FLAGSHIP INVESTMENTS

A.B.N. 99 080 135 913

APPENDIX 4E STATEMENT

Preliminary Final Report

For the year ended 30 June 2018

(Previous corresponding period is year ended 30 June 2017)

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The preliminary results are based on audited financial statements.

The reporting period is the year ended 30 June 2018 with the corresponding period being the year ended 30 June 2017.

The following statutory information is provided:

- Investment Portfolio increased by 20.1% compared with the All Ordinaries Index increase of 9.1%

Revenue from Ordinary Activities (1)	Up	8.86 %	to	$1,720,000
Profit from Ordinary Activities after Income Tax (2)	Down	43.4 %	to	$ 566,000
Total Comprehensive Income (after tax) attributable to members	Up	135.7%	to	$5,650,000
Final Dividend per share				4.0 cents

Explanations

1. Other revenue is comprised of dividends and interest.
2. Profit from Ordinary Activities impacted by Performance Fees paid or payable as a result of the strong performance of the portfolio with the resulting gains on sale of investments and increase in fair value of the investments being recognised in Other Comprehensive Income.
3. Total Comprehensive Income comprises Profit (after income tax) and realised and unrealised gains/losses (net of income tax) on the investment portfolio.

DIVIDEND

Final Dividend per share

Final Fully Franked Dividend – payable on 7 September 2018:	4.0 cents
Record date to determine entitlements to the final dividend:	21 August 2018

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will apply to the final dividend with the price to be determined by the market at the time of buying the shares. The last date for the receipt of an election notice for participation in the dividend reinvestment plan will be 22 August 2018. There is no foreign conduit income attributable to the dividend.

Previous corresponding period

Final Fully Franked Dividend – paid on 13 September 2017: 3.75 cents

Capital Gains Components

As previously advised, the capacity of the Company 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 include a capital gain component (see Note 15(d) in the Notes to the Financial Statements).

NET TANGIBLE ASSET BACKING (NTA)

The net tangible asset backing per share (tax on realised gains only) at 30 June 2018 was $1.98 per share compared with $1.83 at 30 June 2017.

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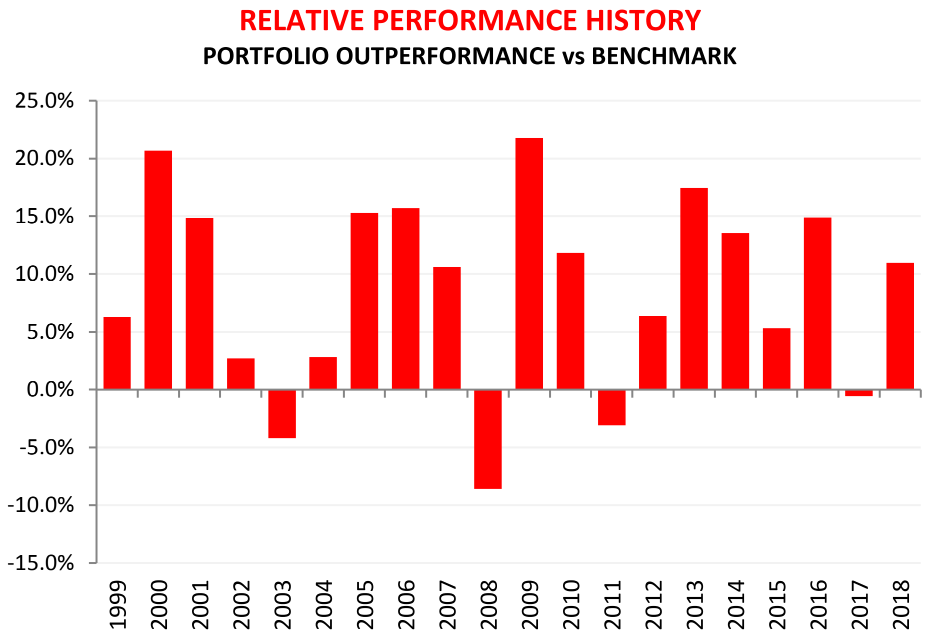
OPERATING AND FINANCIAL REVIEW

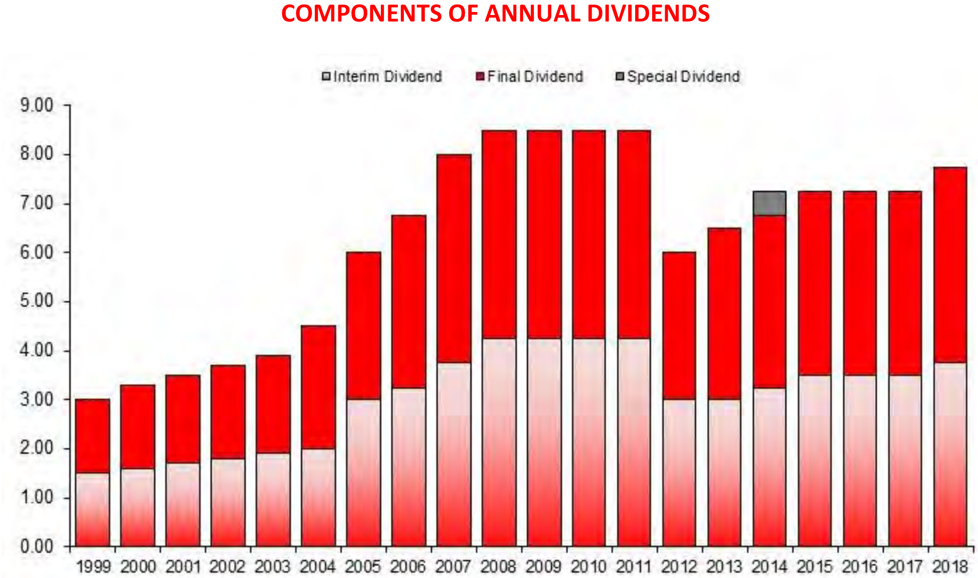
Revenue for the year increased moderately (8.9%), and overheads before Performance Fee increased by 4.7%. Net increase in Total Assets which includes fair value of investments, cash and dividends receivable was 12.3%.

The After-Tax Profit of the Company (before the Performance Fee) increased by 10.2% and a Performance Fee of $1,212,781 is payable to the Manager.

As mentioned previously, our portfolio performed better than the market, increasing by 20.1% over the twelve-month period. As a result, the Net Tangible Asset (NTA) per share of the Company increased by 8.5% in 2017/18 to 198.2 cents per share at 30 June 2018, after paying dividends of 7.5 cents per share or 4.1% of the 2017 NTA.

Our investment process has an investment horizon of three to five years and focuses on quality companies that have the ability to grow their earnings and dividends over this period. This should ensure continued growth in the future dividends we declare and we also believe there is significant capital appreciation potential for the portfolio.





Compound Annual Growth Rate 5.1% *

* *(includes Special Dividend)*

OPERATING AND FINANCIAL REVIEW

TOP 10 INVESTMENTS at 30 JUNE 2018

TOP 10 INVESTMENTS	June 18	June 17
Macquarie Group	6.2%	7.5%
Rio Tinto Limited	6.1%	5.0%
Commonwealth Bank	5.5%	7.0%
Domino Pizza Enterprises	5.1%	2.9%
IPH Limited	5.1%	4.9%
Carsales.Com Ltd	4.7%	4.0%
Woodside Petroleum	4.5%	2.9%
CSL Limited	4.4%	6.5%
SEEK	4.0%	4.9%
Magellan Financial Group	3.8%	5.3%
TOTAL	**49.4%**	**50.9%**

FLAGSHIP INVESTMENTS PERFORMANCE vs. THE ALL ORDINARIES INDEX

ANNUAL PERCENTAGE CHANGE

Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NTA (on Realised Gains Only)	All Ordinaries Index
June-99	16.4%	14.4%	14.6%	10.1%
June-00	33.6%	30.4%	25.3%	12.9%
June-01	20.0%	15.2%	8.8%	5.1%
June-02	-5.0%	-6.3%	-9.3%	-7.6%
June-03	-9.4%	-10.2%	-14.6%	-5.2%
June-04	20.5%	19.0%	14.4%	17.7%
June-05	35.1%	31.0%	24.1%	19.8%
June 06	34.7%	31.6%	19.8%	19.0%
June-07	35.9%	32.8%	21.6%	25.4%
June-08	-24.1%	-25.8%	-31.3%	-15.5%
June-09	-4.2%	-4.2%	-8.0%	-26.0%
June-10	21.4%	19.6%	6.7%	9.5%
Jun-11	4.6%	4.6%	-1.7%	7.7%
June-12	-4.9%	-4.9%	-8.2%	-11.3%
June-13	32.9%	29.5%	15.7%	15.5%
June 14	26.2%	23.5%	15.8%	12.7%
June-15	6.6%	6.2%	-1.4%	1.3%
June-16	12.3%	10.9%	5.7%	-2.6%
June-17	8.0%	7.1%	0.6%	8.5%
June-18	20.1%	17.8%	8.5%	9.1%

Note: Fees include Performance Fees and Under-writing Fees.

INVESTMENTS AS AT 30 JUNE 2018

Company		Shares	Market Value $'000	%
	ORDINARY SHARES			
A2M	The A2 Milk Company Limited	55,274	581.5	1.10
APT	Afterpay Touch Group Limited	62,364	583.1	1.10
AUB	AUB Group Limited	97,597	1,325.4	2.50
CAR	Carsales.Com Limited	165,468	2,501.9	4.71
CBA	Commonwealth Bank of Australia	40,000	2,914.8	5.49
CL1	Class Limited	234,002	561.6	1.06
COH	Cochlear Limited	7,664	1,534.1	2.89
CSL	CSL Limited	12,000	2,311.4	4.35
CTD	Corporate Travel Management Limited	62,804	1,714.5	3.23
DMP	Domino's Pizza Enterprises Limited	51,823	2,706.2	5.10
HUB	HUB24 Limited	90,537	1,045.7	1.97
IPH	IPH Limited	605,258	2,693.4	5.07
IRI	Integrated Research Limited	382,639	1,190.0	2.24
MFG	Magellan Financial Group Limited	86,881	2,024.3	3.81
MP1	Megaport Limited	193,364	763.8	1.44
MQG	Macquarie Group Limited	26,713	3,303.1	6.22
PDL	Pendal Group Limited	198,796	1,970.1	3.71
PPH	Pushpay Holdings Limited	237,106	910.5	1.71
PWH	PWR Holdings Limited	318,975	864.4	1.63
REA	REA Group Ltd	10,288	934.9	1.76
RIO	Rio Tinto Limited	38,539	3,215.7	6.06
RWC	Reliance Worldwide Corporation Limited	290,887	1,559.2	2.94
SEK	SEEK Limited	96,083	2,095.6	3.95
SM1	Synlait Milk Limited	113,750	1,197.8	2.26
TME	Trade Me Group Limited	196,061	837.2	1.58
TPM	TPG Telecom Limited	312,000	1,613.0	3.04
WBC	Westpac Banking Corporation	63,626	1,864.2	3.51
WPL	Woodside Petroleum Limited	67,375	2,389.1	4.50
WTC	Wisetech Global Limited	77,421	1,212.4	2.28
XRO	Xero Limited	16,200	729.2	1.35
			49,148.1	**92.56**
	CASH			
	Cash (including dividends receivable)		3,952.6	7.44
	GRAND TOTAL		**53,100.7**	**100.0**

APPENDIX 4E ACCOUNTS

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Other Income	5	**1,720**	1,580
Performance Fee	22	**(1,213)**	(405)
Other expenses	6	**(290)**	(277)
Profit before income tax		**217**	898
Income tax credit	7	**349**	102
Profit for the year		**566**	1,000
Other Comprehensive Income, net of income tax			
Items that will not be reclassified subsequently to profit & loss			
Changes in fair value of Financial Assets at fair value through Other Comprehensive Income		**7,283**	1,996
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income	7	**(2,199)**	(599)
Other Comprehensive Income for the year, net of tax		**5,084**	1,397
Total Comprehensive Income for the year		**5,650**	2,397

Earnings per share:		**Cents**	Cents
Basic earnings per share	16	**2.2**	3.9
Diluted earnings per share	16	**2.2**	3.9
Comprehensive earnings per share	16	**22.2**	9.4

The accompanying Notes form part of these Financial Statements.

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Cash and Cash Equivalents	8	**3,716**	261
Trade and Other Receivables	9	**274**	318
Financial Assets at fair value through Other Comprehensive Income	10	**49,148**	46,732
TOTAL ASSETS		**53,138**	47,311
LIABILITIES			
Trade and Other Payables	12	**1,233**	450
Tax Payable	11	**1,370**	298
Deferred Tax Liability	11	**2,949**	2,714
TOTAL LIABILITIES		**5,552**	3,462
NET ASSETS		**47,586**	43,849
EQUITY			
Issued Capital	13	**35,659**	35,659
Other Reserves	14	**10,751**	7,580
Retained Earnings		**1,176**	610
TOTAL EQUITY		**47,586**	43,849

The accompanying Notes form part of these Financial Statements.

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

2017	Note	Ordinary Shares $'000	Retained Earnings $'000	Asset Revaluation Reserve $'000	Asset Realisation Reserve $'000	Total $'000
Balance at 30 June 2016		**35,518**	**215**	**6,976**	**448**	**43,157**
Profit or loss attributable to members		-	1,000	-	-	1,000
Other Comprehensive Income		-	-	1,397	-	1,397
Shares issued during the year	13(c)	141	-	-	-	141
Transfer to Asset Realisation Reserve		-	(605)	(2,095)	2,700	-
Dividends paid or provided for	15	-	-	-	(1,846)	(1,846)
Balance at 30 June 2017		**35,659**	**610**	**6,278**	**1,302**	**43,849**

2018	Note	Ordinary Shares $'000	Retained Earnings $'000	Asset Revaluation Reserve $'000	Asset Realisation Reserve $'000	Total $'000
Balance at 30 June 2017		**35,659**	**610**	**6,278**	**1,302**	**43,849**
Profit or loss attributable to members		**-**	**566**	**-**	**-**	**566**
Other Comprehensive Income		**-**	**-**	**5,084**	**-**	**5,084**
Shares issued during the year	**13(c)**	**-**	**-**	**-**	**-**	**-**
Transfer to Asset Realisation Reserve		**-**	**-**	**(4,563)**	**4,563**	**-**
Dividends paid or provided for	**15**	**-**	**-**	**-**	**(1,913)**	**(1,913)**
Balance at 30 June 2018		**35,659**	**1,176**	**6,799**	**3,952**	**47,586**

The accompanying Notes form part of these Financial Statements.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		**1,733**	1,503
Interest received		**18**	27
Payments to suppliers and employees		**(707)**	(906)
Net cash provided by/(used in) operating activities	24	**1,044**	624
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		**24,504**	13,260
Income tax paid on gain of sale of investments		**(543)**	-
Payments for investments		**(19,637)**	(13,887)
Net cash provided by/(used in) operating activities		**4,324**	(627)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	15(a)	**(1,913)**	(1705)
Net cash used in financing activities		**(1,913)**	(1,705)
Net increase/(decrease) in cash and cash equivalents held		**3,455**	(1,708)
Cash and cash equivalents at the beginning of the year		**261**	1,969
Cash and cash equivalents at end of year	8	**3,716**	261

The accompanying Notes form part of these Financial Statements.

The functional and presentation currency of Flagship Investments Limited is Australian dollars.

The Company is an entity to which ASIC Corporations Instrument 2016/191 (rounding in Financials / Directors' Report) applies and accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

1. BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements and associated notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Balance Sheet Format

The Statement of Financial Position is in a liquidity format. The adoption of a liquidity format results in the removal of the terms "current asset" and "non-current asset" from the Statement of Financial Position, in favour of the general term "assets".

(b) Revenue and Other Income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Interest Revenue

Interest is recognised using the effective interest method.

Dividend Revenue

Dividends are recognised when the entity's right to receive payment is established.

(c) Income Tax

The income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in Other Comprehensive Income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(d) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows in the Statement of Cash Flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Financial Instruments

Financial Assets At Fair Value Through Profit Or Loss

Financial assets at fair value through Profit or Loss are Financial Instruments convertible in to Equity Instruments. A financial asset is classified in this category if it is so designated by Management and within the requirement of AASB 9 Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

(f) Financial Instruments *(continued)*

Financial Assets At Fair Value Through Other Comprehensive Income

The Company is a long-term investor in equity instruments. Under AASB 9, these investments are classified as fair value through Other Comprehensive Income. After initial recognition at fair value (being cost), the Company has elected to present in Other Comprehensive Income changes in fair value of equity instruments investments.

Unrealised gains and losses on investments are recognised in the Asset Revaluation Reserve until the investment is sold or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 9. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the realisation reserve.

Available-For-Sale Financial Assets

These investments are measured at fair value.

Unrealised gains and losses arising from changes in the fair value of these assets are taken directly to Other Comprehensive Income and accumulated in Equity.

When these Financial Assets are sold, the accumulated fair value adjustments are reclassified from Equity to the profit or loss as gains and losses on sale.

Available-For-Sale Financial Assets are assessed at each reporting date to determine whether there is an objective evidence that it is impaired. In the case of Available-For-Sale Financial Instruments, a significant or prolonged decline in the value of the instruments below cost is considered to be evidence of whether or not impairment has arisen.

Any cumulative impairment loss in respect of an Available-For-Sale Financial Asset previously recognised in equity is reclassified to Profit or Loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For Available-For-Sale Financial Assets that are debt securities, the reversal is recognised in Profit or Loss. For equity securities, the reversal is recognised in Other Comprehensive Income.

Loans and Receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the Profit or loss in other expenses.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(g) Trade and Other Payables

Liabilities for trade payables and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions for Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(i) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(j) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

AASB 9 Financial Instruments and amending standards AASB 2014-7	1 January 2018	Changes to the classification and measurement requirements for financial assets and financial liabilities	The impact of AASB 9 will not have a material impact on the Company
AASB 16 Leases	1 January 2019	AASB 16 introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks & rewards of ownership. AASB 16 requires recognition of a right to use asset and liability for all leases excluding those with a tenure period of less than 12 months and those relating to low value assets. The assets will be depreciated in line with AASB 116 Property, Plant & Equipment with the unwinding of the liability in principal and interest components.	The impact of AASB 16 will not have a material impact on the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key Estimates

There are no key assumptions or sources of estimation uncertainty that have a risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period, as investments are carried at their market value.

(b) Key Judgements

The preparation of Financial Reports in conformity with Australian Account Standards require the use of certain critical accounting estimates. This requires the Board to exercise their judgement in the process of applying the Company's accounting policies.

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112 Income Taxes, deferred tax liabilities and deferred tax assets have been recognised for Capital Gains Tax (CGT) on the unrealised gains/losses in the investment portfolio at current tax rates.

As the Directors do not intend to dispose of the portfolio, the tax liability/benefit may not be crystallised at the amount disclosed in Note: 11. In addition, the tax liability/benefit that arises on the disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains/losses at the time of disposal.

The Company has an investment process which is anticipated will deliver medium to long-term capital growth - minimum investment period is three to five years.

The deferred tax asset has been carried forward as it believed that this process will deliver growth over this period to utilise the deferred tax asset.

The Company does not hold any securities for short term trading purposes. Therefore, the investment portfolio is classified as Financial Assets at fair value through Other Comprehensive Income.

4. OPERATING SEGMENTS

Segment Information

The Company operates 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 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.

	Notes	2018 $'000	2017 $'000

5. REVENUE AND OTHER INCOME

Dividends Received		**1,702**	1,553
Interest Received		**18**	27
		1,720	1,580

6. OTHER EXPENSES

ASX listing and other fees		**37**	37
Audit fees		**26**	25
Directors fees		**112**	122
Insurance		**18**	15
Marketing		**34**	27
Share registry		**27**	28
Other		**36**	23
		290	277

7. INCOME TAX EXPENSE

(a) Reconciliation of income tax to accounting profit

Profit/(Loss) before income tax		**217**	898
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017 - 30%)		**65**	269
Adds:			
Tax effect of:			
- Fully franked dividends received and timing differences		**195**	125
Less:			
Tax effect of:			
- Rebateable fully franked dividends		**602**	485
- Other foreign tax credit		**7**	11
- Other provision for income tax in prior year		**-**	-
Income tax credit		**(349)**	(102)

(b) The major components of tax expense/(income) comprise:

Current tax credit		**353**	92
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	11	**5**	-
Decrease/(increase) in deferred tax liabilities	11	**(9)**	10
Income tax (expense)/credit for continuing operations		**349**	102

(c) The major components of tax expense relating to Other Comprehensive Income

Current Tax (expense)/credit		**(1,968)**	(389)
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	11	**-**	(538)
Decrease/(increase) in deferred tax liabilities	11	**(231)**	328
		(2,199)	(599)

	2018 $'000	2017 $'000

8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**3,716**	261
	3,716	261

Reconciliation of cash

Cash and Cash Equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows:

Cash at bank and on hand	**3,716**	261
Balance as per Statement of Cash Flows	**3,716**	261

9. TRADE AND OTHER RECEIVABLES

CURRENT		
Other receivables	**269**	300
GST receivable	**5**	18
Total current trade and other receivables	**274**	318

10. OTHER FINANCIAL ASSETS

Financial Assets at Fair Value Through Other Comprehensive Income

At beginning of year	**46,732**	44,109
Additions (at cost)	**19,637**	13,886
Revaluation	**7,284**	1,998
Disposals (at fair value)	**(24,505)**	(13,261)
Australian listed equity securities	**49,148**	46,732

For listed equity securities, fair value is determined by reference to closing bid prices on the Australian Securities Exchange.

	Notes	2018 $'000	2017 $'000

11. TAX

	Notes	2018 $'000	2017 $'000
Current Tax Payable		**1,370**	298
Deferred Tax Assets	11.a	**(5)**	-
Deferred Tax Liabilities	11.b	**2,954**	2,714
Net deferred tax liabilities adjusted for deferred tax assets		**2,949**	2,714

(a) Reconciliations – Deferred Tax Assets

Gross Movements.

	2018 $'000	2017 $'000
The overall movement in deferred tax asset accounts is as follows:		
Opening balance	**-**	538
(Charged)/credited to the Income Statement	**5**	-
(Charged)/credited to Other Comprehensive Income	**-**	(538)
Closing balance	**5**	-
The movement in deferred tax assets for each temporary difference during the year is as follows:		
(i) Accruals		
Opening balance	**-**	-
Charged directly to Profit or Loss	**5**	-
Closing Balance	**5**	-
(ii) Tax losses - revenue		
Opening balance	**-**	538
(Charged)/credited directly to profit or loss	**-**	-
(Charged)/credited directly to Other Comprehensive Income	**-**	(538)
Closing Balance	**-**	-

(b) Reconciliations – Deferred Tax Liabilities

Gross Movements:

	2018 $'000	2017 $'000
The overall movement in the deferred tax liability account is as follows:		
Opening balance	**2,714**	3,052
Charged to the Income Statement	**9**	(10)
Charged/(credited) to Other Comprehensive Income	**231**	(328)
Closing balance	**2,954**	2,714
The movement in deferred tax liability for each temporary difference during the year is as follows:		
(i) Unrealised gain on Financial Assets on fair value		
Opening balance	**2,690**	3,018
Charged/(credited) directly to Profit or Loss	**-**	-
Charged/(credited) directly to Other Comprehensive Income	**231**	(328)
Closing balance	**2,921**	2,690
(ii) Unfranked dividend and interest receivable		
Opening balance	**24**	34
Charged/(credited) directly to Profit and Loss	**9**	(10)
Closing balance	**33**	24

	2018 $'000	2017 $'000

12. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
CURRENT		
Accounts payable and accrued expenses	**1,233**	450
	1,233	450

Contractual cash flows from trade and other payables approximate their carrying amount.
Trade and other payables are all contractually due within six months of reporting date

13. ISSUED CAPITAL

(a) Share Capital

	2018 $'000	2017 $'000
Ordinary shares Fully Paid 25,502,736 (2017: 25,502,736)	**35,659**	**35,659**

(b) Ordinary Shares

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

At the Shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

(c) Movements in ordinary share capital

Date	Details	Number of shares	Price	$'000
30 June 2016	**Balance**	**25,426,168**		**35,518**
16 September 2016	Dividend Reinvestment Plan issues	76,568	$1.85	141
7 April 2017	Dividend Reinvestment Plan issues	-		-
		76,568		141
30 June 2017	**Balance**	**25,502,736**		**35,659**
	Nil Movement *	-		-
30 June 2018	**Balance**	**25,502,736**		**35,659**

* In FY18 the Dividend Reinvestment Plan was facilitated through on-market purchase of shares.
There were no shares issued during the period.

	2018 $'000	2017 $'000

14. RESERVES

	2018 $'000	2017 $'000
(a) Asset Revaluation Reserve	**6,799**	6,278
The Asset Revaluation Reserve records fair value movements of long-term investments after provision for deferred tax. When an investment has been sold or de-recognised, the realised gains and losses (after tax) are transferred from the Asset Revaluation Reserve to the Asset Realisation Reserve.		
(b) Asset Realisation Reserve	**3,952**	1,302
The Asset Realisation Reserve records realised gains and losses from the sale of investments which are transferred from the Asset Revaluation Reserve, net of dividends paid from reserves.		

15. DIVIDENDS

(a) Dividends and distributions paid

	2018 $'000	2017 $'000
The following dividends were declared and paid: Final fully franked ordinary dividend of 3.75 cents (2017 – 3.75 cents) per share paid on 13 September 2017 (2017 – 16 September 2016)	**956**	953
Interim fully franked ordinary dividend of 3.75 cents (2017 – 3.50 cents) per share paid on 13 March 2018 (2017 – 7 April 2017)	**957**	893
Total	**1,913**	1,846

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2018 and 2017 were as follows:

	2018 $'000	2017 $'000
Paid in cash	**1,628**	1,561
Satisfied by issue of shares	**-**	141
Purchase of shares on market on behalf of Shareholders in terms of the new DRP rules	**285**	144
	1,913	1,846

(b) Proposed dividends

	2018 $'000	2017 $'000
Proposed final 2018 fully franked ordinary dividend of 4.0 cents (2017: 3.75 cents) per share to be paid	**1,020**	956

The proposed final dividend for 2018 was declared after the end of the reporting period and therefore has not been provided for in the financial statements. There are no income tax consequences arising from this dividend at 30 June 2018

(c) Franked dividends

	2018 $'000	2017 $'000
The franking credits available for subsequent financial years at a tax rate of 30%	**624**	609

The above available balance is based on the dividend franking account at year-end adjusted for

(a) Franking credits that will arise from the payment of the current tax liabilities;

(b) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by $437 (2017: $375).

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

(d) Listed Investment Company capital gain account

	2018 $'000	2017 $'000
Balance of the Listed Investment Company (LIC) capital gain account	**4,464**	992

	2018 $'000	2017 $'000

16. EARNINGS PER SHARE

	2018	2017
(a) Earnings used in the calculation of basic and diluted earnings per share.		
(i) Profit/(loss) from continuing operations attributable to the owners of the Company	**566**	1,000
(ii) Total Comprehensive Income	**5,650**	2,397
(b) Basic and Diluted earnings per share	**Cents**	Cents
(i) Profit/(loss) from continuing operations attributable to the owners of the Company	**2.2**	3.9
(ii) Total Comprehensive Income	**22.2**	9.4
(c) Weighted average number of ordinary shares used in the calculation of earnings per share		
	25,502,736	25,464,452

Total Comprehensive Income is a more appropriate base for determining earnings per share as it includes profit after income tax and changes in fair value of financial assets

17. AUDITORS REMUNERATION

	2018	2017
Remuneration of the auditor of the Company for:		
Audit or reviewing the financial statements	**26**	25
Total remuneration of auditors	**26**	25

18. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The Company does not speculate in financial assets.

The Company's overall risk management program focuses on the volatility of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk governance is managed through the Board which provides direct oversight on the Company's risk management framework and overall risk management performance.

The Board provides written principles for risk management covering investment portfolio composition. Risk is managed by the professional, disciplined management of the investment portfolio by EC Pohl & Co Pty Ltd (the Manager).

The Company held the following financial instruments:

	2018 $'000	2017 $'000
Financial Assets		
Cash and cash equivalents	**3,716**	261
Receivables	**274**	318
Financial Assets at fair value through Other Comprehensive Income.	**49,148**	46,732
Total Financial Assets	**53,138**	47,311
Financial Liabilities		
Trade and Other Payables	**1,233**	450
Total Financial Liabilities	**1,233**	450

(a) Market Risk

Foreign exchange risk

The Company operates entirely within Australia and is not exposed to material foreign exchange risk.

Equity market risk

The Company is exposed to risk of market price movement through its investments in Australian listed equity securities. Equity investments held by the Company are classified on the Statement of Financial Position as Financial Assets at fair value through Other Comprehensive Income and any movement in the listed equity securities is reflected in Other Comprehensive Income.

The risk to Shareholders is that adverse equity securities market movements have the potential to cause losses in Company earnings or the value of its holdings of financial instruments. The Manager's investment strategy centres on the view that investing in proven high quality businesses with growth opportunities arising from their sustainable competitive advantage will outperform over the longer-term. Consistent with this approach, the Manager has an established risk management framework that includes procedures, policies and functions to ensure constant monitoring of the quality of the investee companies. The objective of the risk management framework is to manage and control risk exposures within acceptable parameters while optimising returns.

Equity market risk is measured as a percentage change in the value of equity instruments held in the portfolio, as compared to the total market index for the same period.

The company's exposure to equity market risk over the manager's investment horizon at the end of the reporting period is:

	2018	2017
Portfolio five year return	14.4%	16.7%
All Ordinaries Index five year return	5.7%	2.8%

(b) Sensitivity Analysis

Increases/decreases in an equity securities price, affect the Company's asset revaluation reserve and Other Comprehensive Income for the year. The analysis is based on the assumption that the Financial Assets at fair value through Other Comprehensive Income had increased/decreased by 5% (2017 - 5%) with all other variables held constant.

Impact on Equity and Other Comprehensive Income for the year:

2018 +/- $2,457,400
2017 +/- $2,336,600
Impact on profit or loss is nil.

(c) Cash Flow Interest Rate Risk

The Company is exposed to cash flow interest rate risk from holding cash and cash equivalents at variable rates. The Company does not enter into financing activities which would expose it to interest rate fluctuations on borrowed capital.

Revenue from interest forms a very minor portion of the Company's income and therefore exposure to interest rate risk is not significant.

As at the reporting date, the Company had the following cash and cash equivalents:

30 June 2018: Balance $3,990,000

Weighted average interest rate 0.8%

30 June 2017: Balance $579,000
Weighted average interest rate 2.3%

(d) Relative Performance Risk

The Manager aims to outperform the risk free cash rate over the long-term. However, as the portfolio consists of equity investments these will tend to be more volatile than cash, so there will likely be periods of relative under and over performance compared to the benchmark risk free rate.

Over the long-term the Manager is confident that the portfolio can achieve outperformance through an investment selection process that invests in companies that have a sound business model, display a sustainable competitive advantage and have proven quality management.

(e) Credit Risk

Credit risk is the risk of a counterparty defaulting on their financial obligations resulting in a loss to the Company. The objective of the Company is to minimise credit risk exposure. Credit risk arises from cash and cash equivalents and Financial Assets at fair value through Other Comprehensive Income. Credit risk is managed by the Manager.

Credit risk arising from cash and cash equivalents is managed by only transacting with counterparties independently rated with a minimum rating of A. The providers of financial services to the Company are rated as AA by Standard and Poor's. Credit risk on cash and cash equivalents is deemed to be low.

Credit risk arising from Financial Assets at fair value through Other Comprehensive Income relates to the risk of counterparties on the ASX defaulting on their financial obligations on transactions for Australian listed equity securities. The credit risk for these transactions is deemed to be low.

The maximum credit risk exposure of the Company at year end is the carrying value of the assets in the Statement of Financial Position.

There is no concentration of credit risk with respect to financial assets in the Statement of Financial Position.

(f) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The objective of the Company is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable Australian listed equity securities.

The Manager controls liquidity risk by continuously monitoring the balance between equity securities and cash or cash equivalents and the maturity profiles of assets and liabilities to ensure this risk is minimal.

19. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Company consists of equity attributable to members of the Company. The Board monitors the return on capital, which is defined as net operating income divided by total Shareholders' Equity. The Board also monitors the level of dividends to Shareholders.

The capital of the Company is invested by the Investment Manager in accordance with the investment policy established by the Board. The Company has no borrowings. It is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

20. FAIR VALUE MEASUREMENTS

The Company measures the following assets and liabilities 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.

Fair value hierarchy

AASB 13 *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 Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Company:

30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	TOTAL $'000
Recurring fair value measurements. Financial Assets				
- Listed Equity Securities	**49,148**			**49,148**

30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	TOTAL $'000
Recurring fair value measurements. Financial Assets				
- Listed Equity Securities	46,732			46,732

Transfers between levels of hierarchy

There were no transfers between levels of the fair value hierarchy.

Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

	2018 $'000	2017 $'000

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with other related parties:

	2018 $'000	2017 $'000
EC Pohl & Co Pty Ltd for Performance Fee		
• A Performance Fee was payable in accordance with the Management Services Agreement as detailed in Note 22.		
• Dr E C Pohl has an interest in the transaction as during the year Dr E C Pohl was a Director, employee and Shareholder of EC Pohl & Co Pty Ltd.	**1,213**	405
• McCullough Robertson Lawyers for the provision of legal services. D M McGann is a partner of McCullough Robertson Lawyers.	**-**	1
• Allegiant IRS for insurance advice for D & O Policy. The company is owned by McCullough Robertson Lawyers, of which D M McGann is a partner.	**2**	2

All related party transactions are made on an arm's length basis using the standard terms and conditions.

22. MANAGEMENT SERVICES AGREEMENT

In accordance with a Management Services Agreement which was signed early in November 2015, the Company has agreed to engage the Manager to provide primary and secondary management services, including:

1) managing the investment of the Company's portfolio, including keeping it under review;
2) ensuring investments by the Company are only made in authorised investments;
3) complying with the investment policy of the Company;
4) identifying, evaluating and implementing the acquisition and disposal of authorised investments;
5) provide the Company with monthly investment performance reporting;
6) manage the Company's public and regulatory announcements and notices;
7) promoting investment in the Company by the general investment community;
8) providing investor relationship services; and
9) provision of accounting, human resources, corporate and information technology services support.

The agreement has a term of five years from the agreement date of 6 November 2015 and can be extended by the Board thereafter.
The agreement may be terminated if:

a) either party ceases to carry on business, or
b) either party enters into liquidation voluntarily or otherwise, or
c) either party passes any resolution for voluntary winding-up, or
d) a receiver of the property of either party, or any part thereof, is appointed, or
e) the Shareholders of the Company at an abnormal meeting called in for that purpose, resolve by binding resolution to terminate the operations, or
f) if the Company provides written notes to the Manager in the event of any material and substantial breach of the agreement by the Manager or if the Manager fails to remedy a breach of this agreement within 14 days following written notice of the breach.
g) if the Manager provides written notice to the Company in the event of any material and substantial breach of the agreement by the Company or if the Company fails to remedy a breach of this agreement within 14 days following written notice of the breach.
h) In recognition of the roles and personal expertise of senior executives retained by the Manager for the purpose of providing the primary services described in clause 3 of the Agreement, the parties agree that the agreement may be terminated, at the option of the Company, if there are major changes to senior executives (or their roles) providing the primary services. The Company shall be entitled to give the Manager a written termination notice upon or after the occurrence of a major change of the kind mentioned and such notice, if given, shall be effective at the end of the calendar month next following the giving of such notice unless the Company and the Manager mutually agree upon another date at which this agreement will terminate.

Under the agreement the Manager will receive a performance fee, payable annually in arrears, equal to 15% of the amount by which the Company's net performance before tax (that is, after all costs and outlays but before the calculation of the performance fee) exceeds the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year. If the Company's net performance in the year is less than the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year, then no performance fee will be payable. Under the terms of this agreement performance fee expense of $1,212,781 was recognised during the year ended 30 June 2018 (2017 - $404,839).

	2018 $'000	2017 $'000

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

As per the Management Services Agreement, the Company's Secretary and Chief Financial Officer, Mr Brian Jones (July 2017-November 2017) and Mr Scott Barrett (November 2017 – June 2018) are engaged and remunerated by the Manager, EC Pohl & Co Pty Ltd. These roles do not receive any form of direct remuneration from the Company.

The Company has no other staff and therefore has no Key Management Personnel other than the Directors.

No member of Key Management Personnel held options over shares in the Company during the year.

There have been no other transactions with Key Management Personnel or their related entities other than those disclosed in Note 21.

The totals of remuneration paid to the key management personnel of Flagship Investments Limited during the year are as follows:

	2018 $'000	2017 $'000
Short-term Employment benefits	**112**	122

Detailed remuneration disclosures are provided in sections (A) – (F) of the Remuneration Report on pages 11 and 12.

24. CASH FLOW INFORMATION

Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2018 $'000	2017 $'000
Profit for the year	**566**	1,000
Cash flows excluded from profit attributable to operating activities		
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	**44**	(14)
- increase/(decrease) in current tax liabilities	**(352)**	298
- increase/(decrease) in net deferred tax assets/liabilities	**4**	(400)
- increase/(decrease) in trade and other payables	**782**	(260)
Cash flow from operations	**1,044**	624

25. CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017: None).

26. EVENTS OCCURRING AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which 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 future financial years. Subsequent to year-end on 10 August 2018, the Directors declared a final 2018 fully franked ordinary share dividend of 4.0 cents per share.

FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED
(Page 1 of 4)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Flagship Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Flagship Investments Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2018. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

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

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
Financial Assets at Fair Value Through Other Comprehensive Income Refer to Notes 2(f) and 10 to the financial statements	
As at 30 June 2018 the company's statement of financial position includes financial assets at fair value through other comprehensive income of $49.148 million. The company is a long-term investor in equity instruments which are classified at fair value through other Comprehensive Income. Initial recognition is at fair value (being cost) with the company electing to present in other Comprehensive Income changes in the fair value of the investments. We focused on this area as a key audit matter due to the amounts involved being material.	Our procedures included, inter alia: • Inspecting externally prepared documentation to verify the valuation of the portfolio as at 30 June 2018. • Randomly and judgementally selecting investments and agreeing dividends and closing market value to third party evidence. • Recalculating the movement in fair value for the year. • Review of the appropriateness of the company's disclosures in the financial report in accordance with AASB 9.
Tax and Income Tax Expense Refer to Note 7 and 11 to the financial statements	
The company recognises the deferred tax liability as a net amount adjusted for deferred tax assets. As at 30 June 2018 the net deferred tax liability included in the statement of financial position amounted to $2.949 million. Current tax payable as at 30 June 2018 included in the statement of financial position amounted to $1.370 million. We focused on this area as a key audit matter due to the amounts involved being material	Our procedures included, inter alia: • Reviewing the company's taxation calculations for accuracy, completeness and compliance with AASB 112. • Review of the appropriateness of the company's disclosures in the financial report in accordance with AASB 112.
KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
Performance fee Refer to Notes 22 and 23 to the financial statements.	
For the year ended 30 June 2018 the company's statement of profit or loss and other comprehensive income includes the performance fee of $1.213 million. In accordance with a management service agreement the company pays a performance fee to a related party to engage a manger to provide primary and secondary management services. We focused on this area as a key audit matter due to the nature of the relationship and the materiality of the amount.	Our procedures included, inter alia: • Reviewing the management service agreement • Assessing the company's management fee calculation to ensure compliance with the agreement. • Review of the appropriateness of the company's disclosures in the financial report in accordance with AASB 124.

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Information Other Than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Flagship Investments Limited for the year ended 30 June 2018, intended to be included on the Company's website. The Company's directors are responsible for the integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the website.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors and management.
- Conclude on the appropriateness of directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exits, we are required to draw attention in our auditor's report to the related disclosure in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transaction and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 11 to 12 of the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Flagship Investments Limited for the year ended 30 June 2018 complies with s300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

WPIAS Pty Ltd
Authorised Audit Company No. 440306

Lee-Ann Dippenaar BCom CA RCA
Director

Dated this 10th day of August 2018

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