



FLAGSHIP INVESTMENTS LIMITED

ABN 99 080 135 913

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 December 2018**

Directors' Report

Your Directors submit the Interim Financial Report of Flagship Investments Limited (the "Company") for the half-year ended 31 December 2018.

DIRECTORS

The following persons were Directors of Flagship Investments Limited since 30 June 2018 and up to the date of this report, unless stated otherwise.

- ◆ Mr Dominic M McGann (Chairman)
- ◆ Dr Emmanuel C Pohl (Managing Director)
- ◆ Ms Sophie A Mitchell (Chair of Audit and Risk Committee)

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 last six months, dividends in the amount of \$1,833,966 and interest in the amount of \$16,406 were received. The year on year increase in dividends (\$874,153) is attributed to growing yields from the portfolio and the Rio Tinto share buy-back which contained a deemed dividend component. A similar program occurred in November 2017 generating \$214,805 in deemed dividends, however the Company submitted significantly more shares to the offer in 2018 generating \$1,051,001 in the current period. After accounting for expenses, the Net Profit after Tax amounted to \$1,701,692. The Total Comprehensive Income for the half-year was a loss of \$1,915,456 compared to profit of \$3,477,492 last year. Before tax capital gains of \$1,753,589 have been realised on the portfolio, while the market value of the remaining portfolio has decreased since June 2018, leading to the overall losses in Other Comprehensive Income. The Company maintains an investment horizon of three to five years and believes the current decline in market values will reverse in time.

Portfolio Performance:

	1 st Qtr to Sept 18	2 nd Qtr to Dec 18	6 mths to Dec 2018	Since Inception (1 May 1998) p.a.
Portfolio	6.6%	-12.1%	-6.3%	11.7%
S&P/ASX All Ordinaries	0.6%	-9.7%	-9.2%	3.7%

The Australian share market mirrored global markets with a significant decline in October 2018. This led to portfolio gains in the first quarter being reversed in the second quarter. The portfolio at the end of six months has declined by 6.3% which is ahead of the S&P/ASX All Ordinaries Index (declined 9.2%).

Total Assets of the Company at 31 December 2018 compared to 30 June 2018 have decreased, due to the above-mentioned conditions, from \$53,138,449 to \$47,297,067 and the Net Tangible Assets (NTA) per share (before tax on unrealised gains) reduced from 198.2 cents to 178.6 cents.

MARKET COMMENT

In Australia, continued political, economic, and social upheaval fostered uncertainty throughout the 2018 calendar year and tempered expectations for growth. Further disorder within the Liberal Party has meant continued volatility, despite Prime Minister Scott Morrison's best efforts. The Royal Commission has laid bare gross dissatisfaction with the banks and some of our largest companies. The S&P/ASX All Ordinaries declined by 9.7% for the quarter and 7.4% for the calendar year while the Small Ordinaries was down 14.2% and 11.3%, respectively.

It would be reasonable to expect with a number of factors that created uncertainty in 2018 now diminished, a positive outlook in 2019 would prevail. However, the lag effect of market uncertainty at the end of the year and unresolved trade tensions between China and the US will moderate confidence in the new year.

NET TANGIBLE ASSETS

The NTA per share (before tax on unrealised gains) at 31 December 2018 was 178.6 cents compared with 198.2 cents at 30 June 2018.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

DIVIDEND DECLARED

A fully franked interim dividend of 4.0 cents per share in respect to the half-year ended 31 December 2018 is to be paid on 01 March 2019, an increase of 6.67% on the interim dividend paid in the previous year.

A final dividend of 4.0 cents per share was paid on 7 September 2018 in respect to the year ended 30 June 2018.

CAPITAL GAINS COMPONENT OF DIVIDEND

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 interim dividend will include an LIC capital gain component.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of the Directors' Report for the half-year ended 31 December 2018.

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



Dr E C Pohl

Director

BRISBANE

08 February 2019

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 2018, 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 8th day of February 2019

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WPIAS is an Authorised Audit Company and a Limited Partnership
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 2018

	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Revenue	2	1,850	968
Performance Fee Accrued		-	(353)
Other expenses		(132)	(146)
Profit/(Loss) before income tax		1,718	469
Income tax (expense)/benefit		(16)	103
Net Profit/(Loss) after income tax for the half year		1,702	572
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		(5,107)	4,170
Income tax (expense) / benefit relating to items that will not be reclassified to profit or loss		1,490	(1,265)
Other Comprehensive Income/(Loss) for the half-year net of tax		(3,617)	2,905
Total Comprehensive Income/(Loss) for the half-year¹		(1,915)	3,477

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)	6.67	2.24
Diluted earnings per share based on net profit/(loss)	6.67	2.24
Comprehensive earnings/(loss) per share	(7.51)	13.63

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 2018

	Note	31 Dec 2018 \$'000	30 June 2018 \$'000
ASSETS			
Cash and Cash Equivalents		2,173	3,716
Trade and Other Receivables		30	274
Financial Assets at fair value through Other Comprehensive Income	4	45,094	49,148
TOTAL ASSETS		47,297	53,138
LIABILITIES			
Trade and Other Payables		14	1,233
Tax Payable		1,726	1,370
Deferred Tax Liability		906	2,949
TOTAL LIABILITIES		2,646	5,552
NET ASSETS			
		44,651	47,586
EQUITY			
Issued Capital	5	35,659	35,659
Other Reserves		6,114	10,751
Retained Earnings		2,878	1,176
TOTAL EQUITY		44,651	47,586

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 2018

	Note	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	TOTAL \$'000
Balance at 1 July 2017		35,659	610	6,278	1,302	43,849
Total Comprehensive Income						
Profit/(Loss) for the half-year			572			572
Other Comprehensive Income				2,905	-	2,905
Total Comprehensive Income			572	2,905	-	3,477
Transfer between Reserves						
Transfer to Asset Realisation Reserve			-	(1,737)	1,737	-
Total Transfer between Reserves			-	(1,737)	1,737	-
Transactions with Owners in their capacity as owners						
Dividends paid	3				(956)	(956)
Total transactions with Owners		-	-	-	(956)	(956)
Balance at 31 December 2017		35,659	1,182	7,446	2,083	46,370
Balance at 1 July 2018		35,659	1,176	6,799	3,952	47,586
Total Comprehensive Income						
Profit/(Loss) for the half-year			1,702			1,702
Other Comprehensive Income				(3,617)	-	(3,617)
Total Comprehensive Income			1,702	(3,617)	-	(1,915)
Transfer between Reserves						
Transfer to Asset Realisation Reserve			-	(1,086)	1,086	-
Total Transfer between Reserves			-	(1,086)	1,086	-
Transactions with Owners in their capacity as owners						
Dividends paid	3		-	-	(1,020)	(1,020)
Total transactions with Owners		-	-	-	(1,020)	(1,020)
Balance at 31 December 2018		35,659	2,878	2,096	4,018	44,651

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 2018

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received	2,086	1,243
Interest received	16	8
Other payments to suppliers and employees	(1,497)	(597)
Net cash provided by/(used in) operating activities	605	654
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	16,424	8,330
Income tax instalments paid on gain of sale of investments	(213)	
Payment for investments	(17,339)	(6,734)
Net cash provided by/(used in) investing activities	(1,128)	1,596
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,020)	(956)
Net cash provided by/(used in) financing activities	(1,020)	(956)
Net (decrease)/increase in cash and cash equivalents held	(1,543)	1,294
Cash and cash equivalents at beginning of the financial period	3,716	261
Cash and cash equivalents at the end of the financial period	2,713	1,555

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 2018

NOTE 1 BASIS OF PREPARATION

These general-purpose Interim Financial Statements for the half-year reporting period ended 31 December 2018 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 Company 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 Company as the full financial report.

It is recommended that this Interim Financial Report be read in conjunction with the Annual Financial Statements for the year ended 30 June 2018, together with any public announcements made by Flagship Investments Limited during the half-year ended 31 December 2018 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 08 February 2019.

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 2018.

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.

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 2018

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
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NOTE 2 REVENUE AND OTHER INCOME

Dividends Received	1,834	960
Interest Received	16	8
Total Revenue	1,850	968

NOTE 3 DIVIDENDS

Dividends paid during the half-year

- final dividend of 3.75 cents per share paid September 2017 – fully franked		956
- final dividend of 4.00 cents per share paid September 2018 – fully franked	1,020	
	1,020	956

Since the end of the half-year, the Directors have declared an interim dividend of 4.0 cents per share 100% franked and payable on 01 March 2019.

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 30 June 2018	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	49,148	-	-	49,148
Total Financial Assets	49,148	-	-	49,148

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2018

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Company – at 31 December 2018	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	45,094	-	-	45,094
Total Financial Assets	45,094	-	-	45,094

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 ISSUED CAPITAL

Date	Details	Number of shares	Price	\$'000
30 June 2017	Balance	25,502,736		35,659
13 September 2017	Nil Movement*	-		-
30 June 2018	Balance	25,502,736		35,659
7 September 2018	Nil Movement*	-		-
31 December 2018	Balance	25,502,736		35,659

* During the period the Dividend Reinvestment Plan was facilitated through the on-market purchase of shares. There were no shares issued during the period.

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 2018

NOTE 6 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has no known contingent liabilities or contingent assets.

NOTE 7 EVENTS OCCURRING AFTER REPORTING DATE

Since the end of the period, the Directors declared an interim dividend of 4.0 cents per share fully franked to be paid on 01 March 2019.

The Directors are not aware of any other matter or circumstance which has arisen since balance date that has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

NOTE 8 OPERATING SEGMENTS

Segment Information

The Company 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.

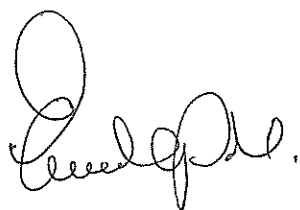
Directors' Declaration

The Directors declare that the Financial Statements and Notes as set out on pages 5 to 12 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 2018 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.

A handwritten signature in black ink, appearing to read 'Dr E C Pohl', with a stylized, cursive script.

Dr E C Pohl
Director

BRISBANE
08 February 2019

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 2018, 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 Flagship Investments Limited's financial position as at 31 December 2018 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 other 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.

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FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

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

Independence

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

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 Flagship Investments Limited's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard 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 8th day of February 2019

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