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KINGFISH LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 \$000	2019 \$000
Interest income		292	279
Dividend income		5,834	6,545
Net changes in fair value of investments	2	1,575	49,488
Other income		28	0
Total net income		7,729	56,312
Operating expenses	3	5,957	9,170
Operating profit before tax		1,772	47,142
Total tax expense	4	30	79
Net operating profit after tax attributable to shareholders		1,742	47,063
Total comprehensive income after tax attributable to shareholders		1,742	47,063
Basic earnings per share	6	0.75c	24.24c
Diluted earnings per share	6	0.75c	23.81c

The accompanying notes form an integral part of these financial statements.

KINGFISH LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	<i>Attributable to shareholders of the company</i>				
	Notes	Share Capital \$000	Performance Fee Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 31 March 2018		205,123	1,118	70,035	276,276
Comprehensive income					
Net operating profit after tax		0	0	47,063	47,063
Other comprehensive income		0	0	0	0
Total comprehensive income for the year ended 31 March 2019		0	0	47,063	47,063
Transactions with owners					
Dividends paid	5	0	0	(22,816)	(22,816)
Share buybacks	5	(546)	0	0	(546)
Shares issued from treasury stock under dividend reinvestment plan	5	462	0	0	462
New shares issued under dividend reinvestment plan	5	8,165	0	0	8,165
Prior year Manager's performance fee settled with ordinary shares		1,089	(1,096)	0	(7)
Prior year Manager's performance fee settled with treasury stock		22	(22)	0	0
Manager's performance fee to be settled with ordinary shares		0	2,043	0	2,043
Warrant issue costs		(19)	0	0	(19)
Total transactions with owners for the year ended 31 March 2019		9,173	925	(22,816)	(12,718)
Balance at 31 March 2019		214,296	2,043	94,282	310,621
Comprehensive income					
Net operating profit after tax		0	0	1,742	1,742
Other comprehensive income		0	0	0	0
Total comprehensive income for the year ended 31 March 2020		0	0	1,742	1,742
Transactions with owners					
Dividends paid	5	0	0	(29,474)	(29,474)
Share buybacks	5	(681)	0	0	(681)
Shares issued from treasury stock under dividend reinvestment plan	5	600	0	0	600
New shares issued under dividend reinvestment plan	5	10,358	0	0	10,358
Shares issued for warrants exercised	5	52,247	0	0	52,247
Prior year Manager's performance fee settled with ordinary shares		1,898	(1,907)	0	(9)
Prior year Manager's performance fee settled with treasury stock		136	(136)	0	0
Total transactions with owners for the year ended 31 March 2020		64,558	(2,043)	(29,474)	33,041
Balance at 31 March 2020		278,854	0	66,550	345,404

The accompanying notes form an integral part of these financial statements.

KINGFISH LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 \$000	2019 \$000
SHAREHOLDERS' EQUITY		345,404	310,621
Represented by:			
ASSETS			
Current Assets			
Cash and cash equivalents	9	18,493	19,274
Trade and other receivables	7	2,387	12,810
Investments at fair value through profit or loss	2	324,953	281,547
Total Current Assets		345,833	313,631
TOTAL ASSETS		345,833	313,631
LIABILITIES			
Current Liabilities			
Trade and other payables	8	429	3,010
Total Current Liabilities		429	3,010
TOTAL LIABILITIES		429	3,010
NET ASSETS		345,404	310,621

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

A B Ryan
Chair
22 June 2020

C A Campbell
Chair of the Audit and Risk Committee
22 June 2020

The accompanying notes form an integral part of these financial statements.

KINGFISH LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 \$000	2019 \$000
Operating Activities			
Sale of investments		97,963	92,589
Interest received		292	280
Dividends received		6,296	6,636
Other income received		27	3,109
Purchase of investments		(130,186)	(73,140)
Operating expenses		(8,191)	(6,147)
Taxes paid		(30)	(69)
Net cash (outflows)/inflows from operating activities	9	(33,829)	23,258
Financing Activities			
Proceeds from warrants exercised		52,247	0
Share buybacks		(683)	(544)
Warrant issue costs		0	(19)
Dividends paid (net of dividends reinvested)		(18,516)	(14,189)
Net cash inflows/(outflows) from financing activities		33,048	(14,752)
Net (decrease)/increase in cash and cash equivalents held		(781)	8,506
Cash and cash equivalents at beginning of the year		19,274	10,768
Cash and cash equivalents at end of the year	9	18,493	19,274

The accompanying notes form an integral part of these financial statements.

Note 1 Basis of Accounting

Reporting Entity

Kingfish Limited ("Kingfish" or "the Company") is listed on the NZX Main Board, is registered in New Zealand under the Companies Act 1993 and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

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

Basis of Preparation

These financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Main Board listing rules and New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities, and International Financial Reporting Standards (IFRS).


The financial statements have been prepared on the historical cost basis, as modified by the fair valuation of certain assets as identified in specific accounting policies and in the accompanying notes.

The functional and reporting currency used to prepare the financial statements is New Zealand dollars, rounded to the nearest one thousand dollars.

The financial statements include GST where it is charged by other parties as it cannot be reclaimed.

The impact of COVID-19 was assessed during the preparation of these financial statements and whether there were any indicators affecting the Company's ability to operate as a going concern. No indicators were identified, and the Company remains a going concern.

Accounting Policies


Accounting policies that summarise the recognition and measurement basis used and are relevant to an understanding of the financial statements, are provided throughout the notes to the financial statements and are designated by a  symbol.

The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

There are no new accounting standards, amendments to standards and interpretations that have a material impact on these financial statements. The same applies for any new standards, amendments to standards and interpretations that have been issued but are not yet effective.

Critical Judgements, Estimates and Assumptions

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements are designated by a  symbol in the notes to the financial statement. There were no material estimates or assumptions required in the preparation of these financial statements.

Authorisation of Financial Statements

The Kingfish Board of Directors authorised these financial statements for issue on 22 June 2020.

No party may change these financial statements after their issue.

Note 2 Investments



Given that the investment portfolio is managed, and performance is evaluated, on a fair value basis in accordance with a documented investment strategy, Kingfish has classified all its investments at fair value through profit or loss.



Investments are initially recognised at fair value and are subsequently revalued to reflect changes in fair value. Net changes in the fair value of investments are recognised in the Statement of Comprehensive Income.

Financial assets at fair value through profit or loss comprise of New Zealand listed equity investment assets.

Note 2 Investments (continued)

All purchases and sales of investments are recognised at trade date, which is the date the Company commits to purchase or sell the investment and transaction costs are expensed as incurred. When an investment is sold, any gain or loss arising on the sale is included in the Statement of Comprehensive Income. Realised gains or losses are calculated as the difference between the sale proceeds and the carrying amount of the item.

The fair value of listed equity investments traded in active markets are based on last sale prices at balance date, except where the last sale price falls outside the bid-ask spread for a particular investment, in which case the bid price will be used to value the investment. The decline in equity markets as a result of the COVID-19 adversely impacted the closing value of investments as at 31 March 2020. Trading was not suspended as at year-end for any of the investments held by the Company.

Dividend income from investments is recognised in the Statement of Comprehensive Income when the Company's right to receive payments is established (ex-dividend date).

Investments recognised at fair value are categorised according to a fair value hierarchy that shows the extent of judgement used in determining their fair value. Where unadjusted quoted prices are used, the investments are categorised as Level 1. When inputs derived from quoted prices are used, the investments are categorised as Level 2. If inputs are not based on observable market data, they are categorised as Level 3.

j All listed equity investments held by Kingfish are categorised as Level 1. There have been no transfers between levels of the fair value hierarchy during the year (31 March 2019: none). There were no financial instruments classified as Level 2 or 3 at 31 March 2020 (31 March 2019: none). There have been no changes to the fair value hierarchy classification of investments as a result of COVID-19.

Note 3 Operating Expenses

	2020	2019
	\$000	\$000
Management fees (note 10)	4,671	3,657
Performance fees (note 10)	0	4,322
Administration services (note 10)	159	159
Directors' fees (note 10)	174	168
Custody, accounting and brokerage	612	548
Investor relations and communications	136	128
NZX fees	55	62
Professional fees	50	40
Fees paid to the auditor:		
Statutory audit and review of financial statements	40	39
Non assurance services ¹	0	2
Other operating expenses	60	45
Total operating expenses	5,957	9,170

¹ Non-assurance services in the prior period relate to the audit of the prior period performance fee.

Note 4 Taxation

Kingfish is a Portfolio Investment Entity ("PIE") for tax purposes.

i Taxation expense comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid (or refundable). Deferred tax (if any) is recognised as the difference between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes. A deferred tax asset is only recognised to the extent it is probable it will be utilised.

j A deferred tax asset of \$8,813,609 at 31 March 2020 (2019: \$7,780,623) has not been recognised as the tax structure of the Company is unlikely to lead to the utilisation of a deferred tax asset. This unrecognised deferred tax asset is reviewed annually.

Note 4 Taxation (continued)

Taxation expense is determined as follows:	2020	2019
	\$000	\$000
Operating profit before tax	1,772	47,142
Non-taxable realised gain on investments	(33,427)	(24,910)
Non-taxable unrealised loss/(gain) on investments	31,879	(24,556)
Imputation credits	1,696	2,133
Non-deductible expenditure	554	490
Taxable income	2,474	299
Tax at 28%	693	84
Imputation credits	(1,696)	(2,133)
Deferred tax not recognised	1,033	2,085
Forfeit of foreign tax credits	0	43
Total tax expense	30	79
<i>Taxation expense comprises:</i>		
Current tax	30	79
	30	79
Current tax balance		
Opening balance	0	10
Current tax expense	(30)	(79)
Tax paid	30	69
Current tax receivable	0	0

Imputation credits

The imputation credits available for subsequent reporting periods total \$237,774 (2019: \$501,366). This amount represents the balance of the imputation credit account at the end of the reporting period, adjusted for imputation credits that will arise from the receipt of dividends recognised as a receivable at 31 March 2020.

Note 5 Shareholders' Equity

Share Capital



Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and warrants are shown in equity as a deduction.

When shares are acquired by the Company, the amount of consideration paid is recognised directly in equity. Acquired shares are classified as treasury stock and presented as a deduction from share capital. When treasury stock is subsequently sold or reissued, the cost of treasury stock is reversed and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised within share capital.

Kingfish has 248,587,907 fully paid ordinary shares on issue (2019: 197,889,673). All ordinary shares are classified as equity, rank equally and have no par value. All shares carry an entitlement to dividends and one vote is attached to each fully paid ordinary share.

Buybacks

Kingfish maintains an ongoing share buyback programme. For the year ended 31 March 2020, Kingfish acquired 472,965 shares valued at \$680,614 (2019: 395,172 shares, \$545,832) under the programme which allows up to 5% of the ordinary shares on issue (as at the date 12 months prior to the acquisition) to be acquired. Shares acquired under the buyback programme are held as treasury stock and subsequently reissued to shareholders under the dividend reinvestment plan. There were no shares held as treasury stock at balance date (31 March 2019: 46,377 shares held as treasury stock).

Warrants

61,578,083 new Kingfish warrants were allotted on 9 March 2020, and quoted on the NZX Main Board on 10 March 2020. One new warrant was issued to all eligible shareholders for every four shares held on record date (6 March 2020). The warrants are exercisable at \$1.64 per warrant, adjusted down for dividends declared during the period up to the exercise date of 12 March 2021. Warrant holders can elect to exercise some or all of their warrants on the exercise date. The net cost of issuing the warrants is deducted from share capital.

On 12 July 2019, 41,889,557 warrants valued at \$52,361,927, less issue costs of \$115,176 (net \$52,246,751), were exercised at \$1.25 per warrant and the remaining 6,478,976 warrants lapsed.

Note 5 Shareholders' Equity (continued)

Dividends



Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are declared by the Kingfish board.

Kingfish has a distribution policy where 2% of average NAV is distributed each quarter. Dividends paid during the year comprised:

	2020	Cents per		2019	Cents per
	\$000	share		\$000	share
27 Jun 2019	6,114	3.07	29 Jun 2018	5,542	2.89
26 Sep 2019	7,827	3.23	28 Sep 2018	5,798	3.00
19 Dec 2019	7,553	3.09	21 Dec 2018	5,919	3.04
27 Mar 2020	7,980	3.24	28 Mar 2019	5,557	2.83
	29,474	12.63		22,816	11.76

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 to the five-day volume weighted average share price from the date the shares trade ex-entitlement. During the year ended 31 March 2020, 7,872,492 ordinary shares totalling \$10,957,572 (2019: 6,509,043 ordinary shares totalling \$8,627,664) 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 dividend record date.

Note 6 Earnings per Share



Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year. Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the denominator. Potential ordinary shares include outstanding warrants.

	2020	2019
	\$000	\$000
Basic earnings per share		
Profit attributable to owners of the Company	1,742	47,063
Weighted average number of ordinary shares on issue net of treasury stock ('000)	231,182	194,119
Basic earnings per share	0.75c	24.24c
Diluted earnings per share		
Profit attributable to owners of the Company	1,742	47,063
Weighted average number of ordinary shares on issue net of treasury stock ('000)	231,182	194,119
Diluted effect of warrants ('000)	1,796	2,162
Ordinary shares to be issued under performance fee arrangement ('000)	0	1,409
	232,978	197,690
Diluted earnings per share	0.75c	23.81c

Note 7 Trade and Other Receivables



Trade and other receivables are classified as financial assets at amortised cost and are initially recognised at fair value, and subsequently measured at amortised cost less any provision for impairment. Receivables are assessed on a case-by-case basis for impairment.



The trade and other receivables' carrying values are a reasonable approximation of fair value.

	2020	2019
	\$000	\$000
Dividends receivable	529	991
Unsettled investment sales ¹	1,837	11,778
Other receivables	21	41
Total trade and other receivables	2,387	12,810

¹ On 6 March 2019, Kingfish accepted an unconditional and irrevocable takeover offer for the Restaurant Brand shares subject to a scaled back acceptance ratio. This was settled on 2 April 2019.

Note 8 Trade and Other Payables



Trade and other payables are classified as other financial liabilities and are initially recognised at fair value, and subsequently measured at amortised cost.



The trade and other payables' carrying values are a reasonable approximation of fair value.

	2020	2019
	\$000	\$000
Related party payable (note 10)	388	2,620
Unsettled investment purchases	0	334
Other payables and accruals	41	56
Total trade and other payables	429	3,010

Note 9 Cash and Cash Flow Reconciliation

Cash and Cash Equivalents



Cash and cash equivalents are classified as financial assets at amortised cost and comprise cash on deposit at banks and short-term money market deposits.

	2020	2019
	\$000	\$000
Cash - New Zealand	18,493	19,274
Cash and Cash Equivalents	18,493	19,274

KINGFISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Note 9 Cash and Cash Flow Reconciliation (continued)

Reconciliation of Net Operating Profit after Tax to Net Cash Flows from Operating Activities	2020	2019
	\$000	\$000
Net operating profit after tax	1,742	47,063
Items not involving cash flows		
Unrealised losses/(gains) on revaluation of investments	31,879	(24,556)
	31,879	(24,556)
Impact of changes in working capital items		
Decrease in fees and other payables	(2,581)	(204)
Decrease/(increase) in interest, dividends and other receivables	10,423	(8,493)
Change in current tax	0	10
	7,842	(8,687)
Items relating to investments		
Amount paid for purchases of investments	(130,186)	(73,140)
Amount received from sales of investments	97,963	92,589
Realised gains on investments	(33,454)	(24,932)
Decrease in unsettled purchases of investments	334	1,208
(Decrease)/increase in unsettled sales of investments	(9,941)	11,679
	(75,284)	7,404
Other		
Performance fee to be settled by issue of shares	0	2,043
Increase in share buybacks payable	2	(2)
Expenses in relation to prior year's performance fee settled by issue of shares	(10)	(7)
	(8)	2,034
Net cash (outflows)/inflows from operating activities	(33,829)	23,258

Note 10 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.

Transactions with related parties

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. In return for the performance of its duties as Manager, Fisher Funds is paid the following fees:

(i) Management fee: 1.25% (plus GST) per annum of the gross asset value, calculated weekly and payable monthly in arrears. The fee reduces if the Manager underperforms, thereby aligning the Manager's interests with those of the Kingfish shareholders. For every 1% underperformance (relative to the change in the NZ 90 Day Bank Bill Index) the management fee percentage is reduced by 0.1%, subject to a minimum 0.75% per annum management fee.

(ii) Performance fee: Fisher Funds may earn an annual performance fee of 10% plus GST (31 March 2019: 15% plus GST) of excess returns over and above the performance fee hurdle return (being the change in the NZ 90 Day Bank Bill Index plus 7%) subject to achieving the High Water Mark ("HWM"). From 1 April 2019 the total performance fee amount is subject to a cap of 1.25% of the net asset value and is no longer partially settled by equity share payment, but settled fully in cash.

The HWM is the dollar amount by which the net asset value per share exceeds the highest net asset value per share (after adjustment for capital changes and distributions) at the end of any previous calculation period in which a performance fee was payable, multiplied by the number of shares at the end of the period.

In accordance with the terms of the Management Agreement, when a performance fee is earned, it is paid within 60 days of the balance date.

Note 10 Related Party Information (continued)

(ii) Performance fee (continued):



Performance fees paid to the Manager are recognised as an expense in the Statement of Comprehensive Income and are treated in line with a typical operating expense.

For the year ended 31 March 2020, the Manager did not achieve a return in excess of the performance fee hurdle return and the HWM (2019: \$29,492,561). Accordingly, the Company has not expensed a performance fee (2019: \$4,321,567).

(iii) Administration fee: Fisher Funds provides corporate administration services and a monthly fee is charged.

Fees earned, accrued and payable:	2020	2019
	\$000	\$000
Fees earned by and accrued to the Manager for the year ending 31 March		
Management fees	4,671	3,657
Performance fees	0	4,322
Administration services	159	159
Total fees earned by and accrued to the Manager	4,830	8,138
Fees payable to the Manager at 31 March		
Management fees	375	329
Performance fees payable in cash	0	2,278
Administration services	13	13
Total amount payable to the Manager	388	2,620

Investments by the Manager

The Manager held shares in the Company until August 2019 when its holding was sold (31 March 2019: 1.81% of the total shares on issue). Dividends were also paid to the Manager as a result of its shareholding.

Investment transactions with related parties

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). Purchases for the year ended 31 March 2020 totalled \$1,816,526 (2019: \$3,527,455) and sales totalled \$767,561 (2019: \$453,396).

Directors

The directors of Kingfish are the only key management personnel and they are paid a fee for their services. The directors' fee pool is \$157,500 (plus GST if any) per annum (31 March 2019: \$157,500). The amount paid to directors, inclusive of GST for three directors, is disclosed in note 3 under directors' fees (all directors earn a director's fee).

The directors or their associates also held shares in the Company at 31 March 2020 which total 4.51% of total shares on issue (31 March 2019: 2.52%) and warrants totalling 4.55% of warrants on issue (31 March 2019: 2.58%). Dividends were also received by the directors as a result of their shareholding.

Note 11 Financial Risk Management

The Company is subject to a number of financial risks which arise as a result of its investment activities, including market risk, credit risk and liquidity risk.

Market Risk

All equity investments present a risk of loss of capital, often due to factors beyond the Company's control such as competition, regulatory changes, commodity price changes and changes in general economic climates domestically and internationally. The Manager moderates this risk through careful stock selection, diversification and daily monitoring of the market positions. For corporate governance purposes there is also regular reporting to the Board of Directors. In addition, the Manager has to meet the criteria of authorised investments within the prudential limits defined in the Management Agreement.

The maximum market risk resulting from financial instruments is determined as their fair value.

KINGFISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Note 11 Financial Risk Management (continued)

Price Risk

Price risk is the risk of gains or losses from changes in the market price of investments. The Company is exposed to the risk of fluctuations in the underlying value of its listed portfolio companies. The following companies individually comprise more than 10% of Kingfish's total assets at 31 March 2020, and therefore fluctuations in the value of these portfolio companies will have a greater impact on the overall investments balance.

	2020	2019
Fisher and Paykel Healthcare Corporation Limited	19%	15%
The A2 Milk Company Limited	17%	15%
Mainfreight Limited	16%	12%
Infratil Limited	10%	6%

Interest Rate Risk

Interest rate risk is the risk of movements in local interest rates. The Company is exposed to the risk of gains or losses or changes in interest income from movements in local interest rates. There is no hedge against the risk of movements in interest rates.

The Company may use short-term fixed rate borrowings to fund investment opportunities. There were no borrowings at 31 March 2020 (2019: nil).

Currency Risk

Currency risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in foreign exchange rates. The Company generally holds assets denominated in New Zealand dollars and is therefore not directly exposed to currency risk. The portfolio companies that Kingfish invests in may be affected by currency risk that may impact on the market value of the underlying portfolio company.

Sensitivity Analysis

The table below summarises the impact on net operating profit after tax and shareholders' equity to reasonably possible changes in the carrying value of financial instruments to market risk exposure at 31 March as follows:

		2020	2019
		\$000	\$000
<u>Price risk ¹</u>			
Investments at fair value through profit or loss (listed)	Carrying value	324,953	281,547
	Impact of a 20% change in market prices: +/-	64,991	
	Impact of a 10% change in market prices: +/-		28,155
<u>Interest rate risk ²</u>			
Cash and cash equivalents	Carrying value	18,493	19,274
	Impact of a 1% change in interest rates: +/-	185	193

¹ The impact of COVID-19 caused the Company to review the adequacy of the market price risk sensitivity analysis. A variable of 20% (2019: 10%) is considered appropriate for market price risk sensitivity based on the impact of COVID-19, as well as based on historical price movements.

² Current market circumstances caused the Company to review the adequacy of the interest rate risk sensitivity. The 1% variable used in the previous period is considered to continue to be appropriate to illustrate the impact of COVID-19, as well as a reasonable possible movement based on historic trends. The percentage movement for the interest rate sensitivity relates to an absolute change in the interest rate rather than a percentage change in interest rate.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. In the normal course of its business, the Company is exposed to credit risk from transactions with its counterparties.

Listed securities are held by an independent custodian, Trustees Executors Limited. All transactions in listed securities are paid for on delivery according to standard settlement instructions. Dividends receivable are due from listed New Zealand companies and are normally settled within a month after the Ex-Dividend date.

Note 11 Financial Risk Management (continued)

Credit Risk (continued)

The Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At balance date, cash at bank was held with counterparties with a credit rating of S&P A-1+ or equivalent. In April 2020 the credit rating of the bank was reduced to S&P AA-. Trade and other receivables are normally settled within three business days. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Company.

The maximum credit risk of financial assets is deemed to be their carrying amount as reported in the Statement of Financial Position.

Other than cash at bank, short term unsettled trades and dividends receivable, there are no significant concentrations of credit risk. The Company does not expect non-performance by counterparties, therefore no collateral or security is required.

Liquidity Risk

Liquidity risk is the risk that the assets held by the Company cannot readily be converted to cash in order to meet the Company's financial obligations as they fall due. The Company endeavours to invest the proceeds from the issue of shares in appropriate investments while maintaining sufficient liquidity (through daily cash monitoring) to meet working capital and investment requirements.

Liquidity to fund investment requirements can be augmented through the procurement of a debt facility from a registered bank to a maximum value of 20% of the gross asset value of the Company. There were no such debt facilities at 31 March 2020 (2019: nil).

There have been no subsequent events to suggest any issues with satisfying working capital and investment requirements and COVID-19 has not impacted the liquidity risk profile.

Capital Risk Management

The Company's objective is to prudently manage shareholder capital (share capital, reserves, retained earnings and borrowings (if any)).

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, undertake share buybacks, issue new shares and make borrowings in the short term.

The Company was not subject to any externally imposed capital requirements during the year.

Since announcing a long-term distribution policy in June 2009, the Company continues to pay 2% of average net asset value each quarter.

Note 12 Net Asset Value

The audited net asset value of Kingfish as at 31 March 2020 was \$1.39 per share (2019: \$1.57) calculated as the net assets of \$345,403,828 divided by the number of shares on issue of 248,587,907 (2019: net assets of \$310,621,130 and shares on issue of 197,889,673).

Note 13 Commitments and Contingent Liabilities

There were no unrecognised contractual commitments or contingent liabilities as at 31 March 2020 (2019: nil).

Note 14 Financial Reporting by Segments

The Company operates in the New Zealand investment industry.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Directors when making strategic, investment or resource allocation decisions.

There has been no change to the operating segments during the year.

Note 15 Subsequent Events

The Board declared a dividend of 3.06 cents per share on 18 May 2020. The record date for this dividend is 11 June 2020 with a payment date of 26 June 2020.

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



Independent auditor's report

To the shareholders of Kingfish Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Kingfish Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 March 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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


Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. Given the nature of the Company, we have one key audit matter: *Valuation and existence of investments at fair value through profit or loss*. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation and existence of investments at fair value through profit or loss</i></p> <p>Investments at fair value through profit or loss (the investments) are valued at \$325 million and represent 94% of total assets.</p> <p>Further disclosures on the investments are included at note 2 to the financial statements.</p> <p>This was an area of focus for our audit and an area where a significant proportion of audit effort was directed.</p> <p>As at 31 March 2020, all investments were in companies that were listed on the NZX Main Board and were actively traded with readily available, quoted market prices.</p> <p>Management assessed the impact of COVID-19 on the Company's financial statements including investments at fair value through profit or loss and included additional disclosures in relation to the fair value of investments and market price risk sensitivity.</p> <p>All investments are held by Trustees Executors Limited (the Custodian) on behalf of the Company. Trustees Executors Limited also provides administration services for the Company.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, its investment portfolio.</p> <p>We obtained confirmation from the Custodian that the Company was the recorded owner of all the recorded investments.</p> <p>We obtained copies of and assessed Trustees Executors Limited's Internal Controls Reports for Custody, Investment Accounting and Registry services for the period from 1 April 2019 to 31 March 2020.</p> <p>We agreed the price for all investments held at 31 March 2020 to independent third-party pricing sources.</p> <p>We have considered the impact of COVID-19 on the valuation of investments at fair value through profit or loss, including the disclosures provided in note 2.</p> <p>No matters arose from the procedures performed.</p>

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality: \$1,700,000, which represents approximately 0.5% of the net assets. We used this benchmark because, in our view, the objective of the Company is to provide investors with a total return on its assets, taking account of both capital and income returns.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$150,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As mentioned earlier, we have determined that there is one key audit matter: *Valuation and existence of investments at fair value through profit or loss*.



Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the type of investments held by the Company, the use of the third-party service providers, the related accounting processes and controls, and the industry in which the Company operates.

The Directors are responsible for the governance and the control activities of the Company. The Directors have delegated certain responsibilities to Fisher Funds Management Limited (the Investment Manager) and Trustees Executors Limited (the Administrator and the Custodian).

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Investment Manager and the Administrator and the control environment in place at the Administrator and the Custodian.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Philip Taylor.

For and on behalf of:

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, larger version of the same text.

Chartered Accountants
22 June 2020

Auckland