



FLAGSHIP INVESTMENTS LIMITED

ABN 99 080 135 913

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 December 2020**

Directors' Report

Your Directors submit the Interim Financial Report of Flagship Investments Limited (the "Company") for the half-year ended 31 December 2020.

DIRECTORS

The following persons were Directors of Flagship Investments Limited since 30 June 2020 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

In the first six months of the financial year, dividends in the amount of \$443,591 were received compared to \$586,421 last year. The reduction reflects the cautious approach from companies, preserving capital during the uncertainty generated by COVID-19. Portfolio holdings such as Commonwealth Bank and Macquarie have dramatically cut dividends while Seek and Corporate Travel Management have not declared dividends during the recent reporting season.

Total Comprehensive Income for the half-year was \$9,094,116 compared to \$3,306,928 last year. The significant increase is due to the exceptional investment performance over the last six months. Building on the result of FY2020 the portfolio performance for the first half of FY2021 was a positive 25.4% compared to the ASX All Ordinaries Index of 14.2%. The outcome being Total Assets growing to \$68,072,842 from \$56,651,338 at the end of June 2020.

Portfolio Performance:

	6 mths	1 year	5 years	Since Inception (1 May 1998) p.a.
FSI Portfolio	25.4%	24.0%	15.4%	13.2%
ASX All Ordinaries	14.2%	0.7%	5.1%	4.2%
ASX Accumulation Index	15.7%	3.6%	9.3%	8.5%

MARKET COMMENT

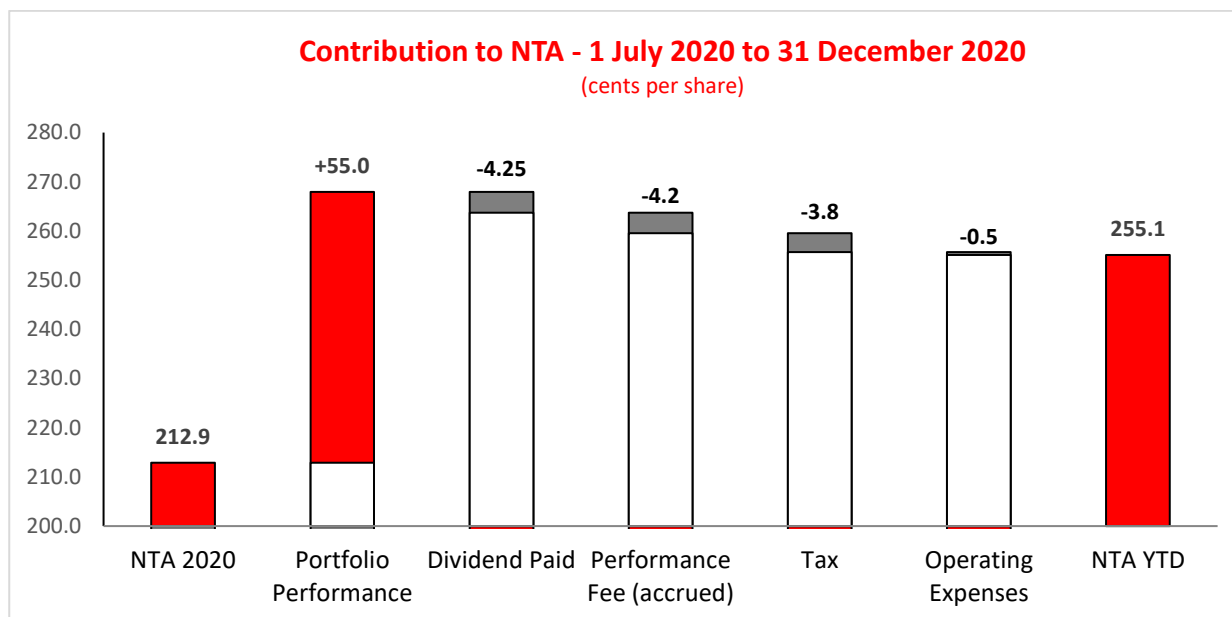
At the end of December 2020, the Australian economy is in a better position than was anticipated in the middle of the year. In simple terms, the COVID-19 support measures of Jobkeeper and Jobseeker have stimulated private consumption expenditure leading to a recovery in the economy and the recession caused by COVID-19 lockdowns.

A number of other factors have further supported the recovery including the stimulus measures, tax cuts and infrastructure spending released as part of the Federal budget, the positive progress in vaccine development and the outcome of the US election and subsequent US stimulus. The only shadow on Australian conditions remains the trade tensions with China which, for the moment, have not escalated further.

Globally, the outlook for 2021 is still uncertain, positivity generated from the rollout of COVID-19 vaccinations and the northern hemisphere entering warmer months is hampered by cluster outbreaks and the unknown impact of new COVID strains. In Australia, it appears that policy makers will continue to support the economic recovery, with any health-related set-back to be met with further government spending. In a situation where Australia maintains low infection rates and the economic support contributes to lower unemployment and increase consumer and business confidence it could be a positive year for the Australian economy.

NET TANGIBLE ASSETS

The NTA per share (before tax on unrealised gains) at 31 December 2020 was 255.1 cents compared with 212.9 cents at 30 June 2020. The chart below depicts the movement in NTA in terms of the contribution of the portfolio performance and outgoings in running the Company.



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

The Board has approved a fully franked interim dividend of 4.25 cents per share in respect to the half-year ended 31 December 2020 to be paid on 5 March 2021. The Company's policy is to pay dividends from the dividend and interest income received from investments. Under this methodology the base dividend would be 1.75 cents per share, the balance of 2.5 cents per share is generated from the strong portfolio performance and particularly the realised gains from the portfolio. The interim dividend of 4.25 cents per share is the same as the interim dividend paid in the previous year.

In respect to the year ended 30 June 2020, the Board took a conservative approach given the ongoing impact of COVID-19 and approved a final dividend of 2.0 cents per share and a special dividend of 2.25 cents per share. The dividends were paid on 17 September 2020.

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 2020.

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

Dr E C Pohl AM

Director

BRISBANE

11 February 2021



**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 2020, 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.

Connect National Audit Pty Ltd
Authorised Audit Company No. 521888

A handwritten signature in dark ink, appearing to read 'G. Georgiou', written over a light blue horizontal line.

GEORGE GEORGIU FCA RCA

Dated this 11th day of February 2021

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue	2	457	597
Other expenses		(147)	(139)
Profit/(Loss) from operations		310	458
Portfolio Performance Fee Accrued ¹		(1,072)	(355)
Profit/(Loss) before income tax		(762)	103
Income tax (expense)/benefit		331	96
Net Profit/(Loss) after income tax for the half year		(431)	199

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		13,607	4,440
Income tax (expense)/benefit relating to components of Other Comprehensive Income		(4,082)	(1,332)
Other Comprehensive Income/(Loss) for the half-year net of tax		9,525	3,108
Total Comprehensive Income/(Loss) for the half-year²		9,094	3,307

¹ Performance fees are accrued on the portfolio outperformance of the bank bill index. Portfolio performance includes dividends shown in the Profit or Loss and the realised and unrealised gains or losses in the investment portfolio reported in Other Comprehensive Income.

² 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)	(1.69)	0.78
Diluted earnings per share based on net profit/(loss)	(1.69)	0.78
Comprehensive earnings/(loss) per share	35.63	12.97

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 2020

	Note	31 Dec 2020 \$'000	30 June 2020 \$'000
ASSETS			
Cash and Cash Equivalents		3,365	2,237
Trade and Other Receivables		17	188
Intangible Assets		2	-
Financial Assets at fair value through Other Comprehensive Income	4	64,688	54,226
TOTAL ASSETS		68,072	56,651
LIABILITIES			
Trade and Other Payables		1,086	587
Tax Payable		1,867	1,774
Deferred Tax Liability		5,519	2,746
TOTAL LIABILITIES		8,472	5,107
NET ASSETS		59,600	51,544
EQUITY			
Issued Capital	5	35,705	35,659
Other Reserves		22,581	13,630
Retained Earnings		1,314	2,255
TOTAL EQUITY		59,600	51,544

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 2020

	Note	Issued Capital	Retained Earnings	Asset Revaluation Reserve	Asset Realisation Reserve	TOTAL
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019		35,659	2,852	6,543	5,907	50,961
Total Comprehensive Income						
Profit/(Loss) for the half-year		-	199	-	-	199
Other Comprehensive Income		-	-	3,108	-	3,108
Total Comprehensive Income		-	199	3,108	-	3,307
Transfer between Reserves						
Transfer to Asset Realisation Reserve		-	-	(829)	829	-
Total Transfer between Reserves		-	-	(829)	829	-
Transactions with Owners in their capacity as owners						
Dividends paid	3	-	-	-	(1,084)	(1,084)
Total transactions with Owners		-	-	-	(1,084)	(1,084)
Balance at 31 December 2019		35,659	3,051	8,822	5,652	53,184

	Note	Issued Capital	Retained Earnings	Asset Revaluation Reserve	Asset Realisation Reserve	TOTAL
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020		35,659	2,255	6,330	7,300	51,544
Total Comprehensive Income						
Profit/(Loss) for the half-year		-	(431)	-	-	(431)
Other Comprehensive Income		-	-	9,525	-	9,525
Total Comprehensive Income		-	(431)	9,525	-	9,094
Transfer between Reserves						
Transfer to Asset Realisation Reserve		-	-	(2,990)	2,990	-
Total Transfer between Reserves		-	-	(2,990)	2,990	-
Transactions with Owners in their capacity as owners						
Shares issued via dividend reinvestment plan	5	46	-	-	-	46
Dividends paid	3	-	(510)	-	(574)	(1,084)
Total transactions with Owners		46	(510)	-	(574)	(1,038)
Balance at 31 December 2020		35,705	1,314	12,865	9,716	59,600

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 2020

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received	600	687
Interest received	4	11
Other income received	10	-
Other payments to suppliers and employees	(707)	(1,207)
Net cash provided by/(used in) operating activities	(93)	(509)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	12,479	8,017
Income tax instalments paid on gain on sale of investments	(886)	-
Payment for investments	(9,334)	(8,080)
Net cash provided by/(used in) investing activities	2,259	(63)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,038)	(1,084)
Net cash provided by/(used in) financing activities	(1,038)	(1,084)
Net (decrease)/increase in cash and cash equivalents held	1,128	(1,656)
Cash and cash equivalents at beginning of the financial period	2,237	3,763
Cash and cash equivalents at the end of the financial period	3,365	2,107

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 2020

NOTE 1 BASIS OF PREPARATION

These general-purpose Interim Financial Statements for the half-year reporting period ended 31 December 2020 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 2020, together with any public announcements made by Flagship Investments Limited during the half-year ended 31 December 2020 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 11 February 2021.

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 2020.

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 2020

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
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NOTE 2 REVENUE AND OTHER INCOME

Dividends Received	443	586
Interest Received	4	11
Other Income	10	-
Total Revenue	457	597

NOTE 3 DIVIDENDS

Dividends paid during the half-year		
- final dividend of 4.25 cents per share paid August 2019 – fully franked	-	1,084
- final dividend of 2.00 cents per share paid September 2020 – fully franked	510	-
- special dividend of 2.25 cents per share paid September 2020 – fully franked	574	-
	1,084	1,084

Since the end of the half-year, the Directors have declared an interim dividend of 4.25 cents per share 100% franked which is payable on 5 March 2021.

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.

AASB13 *fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy, as follows:

- 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 2020	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	54,226	-	-	54,226
<i>Total Financial Assets</i>	54,226	-	-	54,226

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2020

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Company – at 31 December 2020	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	64,688	-	-	64,688
Total Financial Assets	64,688	-	-	64,688

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 2019	Balance	25,502,736		35,659
	Nil Movement*	-		-
30 June 2020	Balance	25,502,736		35,659
17 September 2020	Ordinary shares issued under a dividend reinvestment plan	21,503	2.169	46
31 December 2020	Balance	25,524,239		35,705

* During the prior period the Dividend Reinvestment Plan was completely facilitated through the on-market purchase of shares. In the current period the Dividend Reinvestment Plan was satisfied with a share issue and on-market purchase.

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 2020

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 have declared an interim dividend of 4.25 cents per share. The dividend is 100% franked and payable on 5 March 2021.

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.

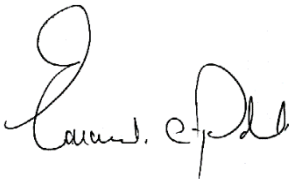
Directors' Declaration

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 2020 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 'E. C. Pohl', is written over a faint, larger signature.

Dr E C Pohl AM
Director

BRISBANE
11 February 2021



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 2020, 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 2020 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.

Independence

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

Connect National Audit Pty Ltd is an Authorised Audit Company

ABN 43 605 713 040

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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 Flagship Investments Limited's financial position as at 31 December 2020 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.

Connect National Audit Pty Ltd
Authorised Audit Company No. 521888

A handwritten signature in dark ink, appearing to read 'George Georgiou', written over a light blue horizontal line.

GEORGE GEORGIU FCA RCA

Dated this 11th day of February 2021.



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