



FLAGSHIP INVESTMENTS LIMITED

ABN 99 080 135 913

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 December 2016**

Directors' Report

Your Directors submit the Interim Financial Report of the Company for the half-year ended 31 December 2016.

DIRECTORS

The following persons were Directors of Flagship Investments Limited since 30 June 2016 and up to the date of this report, unless stated otherwise.

- ◆ Mr Dominic McGann (Chairman) – *following retirement of Mr Henry R Smerdon AM*
- ◆ Dr Emmanuel C Pohl (Managing Director)
- ◆ Ms Sophie A Mitchell (Chair of Audit and Risk Committee)
- ◆ Mr Henry R Smerdon AM (*Retired 4 November 2016*)

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

During the period under review, dividends in the amount of \$824,514 and interest in the amount of \$13,570 was received. Realised gains on the sale of investments amounted to \$1,669,353. After accounting for expenses, the Net Profit after Tax amounted to \$585,848. The past six months has been a period of two distinct halves: during the first quarter (July to September 2016), the portfolio performed well, exceeding the 4% increase of the ASX All Ordinaries Index while during the second quarter (October-December 2016) the value of the portfolio declined by 0.5% resulting in an overall increase of 3.7% for the six-month period. This compares with a 7.7% increase in the All Ordinaries Index between 30 June 2016 and 31 December 2016. This under-performance as compared to the market was due to a decline in the value placed by the market on future growth and renewed interest in mining and mining service companies.

The Company's cash outflow of funds by way of dividend payments in the six months to 31 December 2016 amounted to \$ 812,339, which represents 98.5% of dividend income from the Company's investments. The gross dividend amounted to \$953,000 and \$141,000 was taken up in the DRP.

Total Assets of the Company at 31 December 2016 were slightly higher than at 30 June 2016 (\$46,424,562 vs \$46,381,962) and the NTA per share remained much the same at 181 cents per share.

PROSPECTS

While 2016 was the year the unlikely became true, investors entered 2017 no better equipped to tell the difference between reality and illusion. Nevertheless, one or two hints are starting to emerge: the global economy has picked up, inflation is rising, central banks are still being helpful and US investors remain committed to the view that President Trump will deliver on tax cuts and infrastructure spending, yet will not upset the apple-cart by starting trade wars or grabbing the nuclear codes. It is right, we believe, to be cautiously optimistic but would be the first to admit that there is much which could go wrong. It is important to buckle down to the task of identifying good companies, with many of the old-fashioned virtues, capable of steady growth in profitability, out of which would come a rising dividend.

NET ASSET BACKING

The net asset backing per share (tax on realised gains only) at 31 December 2016 was \$1.82 per share compared with \$1.82 at 30 June 2016. The net asset backing per share (tax on realised and unrealised gains) at 31 December 2016 was \$1.71 per share compared with \$1.70 at 30 June 2016.

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 2016 is to be paid on 7 April 2017.

A final dividend of 3.75 cents per share was paid on 16 September 2016 in respect to the year ended 30 June 2016.

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 capital gain component.

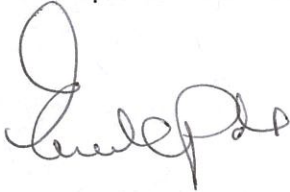
ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (rounding of Financials/Directors' Report). Accordingly, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

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 2016.

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



Dr E C Pohl

Director

BRISBANE

17 February 2017

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 2016, 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 17th day of February 2017

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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 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Other Revenue	2	838	850
Performance Fee Accrued		(94)	(358)
Other expenses		(159)	(213)
Profit/(Loss) before income tax		585	279
Income tax (expense)/benefit		-	207
Net Profit/(Loss) after income tax for the half year		585	486

Other Comprehensive Income

Items that will not be reclassified to profit or loss

Changes in fair value of Financial Assets at fair value through Other Comprehensive Income		858	4,358
Income tax (expense) / benefit relating to items that will not be reclassified to profit or loss		(170)	(1,307)
Other Comprehensive Income for the half-year net of tax		688	3,051
Total Comprehensive Income/(Loss) for the half-year¹		1,273	3,537

¹ 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.

Earnings per share:	Cents	Cents
Basic earnings per share based on net profit/(loss)	2.29	1.92
Diluted earnings per share based on net profit/(loss)	2.29	1.92
Comprehensive earnings per share	4.99	13.95

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 2016

	Note	31 Dec 2016 \$'000	30 June 2016 \$'000
Assets			
Cash and Cash Equivalents		1,300	1,969
Trade and Other Receivables		79	304
Financial Assets at fair value through Other Comprehensive Income	4	45,045	44,109
Total Assets		46,424	46,382
Liabilities			
Trade & Other Payables		122	711
Deferred Tax Liabilities		2,684	2,514
Total Liabilities		2,806	3,225
Net Assets			
		43,618	43,157
Equity			
Contributed Equity	5	35,659	35,518
Other Reserves		7,645	7,424
Retained Earnings		314	215
Total Equity		43,618	43,157

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 2016

	Note	Contributed Equity \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	TOTAL \$'000
Balance at 1 July 2015		35,176	1,315	4,660	317	41,468
Total Comprehensive Income						
Profit/(Loss) for the half-year			486			486
Other Comprehensive Income				3,051		3,051
Total Comprehensive Income			486	3,051		3,537
Transfer between Reserves						
Transfer to Asset Realisation Reserve				267	(267)	-
Total Transfer between Reserves				267	(267)	-
Transactions with Owners in their capacity as owners						
Dividends paid	3		(956)			(956)
Shares issued during period	5	191				191
Shares bought back on market	5					
		191	(956)			(765)
Balance at 31 December 2015		35,367	845	7,978	50	44,240
Balance at 1 July 2016		35,518	215	6,976	448	43,157
Total Comprehensive Income						
Profit/(Loss) for the half-year			585			585
Other Comprehensive Income				688	-	688
Total Comprehensive Income			585	688	-	1,273
Transfer between Reserves						
Transfer to Asset Realisation Reserve			(486)	(1,183)	1,669	-
Total Transfer between Reserves			(486)	(1,183)	1,669	-
Transactions with Owners in their capacity as owners						
Dividends paid	3				(953)	(953)
Shares issued during period	5	141				141
Shares bought back on market	5					
		141			(953)	(812)
Balance at 31 December 2016		35,659	314	6,481	1,164	43,618

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 2016

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received	1,019	1,012
Interest received	14	13
Other payments to suppliers	(821)	(420)
Net cash inflows/(outflows) from operating activities	212	605
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	7,360	8,700
Payment for investments	(7,429)	(7,910)
Net cash inflows/(outflows) from investing activities	(69)	790
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(812)	(765)
Net cash (outflows)/inflows from financing activities	(812)	(765)
Net (decrease)/increase in cash and cash equivalents	(669)	630
Cash at beginning of the financial period	1,969	872
Cash at the end of the financial period	1,300	1,502

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 2016

NOTE 1 BASIS OF PREPARATION

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 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 2016, together with any public announcements made by Flagship Investments Limited during the half-year ended 31 December 2016 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 17 February 2017.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (rounding of Financials/Directors' Report). Accordingly, amounts in the Directors' Report and 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 2016.

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.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2016

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
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NOTE 2 REVENUE

Dividends	824	836
Interest	14	14
	838	850

NOTE 3 DIVIDENDS

Dividends paid during the half-year

- final dividend of 3.75 cents per share paid September 2015 – fully franked		956
- final dividend of 3.75 cents per share paid September 2016 – fully franked	953	-
	953	956

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 2017.

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 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Assets				
Recurring fair value measurements.				
<i>Financial Assets</i>				
Financial Assets at fair value through Other Comprehensive Income	45,045			45,045
- Listed Equity Securities				
Financial Assets at fair value through Profit or Loss				
Total Financial Assets	45,045			45,045

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2016

NOTE 4 FAIR VALUE MEASUREMENTS *(continued)*

Company – at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Assets				
Recurring fair value measurements.				
<i>Financial Assets</i>				
Financial Assets at fair value through Other Comprehensive Income				
- Listed Equity Securities	44,109			44,109
Financial Assets at fair value through Profit or Loss				
- Convertible Notes	-			-
Total Financial Assets	44,109			44,109

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.

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
30 June 2015	Balance	25,230,455		35,176
21 September 2015	Dividend Reinvestment Plan issues	107,583	\$1.774	191
7 April 2016	Dividend Reinvestment Plan issues	88,130	\$1.715	151
30 June 2016	Balance	25,426,168		35,518
16 September 2016	Dividend Reinvestment Plan issue	76,568	\$1.843	141
31 December 2016	Balance	25,502,736		35,659

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.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2016

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.

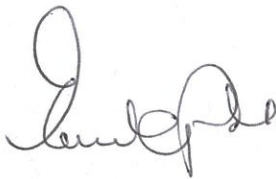
Directors' Declaration

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 2016 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
17 February 2017

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 2016, 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 2016 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 2016 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.

WPIAS Pty Ltd
Authorised Audit Company No. 440306



LEE-ANN DIPPENAAR BCom CA RCA
DIRECTOR

Dated this 17th day of February 2017

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