommodating larger vessels with 8% growth in net profit after tax over the 2017 fiscal year. The increase was driven by the arrival of larger ships and new container services lifting container volumes, plus the recovery in high-margin log export volumes.

Outlook:

The New Zealand economy has performed well, with GDP growth exceeding global developed economies over the past five years by 0.5% to 1% per year. While we hope this continues, growth is expected to moderate from above-trend rates of greater than 3% to the historical average of around 2.8%. Despite this potential slowdown, these levels remain solidly supportive of company earnings growth.

Where Kingfish portfolio companies revenue is generated



-  % Revenue New Zealand
-  % Revenue United States
-  % Revenue other
-  % Revenue Australia/Asia
-  % Revenue Europe

Positively, we are also seeing signs of a synchronised lift in global growth and are well positioned as the Kingfish portfolio companies generate approximately 45% of their revenue from offshore. We have anticipated this shift and it has been reflected in some of our portfolio weighting changes.

Every year presents challenges and opportunities and our response to changing global and local dynamics and investor preferences is straightforward — we will continue to invest in high quality growth companies with high quality management and sustainable competitive advantages.



Sam Dickie / Senior Portfolio Manager
Fisher Funds Management Limited
 15 December 2017

Portfolio Holdings Summary

as at 30 September 2017

Listed Companies	% Holding
Abano Healthcare	3.3%
Auckland International Airport	4.5%
Delegat Group	2.8%
EBOS Group	3.6%
Fisher & Paykel Healthcare	10.9%
Freightways	9.0%
Infratil	7.9%
Mainfreight	12.6%
Meridian Energy	3.4%
Michael Hill International	4.6%
Port of Tauranga	3.4%
Restaurant Brands NZ	6.9%
Ryman Healthcare	7.1%
Summerset	4.6%
Trade Me	2.5%
Vista Group International	3.6%
Xero	2.4%
Z Energy	1.9%
Equity Total	95.0%
New Zealand dollar cash	5.0%
TOTAL	100.0%

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Statement of Comprehensive Income

For the six months ended 30 September 2017

	Notes	6 months ended 30/09/17 unaudited \$000	6 months ended 30/09/16 unaudited \$000
Interest income		148	131
Dividend income		4,167	3,624
Net changes in fair value of investments	1(i)	17,091	23,193
Other income		14	0
Total net income		21,420	26,948
Operating expenses	1(iii)	2,497	3,541
Operating profit before tax		18,923	23,407
Tax expense		19	12
Net operating profit after tax attributable to shareholders		18,904	23,395
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Impairment of available-for-sale financial asset		0	(289)
Total comprehensive profit after tax attributable to shareholders		18,904	23,106
Earnings per share			
Basic earnings per share			
Profit attributable to owners of the company (\$'000)		18,904	23,395
Weighted average number of ordinary shares on issue net of treasury stock ('000)		181,153	153,173
Basic earnings per share		10.44c	15.27c
Diluted earnings per share			
Profit attributable to owners of the company (\$'000)		18,904	23,395
Weighted average number of ordinary shares on issue net of treasury stock ('000)		181,153	153,173
Diluted effect of warrants on issue		345	2,040
		181,498	155,213
Diluted earnings per share		10.42c	15.07c

The Notes to the Interim Financial Statements set out on pages 21 to 27 should be read in conjunction with this Statement of Comprehensive Income.

KINGFISH LIMITED

Statement of Changes in Equity**For the six months ended 30 September 2017**

Notes	<i>Attributable to shareholders of the company</i>				
	Share Capital \$000	Available-for-Sale Reserve \$000	Performance Fee Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 April 2016 (audited)	157,691	289	607	49,765	208,352
Comprehensive income					
Profit for the period	0	0	0	23,395	23,395
Other comprehensive loss	0	(289)	0	0	(289)
Total comprehensive (loss)/income for the period ended 30 September 2016	0	(289)	0	23,395	23,106
Transactions with owners					
Dividends paid	2	0	0	(8,476)	(8,476)
New shares issued under dividend reinvestment plan		3,217	0	0	3,217
Warrant issue costs	2	(17)	0	0	(17)
Prior year Manager's performance fee settled with ordinary shares	2	603	0	(607)	(4)
Current period Manager's performance fee to be settled with ordinary shares	5	0	0	661	661
Total transactions with owners for the period ended 30 September 2016	3,803	0	54	(8,476)	(4,619)
Balance at 30 September 2016 (unaudited)	161,494	0	661	64,684	226,839
Balance at 1 April 2017 (audited)	164,729	0	417	54,924	220,070
Comprehensive income					
Profit for the period	0	0	0	18,904	18,904
Total comprehensive income for the period ended 30 September 2017	0	0	0	18,904	18,904
Transactions with owners					
Dividends paid	2	0	0	(10,407)	(10,407)
Share buybacks	2	(1,208)	0	0	(1,208)
Shares issued from treasury stock under dividend reinvestment plan	2	1,002	0	0	1,002
New shares issued under dividend reinvestment plan	2	2,843	0	0	2,843
Shares issued for warrants exercised	2	35,149	0	0	35,149
Prior year Manager's performance fee settled with ordinary shares	2	297	0	(301)	(4)
Prior year Manager's performance fee settled with treasury stock	2	116	0	(116)	0
Current period Manager's performance fee to be settled with ordinary shares	5	0	0	47	47
Total transactions with owners for the period ended 30 September 2017	38,199	0	(370)	(10,407)	27,422
Balance at 30 September 2017 (unaudited)	202,928	0	47	63,421	266,396

The Notes to the Interim Financial Statements set out on pages 21 to 27 should be read in conjunction with this Statement of Changes in Equity.

Statement of Financial Position

as at 30 September 2017

	Notes	30/09/17 unaudited \$'000	31/03/17 audited \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		11,934	2,604
Trade and other receivables		2,655	5,090
Investments at fair value through profit or loss	3	253,299	213,334
Current tax receivable		10	10
Total Current Assets		267,898	221,038
Non-current Assets			
Available-for-sale financial assets		0	91
Total Non-current Assets		0	91
TOTAL ASSETS		267,898	221,129
LIABILITIES			
Current Liabilities			
Trade and other payables		1,502	1,059
Total Current Liabilities		1,502	1,059
TOTAL LIABILITIES		1,502	1,059
EQUITY			
Share capital	2	202,928	164,729
Performance fee reserve	5	47	417
Retained earnings		63,421	54,924
TOTAL EQUITY		266,396	220,070
TOTAL EQUITY AND LIABILITIES		267,898	221,129

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



A B Ryan

Chair

20 November 2017



C A Campbell

Chair of the Audit and Risk Committee

20 November 2017

The Notes to the Interim Financial Statements set out on pages 21 to 27 should be read in conjunction with this Statement of Financial Position.

KINGFISH LIMITED

Statement of Cash Flows**For the six months ended 30 September 2017**

	Notes	6 months ended 30/09/17 unaudited \$000	6 months ended 30/09/16 unaudited \$000
Operating Activities			
<i>Cash was provided from:</i>			
- Sale of investments		30,860	15,098
- Interest received		148	130
- Dividends received		3,670	3,008
- Other income received		14	0
<i>Cash was applied to:</i>			
- Purchase of investments		(49,622)	(16,494)
- Operating expenses		(3,106)	(2,751)
- Taxes paid		(19)	(12)
Net cash outflows from operating activities	4	(18,055)	(1,021)
Financing Activities			
<i>Cash was provided from:</i>			
- Proceeds from warrants exercised		35,149	0
<i>Cash was applied to:</i>			
- Share buybacks		(1,198)	0
- Issue costs		(4)	(21)
- Dividends paid (net of dividends reinvested)		(6,562)	(5,259)
Net cash inflows/(outflows) from financing activities		27,385	(5,280)
Net increase/(decrease) in cash and cash equivalents held		9,330	(6,301)
Cash and cash equivalents at beginning of the period		2,604	13,734
Cash and cash equivalents at the end of the period		11,934	7,433

All cash balances comprise short-term cash deposits.

The Notes to the Interim Financial Statements set out on pages 21 to 27 should be read in conjunction with this Statement of Cash Flows.

Notes to the Interim Financial Statements

For the six months ended 30 September 2017

GENERAL INFORMATION

Entity Reporting

The interim financial statements are for Kingfish Limited ("Kingfish" or "the company").

Legal Form and Domicile

Kingfish is incorporated and domiciled in New Zealand.

The company is a limited liability company, incorporated under the Companies Act 1993 on 30 January 2004.

The company is listed on the NZX Main Board and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The company is a profit-oriented entity and began operating as a listed investment company on 31 March 2004.

The company's registered office is Level 1, 67 – 73 Hurstmere Road, Takapuna, Auckland.

Authorisation of Interim Financial Statements

The Kingfish Board of Directors authorised these interim financial statements for issue on 20 November 2017.

No party may change these interim financial statements after their issue.

ACCOUNTING POLICIES

Period Covered by Interim Financial Statements

These interim financial statements cover the unaudited results from operations for the six months ended 30 September 2017.

Statement of Compliance

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand Equivalent to International Accounting Standard 34 ("NZ IAS 34") *Interim Financial Reporting*.

The interim financial statements do not include all of the information required for full year financial statements and should be read in conjunction with the company's annual financial report for the year ended 31 March 2017.

The company has applied consistent accounting policies in the preparation of these interim financial statements as for the 2017 full year financial statements.

Critical Judgements, Estimates and Assumptions

The preparation of these interim financial statements did not require the directors to make material judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

KINGFISH LIMITED

Notes to the Interim Financial Statements continued**For the six months ended 30 September 2017****Note 1 — Statement of Comprehensive Income**

	6 months ended 30/09/17 unaudited \$000	6 months ended 30/09/16 unaudited \$000
(i) Net changes in fair value of investments		
<i>Investments designated at fair value through profit or loss</i>		
- New Zealand listed equity investments	17,102	23,212
<i>Available-for-sale financial assets</i>		
- Impairment of investment	(11)	(19)
Net changes in fair value of investments	17,091	23,193
(ii) Operating Expenses		
Management fees (note 5)	1,760	1,587
Performance fees (note 5)	96	1,521
Administration services (note 5)	79	80
Directors' fees (note 5)	54	61
Custody and brokerage	345	146
Investor relations and communications	77	69
NZX fees	32	29
Fees paid to the auditor:		
- Statutory audit and review of financial statements	19	18
- Other assurance services	4	6
- Non assurance services	3	2
Professional fees	14	9
Other operating expenses	14	13
Total operating expenses	2,497	3,541

Other assurance services relate to a share and warrant register audit and performance fee review. Non assurance services relate to annual shareholders meeting procedures. No other fees were paid to the auditor during the period (30 September 2016: nil).

Note 2 — Share Capital

	6 months ended 30/09/17 unaudited \$000	Year ended 31/03/17 audited \$000
Opening balance	164,729	157,691
Share buybacks held as treasury stock	(1,208)	0
Shares issued from treasury stock under the dividend reinvestment plan	1,002	0
New shares issued under the dividend reinvestment plan	2,843	6,452
New shares issued for warrants exercised	35,149	0
Warrant issue costs	0	(17)
New shares issued for the Manager's prior year performance fee	297	603
Shares issued from treasury stock for the Manager's prior year performance fee	116	0
Closing balance	202,928	164,729

Ordinary Shares

As at 30 September 2017 there were 189,153,024 (31 March 2017: 157,538,688) fully paid Kingfish shares on issue. All ordinary shares are classified as equity, rank equally and have no par value. All shares carry an entitlement to dividends and one vote attached to each fully paid ordinary share.

Warrants

On 10 May 2016, 38,176,653 new Kingfish warrants were allotted and listed on the NZX Main Board. One new warrant was issued to all eligible shareholders for every four shares held on record date (9 May 2016). On 9 May 2017, 29,106,763 warrants were exercised at \$1.21 per warrant and the remaining 9,069,890 warrants lapsed.

Treasury Stock

On 16 October 2017, Kingfish announced the continuation of its share buyback programme of its ordinary shares in accordance with Section 65 of the Companies Act 1993. All the shares acquired under the buyback scheme are initially held as treasury stock but are available to be re-issued. The net cost of treasury stock is deducted from share capital.

At 30 September 2017, 41,008 ordinary shares were held as treasury stock (31 March 2017: nil).

KINGFISH LIMITED

Notes to the Interim Financial Statements continued**For the six months ended 30 September 2017****Note 2 — Share Capital continued****Dividends**

Kingfish has a distribution policy where 2% of average NAV is distributed each quarter. Total dividends per share for the period ended 30 September 2017 were 5.56 cents per share (30 September 2016: 5.53 cents per share). Total dividends paid for the period ended 30 September 2017, prior to any reinvestment, totalled \$10,407,359 (30 September 2016: \$8,475,316). Individual dividends paid for the period ended 30 September 2017 were 2.79 cents per share on 29 June 2017 and 2.77 cents per share on 29 September 2017.

Dividend Reinvestment Plan

Kingfish has a dividend reinvestment plan which provides ordinary shareholders with the option to reinvest all or part of any cash dividends in fully paid ordinary shares at a 3% discount. During the period ended 30 September 2017, 3,109,103 ordinary shares (September 2016: 2,407,600 ordinary shares) were issued in relation to the plan for the quarterly dividends paid. To participate in the dividend reinvestment plan, a completed participation notice must be received by Kingfish before the next record date.

Note 3 — Investments at Fair Value through Profit or Loss

	30/09/17 unaudited \$000	31/03/17 audited \$000
New Zealand listed equity investments	253,299	213,334
Total investments at fair value through profit or loss	253,299	213,334

Although investments at fair value through profit or loss are treated as current assets from an accounting point of view, the investment strategy of the company is to hold for the medium to long term.

All investments at fair value through profit or loss are valued using quoted last sale prices from an active market and are classified as Level 1 in the fair value hierarchy.

Note 4 — Reconciliation of Operating Profit after Tax to Net Cash Flows from Operating Activities

	6 months ended 30/09/17 unaudited \$000	6 months ended 30/09/16 unaudited \$000
Net profit after tax	18,904	23,106
Items not involving cash flows		
Unrealised gains on revaluation of investments	(7,831)	(15,331)
	(7,831)	(15,331)
Impact of changes in working capital items		
Increase in fees and other payables	435	16
Decrease/(increase) in interest, dividends and other receivables	2,435	(88)
	2,870	(72)
Items relating to investments		
Amount paid for purchases of investments	(49,622)	(16,494)
Amount received from sales of investments	30,780	14,762
Return of capital	80	336
Realised gains on investments	(9,260)	(7,573)
(Increase)/decrease in unsettled purchases of investments	(1,027)	92
Decrease in unsettled sales of investments	(2,996)	(508)
	(32,045)	(9,385)
Other		
Performance fee to be settled by issue of shares	47	661
	47	661
Net cash outflows from operating activities	(18,055)	(1,021)

KINGFISH LIMITED

Notes to the Interim Financial Statements continued**For the six months ended 30 September 2017****Note 5 — Related Party Information**

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The Manager of Kingfish is Fisher Funds Management Limited ("Fisher Funds" or "the Manager"). Fisher Funds is a related party by virtue of the Management Agreement and a common director.

The Management Agreement with Fisher Funds provides for the provisional payment of a management fee equal to 1.25% (plus GST) per annum of the gross asset value, calculated weekly and payable monthly in arrears. This management fee is reduced by 0.10% for each 1.0% per annum by which the Gross Return achieved on the portfolio during each financial period is less than the change in the NZ 90 Day Bank Bill Index over the same period but subject to a minimum management fee of 0.75% (plus GST) of the average gross asset value for that period. The annual management fee is finalised at 31 March each year and any adjustment (where the management fee is less than 1.25%) is offset against future management fee payments due to Fisher Funds. For the six months ended 30 September 2017, no management fee adjustment was necessary (30 September 2016: no adjustment). Management fees (including GST) for the six months ended 30 September 2017 totalled \$1,759,753 (30 September 2016: \$1,587,382).

A performance fee may be earned by the Manager provided the performance fee hurdle and a high water mark test have been met. A performance fee of \$96,279 has been accrued for the six months ended 30 September 2017 (30 September 2016: \$1,520,569 and 31 March 2017: \$1,022,408). This performance fee will only be payable if the performance criteria are met for the whole year.

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, issued at a price equal to the audited net asset value per share at 31 March 2018. Included in trade and other payables is a provision of \$48,851 (30 September 2016: \$859,452 and 31 March 2017: \$605,574) for the performance fee, being the net of the total fee of \$96,279 (30 September 2016: \$1,520,569 and 31 March 2017: \$1,022,408) less the amount expected to be settled in shares of \$47,428 (30 September 2016: \$661,117 and 31 March 2017: \$416,834) which is included in the performance fee reserve. Full details of the performance fee calculation methodology are included in the Kingfish annual report for the year ended 31 March 2017.

Kingfish is party to an Administration Services Agreement with Fisher Funds for the provision of administration services. Fisher Funds received \$79,350 (including GST) for the six months ended 30 September 2017 (30 September 2016: \$79,567).

The amount payable to Fisher Funds at 30 September 2017 in respect of management fees, performance fees to be paid in cash and administration services was \$373,075 (30 September 2016: \$1,141,775 and 31 March 2017 \$886,140).

Fisher Funds held shares in the company at 30 September 2017 which total 1.43% of the total shares on issue (30 September 2016: 1.89% of the total shares on issue and 1.56% of the total warrants on issue and 31 March 2017: 1.51% of the total shares on issue and 1.56% of the total warrants on issue). Dividends were also received by Fisher Funds as a result of its shareholding.

Off-market transactions between Kingfish and other funds managed by Fisher Funds take place for the purposes of rebalancing portfolios without incurring brokerage costs. These transactions are conducted after the market has closed at last sale price (on an arm's length basis). During the six months ended 30 September 2017 off-market transactions between Kingfish and other funds managed by Fisher Funds totalled \$3,620,761 for purchases and nil for sales (30 September 2016: purchases \$2,513,507 and sales \$1,045,395).

The directors of Kingfish are the only key management personnel as defined by NZ IAS 24 *Related Party Disclosures* and they earn a fee for their services which is disclosed in note 1(ii) under directors' fees (only independent directors earn a director's fee). The directors also held shares in the company at 30 September 2017 which total 2.63% of total shares on issue (30 September 2016: 3.16% of the total shares on issue and 2.59% of the total warrants on issue and 31 March 2017: 2.52% of the total shares on issue and 2.59% of the total warrants on issue). Dividends were also received by the directors as a result of their shareholding. The directors did not receive any other benefits which may have necessitated disclosure under NZ IAS 24.

Note 6 — Net Asset Value

The unaudited net asset value of Kingfish as at 30 September 2017 was \$1.41 per share (30 September 2016: \$1.46 per share and 31 March 2017 \$1.40 per share).

Note 7 — Subsequent Events

On 20 November 2017, the Board declared a dividend of 2.83 cents per share. The record date for this dividend is 7 December 2017 with a payment date of 22 December 2017.

There were no other events which require adjustment to or disclosure in these interim financial statements.



Independent review report

to the shareholders of Kingfish Limited

Report on the Interim Financial Statements

We have reviewed the accompanying interim financial statements of Kingfish Limited (the Company) on pages 17 to 27, which comprise the statement of financial position as at 30 September 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period ended on that date, and notes to the interim financial statements.

Directors' responsibility for the financial statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

We are independent of the Company. Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

*Who we report to*

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

A handwritten signature in blue ink, which appears to read "PricewaterhouseCoopers", written over a faint, larger version of the same text.

Chartered Accountants
20 November 2017

Auckland

directory

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Registered Office

Level 1
67 – 73 Hurstmere Road
Takapuna
Auckland 0622

Directors

Independent Directors

Alistair Ryan (Chair)
Carol Campbell
Andy Coupe

Director

Carmel Fisher

Corporate

Management Team

Brigitte Adelinger
Beverley Sutton
Kate Teppett

Nature of Business

The principal activity of Kingfish is investment in quality, growing New Zealand companies.

Manager

Fisher Funds Management Limited

Level 1
67 – 73 Hurstmere Road
Takapuna
Auckland 0622

Share Registrar

Computershare Investor Services Limited

Level 2
159 Hurstmere Road
Takapuna
Auckland 0622

Phone: +64 9 488 8777

Email:

enquiry@computershare.co.nz

Auditor

PricewaterhouseCoopers

188 Quay Street
Auckland 1010

Solicitor

Bell Gully

Level 21, Vero Centre
48 Shortland Street
Auckland 1010

Banker

ANZ Bank New Zealand Limited

23 – 29 Albert Street
Auckland 1010

For more information

For enquiries about transactions, changes of address and dividend payments, contact the share registrar above. Alternatively, to change your address, update your payment instructions and to view your investment portfolio including transactions online, please visit: www.computershare.co.nz/investorcentre

For enquiries about Kingfish contact

Level 1, 67 – 73 Hurstmere Road, Takapuna, Auckland 0622
Private Bag 93502, Takapuna, Auckland 0740

Phone: +64 9 489 7094 | Fax: +64 9 489 7139 | Email: enquire@kingfish.co.nz

The interim report is provided for information purposes only and does not constitute an offer, invitation, basis for a contract, financial advice, other advice or recommendation to conclude any transaction for the purchase or sale of any security, loan or other instrument. In particular, the information contained in this interim report is not financial advice for the purposes of the Financial Advisers Act 2008 and should not be relied upon when making an investment decision. Professional financial advice from an authorised financial adviser should be taken before making an investment.



Printed onto Advance Laser, which is produced from Elemental Chlorine Free (ECF) pulp from virgin wood. This wood is sourced from managed farmed trees in an ISO14001 and ISO9001 (International Quality Management Standard) accredited mill, that generates a portion of their power from tree waste, saving 200 million litres of diesel oil annually.