



**FLAGSHIP INVESTMENTS LIMITED**

**ABN 99 080 135 913**

**INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 December 2015**

## Directors' Report

Your Directors submit the Interim Financial Report of the Company for the half-year ended 31 December 2015.

### DIRECTORS

The following persons were Directors of Flagship Investments Limited since 30 June 2015 and up to the date of this report, unless stated otherwise.

- ◆ Mr Henry R Smerdon AM (Chairman)
- ◆ Dr Emmanuel C Pohl (Managing Director)
- ◆ Ms Sophie A Mitchell (Chair of Audit and Risk Committee)
- ◆ Mr Dominic McGann
- ◆ Mr Patrick Corrigan AM (*Retired 6 November 2015*)

### PRINCIPAL ACTIVITY

The principal activity of the Company is investing in securities listed on the Australian Securities Exchange. There have been no significant changes in the nature of this activity during the period.

### REVIEW OF OPERATIONS

2015 has been a particularly eventful year for investors with aggressive quantitative easing (QE) by the European Central Bank (ECB), a spike in bond yields, the Greek debt drama, raised concerns over Chinese economic growth, political upheaval in the Middle East and the slump in the oil price. Furthermore, monetary policy divergence was evident in December when, within two weeks of each other, the ECB provided more stimulus and lowered interest rates into negative territory and committed to extending its QE program into 2017, while the U.S. Federal Reserve (the Fed) decided to head in the opposite direction, increasing interest rates by 25 basis points for the first time since 2006. 2015 was the fifth consecutive year of negative commodity price returns and spreads over Treasuries moved significantly higher than the historical average.

There was a +3.9% improvement in the AUD USD exchange rate during the final quarter of 2015 which tempered the decline during the year to 10.7% which was the second largest devaluation since 2008.

The portfolio has performed exceptionally well, increasing by 12.6% for the six months to the end of December 2015 as compared to the All Ordinaries Index which declined by 2.0%.

Since year-end the markets have declined in the face of reduced liquidity from the strengthening of global bank balance sheets and the clamping down on corruption in the major Asian economies. This has curtailed spending in risk assets, in turn increasing market volatility which is expected to remain high, at least in the short to medium term.

However, the companies in the portfolio are expected to continue to report healthy earnings and dividends per share growth over the next twelve months as the US economy continues to improve. Our investment focus on high quality companies with earnings certainty and organic growth options, low levels of debt and sustainable competitive advantages means that the portfolio is well positioned to generate above-average returns over a three to five year time horizon for our Shareholders.

A 3.75 cent per share final dividend was paid on 11 September 2015 and the Dividend Reinvestment Plan raised \$191,067 following the allotment of 107,583 shares at \$1.776 per share in September 2015.

### NET ASSET BACKING

The net asset backing per share (tax on realised gains only) at 31 December 2015 was \$1.85 per share compared with \$1.707 at 30 June 2015. The net asset backing per share (tax on realised and unrealised gains) at 31 December 2015 was \$1.75 per share compared with \$1.65 at 30 June 2015.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There has been no significant changes to the operations of the Company during the last six months.

### **DIVIDEND DECLARED**

A fully franked interim dividend of 3.5 cents per share in respect to the half-year ended 31 December 2015 is to be paid on 7 April 2016.

A final dividend of 3.75 cents per share was paid on 11 September 2015 in respect to the year ended 30 June 2015.

### **CAPITAL GAINS COMPONENT OF DIVIDEND**

As previously advised, the capacity of the Company to continue to facilitate access to the capital gain benefit of the dividend, will depend on the Company's capacity to generate capital profits.

The final dividend will not include any eligible capital gain component.

### **ROUNDING OF AMOUNTS**

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2015.

This report is made in accordance with a resolution of the Directors:



**Dr E C Pohl**

Director

**BRISBANE** 19 February 2016

**FLAGSHIP INVESTMENTS LIMITED**  
**ABN 99 080 135 913**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER  
SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF FLAGSHIP INVESTMENTS LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2015, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**WPIAS Pty Ltd**  
Authorised Audit Company No. 440306



**LEE-ANN DIPPENAAR** BCom CPA RCA  
**DIRECTOR**

**Dated this 19<sup>th</sup> day of February 2016**

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WPIAS a Limited Partnership

**WPIAS Pty Ltd ABN 99 163 915 482**  
**An Authorised Audit Company**



Liability limited by a scheme approved under Professional Standards Legislation



## Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2015

	Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Other Revenue	2	850	872
Performance Fee Accrued		(358)	(52)
Other expenses		(213)	(231)
Profit/(Loss) before income tax		279	589
Income tax (expense)/benefit		207	44
<b>Net Profit/(Loss) after income tax for the half year</b>		<b>486</b>	<b>633</b>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss			
Changes in fair value of Financial Assets at fair value through Other Comprehensive Income		4,358	606
Income tax (expense) / benefit relating to items that will not be reclassified to profit or loss		(1,307)	(182)
Other Comprehensive Income for the half-year net of tax		3,051	424
<b>Total Comprehensive Income/(Loss) for the half-year<sup>1</sup></b>		<b>3,537</b>	<b>1,057</b>

<sup>1</sup> This is the Company's Net Return for the half-year, which includes the Net Operating Profit plus the net realised and unrealised gains or losses on the Company's investment portfolio.

<b>Earnings per share:</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share based on net profit/(loss)	1.92	2.60
Diluted earnings per share based on net profit/(loss)	1.92	2.60
Comprehensive earnings per share	13.95	4.33

*The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Condensed Financial Statements.*

## Condensed Statement of Financial Position

As at 31 December 2015

	Note	31 Dec 2015 \$'000	30 June 2015 \$'000
<b>Assets</b>			
Cash and Cash Equivalents		1,502	872
Trade and Other Receivables		26	211
Financial Assets at fair value through Other Comprehensive Income	4	45,853	42,208
<b>Total Assets</b>		<b>47,381</b>	<b>43,291</b>
<b>Liabilities</b>			
Trade & Other Payables		366	235
Deferred Tax Liabilities		2,775	1,588
<b>Total Liabilities</b>		<b>3,141</b>	<b>1,823</b>
<b>Net Assets</b>		<b>44,240</b>	<b>41,468</b>
<b>Equity</b>			
Contributed Equity	5	35,367	35,176
Other Reserves		8,028	4,977
Retained Earnings		845	1,315
<b>Total Equity</b>		<b>44,240</b>	<b>41,468</b>

The above Condensed Statement of Financial Position should be read in conjunction with the Notes to the Condensed Financial Statements.

## Condensed Statement of Changes in Equity

For the half-year ended 31 December 2015

	Note	Contributed Equity \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	TOTAL \$'000
<b>Balance at 1 July 2014</b>		33,666	283	5,482	461	39,892
<b>Total Comprehensive Income</b>						
Profit/(Loss) for the half-year		-	633	-	-	633
Other Comprehensive Income		-	-	424	-	424
<b>Total Comprehensive Income</b>		-	633	424	-	1,057
<b>Transfer between Reserves</b>						
Transfer to Asset Realisation Reserve		-	-	(1,576)	1,576	-
<b>Total Transfer between Reserves</b>		-	-	(1,576)	1,576	-
<b>Transactions with Owners in their capacity as owners</b>						
Dividends paid	3	-	-	-	(969)	(969)
Shares issued during period	5	251	-	-	-	251
Shares bought back on market	5	-	-	-	-	-
		251	633	-	(969)	(718)
<b>Balance at 31 December 2014</b>		<b>33,917</b>	<b>916</b>	<b>4,330</b>	<b>1,068</b>	<b>40,231</b>
<b>Balance at 1 July 2015</b>		35,176	1,315	4,660	317	41,468
<b>Total Comprehensive Income</b>						
Profit/(Loss) for the half-year			486			486
Other Comprehensive Income				3,051		3,051
<b>Total Comprehensive Income</b>			486	3,051		3,537
<b>Transfer between Reserves</b>						
Transfer to Asset Realisation Reserve				267	(267)	-
<b>Total Transfer between Reserves</b>				267	(267)	-
<b>Transactions with Owners in their capacity as owners</b>						
Dividends paid	3		(956)			(956)
Shares issued during period	5	191				191
Shares bought back on market	5					
<b>Balance at 31 December 2015</b>		<b>35,367</b>	<b>845</b>	<b>7,978</b>	<b>50</b>	<b>44,240</b>

The above Condensed Statement of Changes in Equity should be read in conjunction with the Notes to the Condensed Financial Statements.

## Condensed Statement of Cash Flows

For the half-year ended 31 December 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dividends received	1,012	948
Interest received	13	38
Other payments to suppliers	(420)	(1,508)
Net cash inflows/(outflows) from operating activities	605	(522)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	8,700	6,039
Payment for investments	(7,910)	(4,351)
Net cash inflows/(outflows) from investing activities	790	1,688
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(765)	(717)
Net cash (outflows)/inflows from financing activities	(765)	(717)
Net (decrease)/increase in cash and cash equivalents	630	449
Cash at beginning of the financial period	872	427
Cash at the end of the financial period	1,502	876

*The above Condensed Statement of Cash Flows should be read in conjunction with the Notes to the Condensed Financial Statements*



## Notes to the Condensed Financial Statements

For the half-year ended 31 December 2015

### NOTE 1 BASIS OF PREPARATION

These general purpose interim financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Flagship Investments Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Flagship Investments Limited. As such it does not include all the notes of the type normally included in an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2015, together with any public announcements made by Flagship Investments Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure requirements of the ASX listing rules.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

These interim financial statements were authorised for issue on 19 February 2016.

#### Rounding of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 and in accordance with that class order amounts in the Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

#### Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

#### Changes in Accounting Policy

There are no changes in accounting policy that apply for the half-year ended 31 December 2015.

#### New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>NOTE 2 REVENUE</b>		
Dividends	836	831
Interest	14	41
	<b>850</b>	<b>872</b>

## Notes to the Condensed Financial Statements

For the half-year ended 31 December 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
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### NOTE 3 DIVIDENDS

Dividends paid during the half-year

- final dividend of 3.5 cents per share paid September 2014 – fully franked		848
- special dividend of 0.5 cents per share paid September 2014 - fully franked (2013 – Nil)		121
- final dividend of 3.75 cents per share paid September 2015 – fully franked	956	-
	<b>956</b>	<b>969</b>

Since the end of the half-year, the Directors have declared an interim dividend of 3.5 cents per share 100% franked and payable on 7 April 2016.

### NOTE 4 FAIR VALUE MEASUREMENTS

The following assets and liabilities are recognised and measured at fair value on a recurring basis:

- Financial Assets at fair value through Other Comprehensive Income.
- Financial Assets at fair value through Profit or Loss.
- Available-for-sale Financial Assets.

Assets classified as held for sale are measured at fair value on a non recurring basis. Assets and liabilities are measured and disclosed using the three level hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets out the Company's assets and liabilities that are measured and recognised at fair value in the financial statements.

Company – at 31 December 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
<b>Assets</b>				
<b>Recurring fair value measurements.</b>				
<i>Financial Assets</i>				
Financial Assets at fair value through Other Comprehensive Income	45,853			45,853
- Listed Equity Securities				
Financial Assets at fair value through Profit or Loss				
<b>Total Financial Assets</b>	<b>45,853</b>			<b>45,853</b>

## Notes to the Condensed Financial Statements

For the half-year ended 31 December 2015

### NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Company – at 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
<b>Assets</b>				
<b>Recurring fair value measurements.</b>				
<i>Financial Assets</i>				
Financial Assets at fair value through Other Comprehensive Income				
- Listed Equity Securities	42,208			42,208
Financial Assets at fair value through Profit or Loss				
- Convertible Notes	-			-
<b>Total Financial Assets</b>	<b>42,208</b>			<b>42,208</b>

There were no transfers during the year between Level 1 and Level 2 for recurring fair value measurements.

The Company's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

#### Disclosed fair values

The Company also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

Valuation techniques used to derive Level 2 and Level 3 fair values recognised in the financial statements.

Description	Valuation approach and inputs used
Convertible Notes	Unquoted investments have been valued using a discounted cash flow model.

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values.

The carrying amount of current trade and other payables are assumed to approximate their fair values because the impact of discounting is not significant.

### NOTE 5 MOVEMENTS IN CONTRIBUTED EQUITY

Date	Details	Number of shares	Price	\$'000
<b>30 June 2014</b>	<b>Balance</b>	<b>24,219,484</b>		<b>33,666</b>
26 September 2014	Dividend Reinvestment Plan issues	158,714	\$1.585	251
24 March 2015	Share Purchase Plan	717,154	\$1.510	1,083
	Cost of Share Purchase Plan			(28)
2 April 2015	Dividend Reinvestment Plan issues	135,103	\$1.507	204
<b>30 June 2015</b>	<b>Balance</b>	<b>25,230,455</b>		<b>35,176</b>
11 September 2015	Dividend Reinvestment Plan issue	107,583	\$1.776	191
<b>31 December 2015</b>	<b>Balance</b>	<b>25,338,038</b>		<b>35,367</b>



## Notes to the Condensed Financial Statements

For the half-year ended 31 December 2015

### NOTE 5 MOVEMENTS IN CONTRIBUTED EQUITY *(continued)*

#### (a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### (b) Share Buy-Back

On 1 July 2014 the Company announced to the Australian Securities Exchange that it intended to buy-back up to a maximum of 10% of its issued capital within one year, subject to market conditions. The buy-backs reflect the Company's focus on maintaining an efficient balance sheet through active capital management. During the half year ended 31 December 2015 there were no buy-backs undertaken.

### NOTE 6 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has no known contingent liabilities or contingent assets.

### NOTE 7 EVENTS OCCURRING AFTER REPORTING DATE

The Directors are not aware of any matter or circumstance which has arisen since balance date that has significantly affected or may significantly affect the operations of the Company other than the volatility in the Australian stock market.

### NOTE 8 SEGMENT INFORMATION

#### Operating Segment

The entity operates solely in the investment industry. Its core business focuses on investing in Australian equities to achieve medium to long-term capital growth and income.

Operating segments have been determined on the basis of the reports reviewed by the Managing Director. The Managing Director is considered to be the chief operating decision maker of the Company. The Managing Director considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The Managing Director considers the business to consist of just one reportable segment.




## Directors' Declaration

The Directors declare that the Financial Statements and Notes as set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Accounting Standard AASB134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Flagship Investments Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



**Dr E C Pohl**  
*Director*

BRISBANE  
19 February 2016

**FLAGSHIP INVESTMENTS LIMITED**  
**ABN 99 080 135 913**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Flagship Investments Limited which comprises the Condensed Statement of Financial Position as at 31 December 2015, the Condensed Statement of Profit or Loss and Other Comprehensive Income, the Condensed Statement of Changes in Equity and the Condensed Statement of Cash Flows, for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of Flagship Investments Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Flagship Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

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**FLAGSHIP INVESTMENTS LIMITED**  
**ABN 99 080 135 913**

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED**

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Flagship Investments Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

**Other Matter**

The financial report of Flagship Investments Limited for the half-year ended 31 December 2014 was reviewed by another auditor who expressed an unmodified opinion on that financial report on 20 February 2015. The financial report of Flagship Investments Limited for the year ended 30 June 2015 was audited by another auditor who expressed an unmodified opinion on that financial report on 14 August 2015.

**WPIAS Pty Ltd**

Authorised Audit Company No. 440306



**LEE-ANN DIPPENAAR BCom CA RCA**  
**DIRECTOR**

**Dated this 19<sup>th</sup> day of February 2016**

**4 Helensvale Road**  
**HELENSVALE QLD 4212**