FLAGSHIP INVESTMENTS

A.B.N. 99 080 135 913

APPENDIX 4E STATEMENT

Preliminary Final Report

For the year ended 30 June 2013

(Previous corresponding period is year ended 30 June 2012)

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- **Results for announcement to the market**
- **Operating and Financial Review**
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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The preliminary results are based on un-audited financial statements.

The reporting period is the year ended 30 June 2013 with the corresponding period being the year ended 30 June 2012.

The following statutory information is provided:

- Investment Portfolio increased by 32.9% compared with the All Ordinaries Index increase of 15.5%

Revenue from Ordinary Activities (1)	Up 6.8%	to	$1,519,000
Total Comprehensive Income (after tax) (2)	Up 601.6%	to	$5,769,000
Total Comprehensive Income (after tax) attributable to members	Up 601.6%	to	$5,769,000
Final Dividend per share	Up 16.7%	to	3.5 cents

Explanations

1. Revenue from ordinary activities includes dividends, interest and sub-underwriting fees.
2. Total Comprehensive Income comprises Net Profit (after tax) and realised and unrealised gains/losses on the investment portfolio.

DIVIDEND

Final Dividend per share

Final Fully Franked Dividend – payable on 27 September 2013: 3.5 cents

The record date to determine entitlements to the final dividend 13 September 2013

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will apply to this final dividend with the price determined by the Directors guided by the weighted average market price of ordinary shares of the Company sold on the ASX on the first day on which those shares are quoted ex dividend in relation to the dividend to which the allotment under the Plan relates and the following four business days.

The last date for the receipt of an election notice for participation in the dividend reinvestment plan will be 13 September 2013. There is no foreign conduit income attributable to the dividend.

Previous corresponding period

Final Fully Franked Dividend – payable on 12 October 2012: 3.00 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 Company has not generated sufficient capital profits to offset the carried forward capital losses.

Therefore the final dividend will not include any capital gain component. The inclusion of a capital gains component in future dividends will be dependent on the extent of any realised capital gains exceeding the current capital losses.

NET ASSET BACKING

The net asset backing per share (tax on realised gains only) at 30 June 2013 was $1.506 per share compared with $1.302 at 30 June 2012.

The net asset backing per share (tax on realised and unrealised gains) at 30 June 2013 was $1.430 per share compared with $1.204 at 30 June 2012.

OPERATING AND FINANCIAL REVIEW

During the past year, the Australian equity market performed extremely well with overall equity performance driven by investors seeking yield and it was no surprise to see that the Banks (the big four), along with Telstra (TLS), contributed almost 50% of the overall return during the twelve month period. The market peaked in May, declining to close on the 30th June 2013 at 4775.4 on expectations of the US Federal Reserve tapering its support activity, the Reserve Bank of Australia (RBA) cutting rates and the selling of local assets by overseas investors. Much of the recent declines experienced in Australia and around the world can be attributed to the slow down that is materializing in China, the world's largest manufacturer and exporter, as well as pressure being exerted by the Chinese central bank on the Chinese commercial banks to curb liquidity expansion. These events have had a knock on effect around the world with commodity prices affected the most, while overall global economic conditions have deteriorated further.

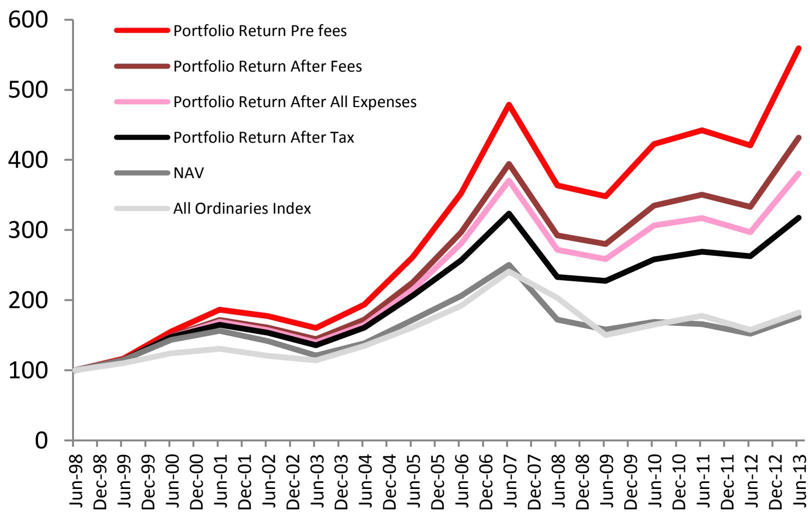
As an indicator of global market performance, the MSCI (as measured in US dollar terms) closed at 1433.6 in June 2013 which was an overall increase of 16.0% for the twelve months to 30 June 2013. In Australian dollar terms, the MSCI increased by 30.1% over the same period, reflecting the continued decline of the Australian dollar compared to the US dollar in the last quarter of the year. The US market performed relatively better than the other major markets with the S&P 500 increasing by 17.9% in US dollar terms for the twelve months to the end of June 2013.

During the same twelve month period, the Australian share market, as represented by the All Ordinaries Index, increased by 15.5%. By comparison, our portfolio out-performed the market, increasing by 32.9% over the twelve months, while the NAV (on realised gains only) increased by 15.7% after paying a dividend of 6 cents per share to Shareholders during the year.

Once again high quality businesses were recognized as such by the market and marked up, while the speculative resource companies were under pressure. This occurs when, in addition to the growth in earnings and dividends, share prices receive a further boost as risk premiums return to more realistic levels and the price earnings ratios of quality companies expand.

RELATIVE PERFORMANCE HISTORY

INVESTMENT PERFORMANCE



OPERATING AND FINANCIAL REVIEW

MAJOR INVESTMENTS % PORTFOLIO
JUNE 2013

MAJOR INVESTMENTS % OF PORTFOLIO	June 13	June 12
Commonwealth Bank	7.9%	7.5%
SEEK	6.7%	6.7%
Telstra	6.4%	-%
REA Group	5.6%	5.1%
Woolworths	5.6%	7.3%
Carsales.Com	5.5%	5.7%
ANZ Banking Group	5.3%	5.6%
Total	**43.0%**	**37.9%**

ANNUAL PERCENTAGE CHANGE

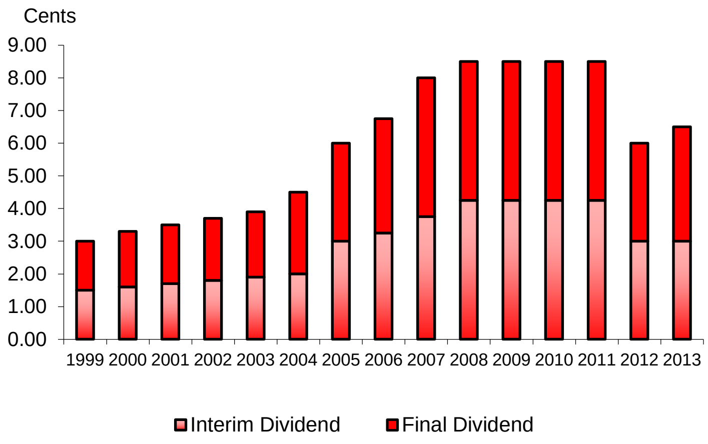
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NAV (on Realised Gains Only)	All Ordinaries Index
June-99	16.4%	14.4%	14.6%	10.1%
June-00	33.6%	30.4%	25.3%	12.9%
June-01	20.0%	15.2%	8.8%	5.1%
June-02	-5.0%	-6.3%	-9.3%	-7.6%
June-03	-9.4%	-10.2%	-14.6%	-5.2%
June-04	20.5%	19.0%	14.4%	17.7%
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%
June-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%

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

OPERATING AND FINANCIAL REVIEW

DIVIDENDS PER SHARE

COMPOUND ANNUAL GROWTH RATE 5.1%



INVESTMENTS AS AT 30 JUNE 2013

Company		Shares	Market Value $'000	%
	ORDINARY SHARES			
ALQ	ALS Limited	53,300	510.6	1.39
AMP	AMP Limited	294,027	1,249.6	3.41
ANZ	Australia and New Zealand Banking Group Limited	68,000	1,943.4	5.31
ARP	ARB Corporation Limited	20,000	228.0	0.62
BHP	BHP Billiton Limited	56,341	1,767.4	4.83
BXB	Brambles Limited	117,063	1,093.4	2.98
CBA	Commonwealth Bank of Australia	41,700	2,884.8	7.88
COH	Cochlear Limited	19,000	1,172.5	3.20
CRZ	Carsales.com Limited	214,000	2,018.0	5.51
DMP	Dominos Pizza Enterprises Limited	56,000	625.5	1.71
IRE	IRESS Market Technology Limited	200,000	1,500.0	4.10
MQG	Macquarie Group Limited	41,000	1,716.7	4.69
NVT	Navitas Limited	232,000	1,338.7	3.65
PTM	Platinum Asset Management Limited	195,000	1,066.7	2.91
REA	REA Group Limited	74,000	2,037.2	5.56
RIO	Rio Tinto Limited	20,000	1,047.4	2.86
SEK	SEEK Limited	272,000	2,467.0	6.73
SKT	Sky Network Television Limited	131,000	598.7	1.63
TLS	Telstra Corporation Limited	491,200	2,343.0	6.40
TME	Trade Me Group Limited	90,000	370.8	1.01
WBC	Westpac Banking Corporation	53,000	1,530.6	4.18
WOR	WorleyParsons Limited	53,000	1,033.0	2.82
WOW	Woolworths Limited	62,000	2,034.2	5.55
WPL	Woodside Petroleum Limited	20,000	700.2	1.91
WTF	Wotif.com Holdings Limited	182,000	824.5	2.25
			34,101.9	**93.09**
	OPTIONS			
	Options		0.0	0.00
	CASH			
	Cash		2,531.4	6.91
	TOTAL		**36,633.3**	**100.00**

APPENDIX 4E ACCOUNTS

The financial information detailed below is in the process of being audited.

FINANCIAL REPORT

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	**2013 $'000**	2012 $'000
Other Income	4	**1,519**	1,422
Performance Fee		**(1,243)**	-
Other expenses	5	**(520)**	(422)
Profit/(Loss) before income tax		**(244)**	1,000
Income tax (Expense)/Benefit	6	**448**	38
Profit after income tax for the year		**204**	1,038
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit & loss			
Changes in fair value of Financial Assets at fair value through Other Comprehensive Income		**7,950**	(3,147)
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income		**(2,385)**	937
Other Comprehensive Income/(Loss) for the year, net of tax		**5,565**	(2,188)
Total Comprehensive Income/(Loss) for the year		**5,769**	(1,150)

Earnings per share:

		Cents	Cents
Basic earnings per share	17	**0.8**	4.22
Diluted earnings per share	17	**0.8**	4.22

The above statement of comprehensive income should be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	**2013 $'000**	2012 $'000
ASSETS			
Cash and Cash Equivalents	7	**2,531**	604
Trade and Other Receivables	8	**198**	151
Financial Assets at fair value through Other Comprehensive Income	9	**34,102**	28,758
Deferred Tax Assets	11	**447**	2,384
Total Assets		**37,278**	31,897
LIABILITIES			
Trade and Other Payables	12	**1,409**	57
Deferred Tax Liability		**-**	-
Total Liabilities		**1,409**	57
Net Assets		**35,869**	31,840
EQUITY			
Contributed Equity	13	**33,657**	33,941
Other Reserves	14	**2,227**	(2,304)
Retained earnings		**(15)**	203
Total Equity		**35,869**	31,840

The above statement of financial position should be read in conjunction with the notes to the financial statements

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Contributed Equity $'000	Retained Earnings $'000	Asset Revaluation Reserve $'000	Asset Realisation Reserve $'000	TOTAL $'000
Balance at 1 July 2011		34,293	944	(116)	-	35,121
Total Comprehensive Income						
Profit for Year		-	1,038	-	-	1,038
Other Comprehensive Income		-	-	(2,188)	-	(2,188)
Total Comprehensive Income		-	1,038	(2,188)	-	(1,150)
Transfers between Reserves						
Transfer to Asset Realisation Reserve		-	-	(15)	15	-
Total Transfers between Reserves		-	-	**(15)**	**15**	**-**
Transactions with Owners in their capacity as owners						
Shares issued during period	13(b)	474	-	-	-	474
Shares bought back on market	13(b)	(826)	-	-	-	(826)
Dividends paid or provided for	15(a)	-	(1,779)	-	-	(1,779)
		(352)	(1,779)	-	-	(2,131)
Balance at 30 June 2012		**33,941**	**203**	**(2,319)**	**15**	**31,840**
Balance at 1 July 2012		33,941	203	(2,319)	15	31,840
Total Comprehensive Income						
Profit for Year		-	204	-	-	204
Other Comprehensive Income		-	-	5,565	-	5,565
Total Comprehensive Income		-	204	5,565	-	5,769
Transfers between Reserves						
Transfer to Asset Realisation Reserve		-	-	(1,440)	1,440	-
Total Transfers between Reserves		**-**	**-**	**(1,440)**	**1,440**	**-**
Transactions with Owners in their capacity as owners						
Shares issued during period	13(b)	351	-	-	-	351
Shares bought back on market	13(b)	(635)	-	-	-	(635)
Dividends paid or provided for	15(a)	-	(420)	-	(1,034)	(1,456)
		(284)	(420)	-	(1,034)	(1,740)
Balance at 30 June 2013		**33,657**	**(15)**	**1,806**	**421**	**35,869**

The above statement of changes in equity should be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Dividends received		**1,460**	1,427
Interest received		**9**	6
Other payments (inclusive of GST)		**(408)**	(402)
Net cash inflow/(outflow)from operating activities	16	**1,061**	1,031
Cash flows from investing activities			
Proceeds from sale of investments		**7,231**	2,739
Payments for investments		**(4,625)**	(1,661)
Net cash inflow/(outflow)from investing activities		**2,606**	1,078
Cash flows from financing activities			
Dividends paid	15(a)	**(1,105)**	(1,305)
Buy-back of shares		**(635)**	(826)
Net cash inflow/(outflow) from financing activities		**(1,740)**	(2,131)
Net increase/(decrease) in cash and cash equivalents		**1,927**	(22)
Cash and cash equivalents at the beginning of the year		**604**	626
Cash and cash equivalents at end of year	7	**2,531**	604

The above statement of cash flows should be read in conjunction with the notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001.*

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Flagship Investments Limited complies with International Financial Reporting Standards (IFRS).

These financial statements have been prepared under the historical cost convention, except for Financial Assets at fair value through Other Comprehensive Income, which are measured at fair value.

Unless otherwise stated, all amounts are presented in Australian dollars. Flagship Investments Limited is a for-profit entity for the purpose of preparing these financial statements.

(B) STATEMENT OF FINANCIAL POSITION 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".

(C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax (GST). The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) **Dividend Revenue**
Dividend revenue is recognised when the right to receive the dividend has been established.

(ii) **Interest Revenue**
Interest revenue is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest revenue. Interest revenue on impaired loans is recognised using the original effective interest rate.

(D) INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and tax liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(E) FINANCIAL INSTRUMENTS

Financial Assets At Fair Value Through Profit Or Loss
Financial assets at fair value through profit or loss are assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, or if 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.
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 the fair value of equity instrument 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.

(E) FINANCIAL INSTRUMENTS (continued)

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 any 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 instrument 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 Assets 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.

(F) CASH AND CASH EQUIVALENTS

For Statement of Cash Flows purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(G) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities are measured at amortised cost using the effective interest method.

(H) CONTRIBUTED EQUITY

Ordinary shares are classified as Equity.

Incremental costs directly attributable to the issue of new shares or options are shown in Equity as a deduction, net of tax, from the proceeds.

(I) DIVIDENDS

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

(J) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating low.

(K) ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

(L) KEY JUDGEMENTS

The preparation of financial reports in conformity with Australian Accounting Standards requires 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 amounts 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, this tax liability/benefit may not be crystallised at the amount disclosed in Note 11. In addition, the tax liability/benefit that arises on 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 (see below for explanation) 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.

(M) KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY

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.

(N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

The Company has early adopted AASB 9 *Financial Instruments* (AASB 9) with initial application from 1 July 2011.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2013.

New and amended standards dealing with Consolidated Financial Statements, Separate Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities and Fair Value Measurement have been released. These standards are effective from 1 January 2013. The Company does not plan to adopt these standards early nor does it expect there to be any recognition or measurement impacts as a result of the application of these new standards.

2. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to a variety of financial risks as discussed below:

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:

	30 June 2013 $'000	30 June 2012 $'000
Financial assets		
Cash and cash equivalents	**2,531**	604
Trade and Other Receivables	**198**	151
Financial Assets at fair value through Other Comprehensive Income/ Available-For-Sale.	**34,102**	28,758
Total	**36,831**	29,513
Financial liabilities		
Trade and Other Payables	**1,409**	57
Total	**1,409**	57

(A) MARKET RISK

(i) Foreign exchange risk

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

(ii) 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.

(A) MARKET RISK *(continued)*

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

	2013	2012
Portfolio five year return	**9.0%**	-2.6%
All Ordinaries Index five year return	**-2.2%**	-8.1%

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% (2012 - 5%) with all other variables held constant.

Impact on Equity and Other Comprehensive Income for the year:-

2013 +/- $1,705,000
2012 +/- $1,438,000

Impact on profit or loss is nil.

(iii) 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 objective of the Company is to minimise the potential adverse effects of interest rate risk.

In order to minimise the potential adverse effects of this risk, the Manager reviews the interest rate exposure as part of cash flow management and takes into consideration liquidity and yields as part of cash flow management. The cash and cash equivalents held are subject to an insignificant level of risk of changes in value.

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

30 June 2013: Balance $2,531,000
Weighted average interest rate 1.57%

30 June 2012: Balance $604,000
Weighted average interest rate 2.84%

(B) 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.

(C) 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.

(D) 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.

(E) FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures*, requires disclosure of fair value measurements by level of the following fair value measurement 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).

(E) FAIR VALUE MEASUREMENTS (continued)

The following table presents the Company's assets and liabilities measured and recognised at fair value as 30 June 2013.

Company – at 30 June 2012	**Level 1**	**Level 2**	**Level 3**
Assets	**$'000**	**$'000**	**$'000**
Available-For-Sale Financial Assets			
Listed Equity Securities	28,758	-	-
Total	**28,758**	-	-

Company – at 30 June 2013	**Level 1**	**Level 2**	**Level 3**
Assets	**$'000**	**$'000**	**$'000**
Financial Assets at fair value through Other Comprehensive Income			
Listed Equity Securities	34,102	-	-
Total	**34,102**	-	-

(F) 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.

The Company has continued the on-market buy-back of its own shares during the year. This assists in maintaining the alignment between the market price and the Net Asset Value of the Company.

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

3. SEGMENT INFORMATION

OPERATING SEGMENT

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	**2013 $'000**	2012 $'000

4. REVENUE

Dividends		**1,508**	1,416
Interest		**11**	6
Other		**-**	-
		1,519	1,422

5. OTHER EXPENSES

Profit / (loss) before income tax includes the following specific expenses:			
ASX listing and other fees		**38**	35
Audit fees		**28**	25
Directors fees		**145**	145
Insurance		**29**	29
Share registry		**33**	27
Other		**247**	161
		520	422

6. INCOME TAX EXPENSE

(a) Income tax expense

Deferred tax		**(448)**	(38)
Under / (over) provided in prior years		**-**	-
Total income tax expense in profit or loss		**(448)**	(38)
Deferred income tax (benefit) / expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	11	**(451)**	(33)
(Decrease) increase in deferred tax liabilities	11	**3**	(5)
		(448)	(38)

(b) Reconciliation of income tax expense to prima facie tax payable

Profit / (loss) before income tax expense		**(244)**	1,000
Tax at the Australian tax rate of 30% (2012 - 30%)		**(73)**	300
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Dividend franking credits		**(367)**	(341)
Other		**(8)**	3
		(448)	(38)
Under / (over) provision in prior years		**-**	-
Income tax expense / (benefit)		**(448)**	(38)

(c) Amounts recognised in Other Comprehensive Income

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to Other Comprehensive Income.

Net deferred tax – debited / (credited) directly to Other Comprehensive Income	11	**2,385**	(937)
		2,385	(937)

	2013 $'000	2012 $'000

7. CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Cash at bank and on hand	**2,531**	604
	2,531	604

8. TRADE AND OTHER RECEIVABLES

	2013 $'000	2012 $'000
Other receivables	**198**	151
	198	151

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2013 $'000	2012 $'000
Listed Securities, at fair value		
At beginning of year	**28,758**	-
Reclassification from Available–For-Sale Financial Assets	**-**	32,961
Additions (at cost)	**4,649**	1,661
Revaluation	**5,893**	(3,147)
Disposals (at fair value)	**(5,198)**	(2,717)
Closing Balance at 30 June	**34,102**	28,758
Australian listed equity securities	**34,102**	28,758

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 $'000	2012 $'000
Listed Securities, at fair value		
At beginning of year	**-**	32,961
Reclassification To Available–For-Sale Financial Assets through Other Comprehensive Income	**-**	(32,961)
Additions (at cost)	**-**	-
Revaluation	**-**	-
Disposals (at fair value)	**-**	-
Closing Balance at 30 June	**-**	-
Australian listed equity securities	**-**	-

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

	2013 $'000	2012 $'000

11. DEFERRED TAX ASSETS

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Accruals	**8**	9
Tax losses – revenue	**1,064**	612
Tax losses – capital	**785**	785
	1,857	1,406
Amounts recognised in Other Comprehensive Income		
Tax Losses – capital	**(624)**	(6)
Unrealised loss on Available-For-Sale Investments	**-**	-
Unrealised loss on Financial Assets on fair value through Other Comprehensive Income	**-**	993
	(624)	987
Net deferred tax assets	**1,233**	2,393
Reconciliations		
(i) Gross Movements:		
The overall movement in deferred tax asset accounts is as follows:		
Opening balance	**2,393**	1,423
(Charged)/credited directly to the profit or loss	**451**	33
(Charged)/credited to Other Comprehensive Income	**(1,611)**	937
Closing balance at 30 June	**1,233**	2,393
(ii) The movement in deferred tax assets for each temporary difference during the year is as follows:		
Share issue expenses		
Opening balance	**-**	59
(Charged)/credited directly to profit or loss	**-**	(59)
Closing balance	**-**	-
Accruals		
Opening balance	**9**	8
(Charged)/credited directly to profit or loss	**(1)**	1
Closing Balance	**8**	9
Tax losses - revenue		
Opening balance	**612**	521
(Charged)/credited directly to profit or loss	**452**	91
Closing Balance	**1,064**	612

	2013 $'000	2012 $'000

11. DEFERRED TAX ASSETS (continued)

Tax losses - capital		
Opening balance	**779**	785
(Charged)/credited directly to profit or loss	**-**	-
(Charged)/credited directly to Other Comprehensive Income	**(618)**	(6)
Closing balance	**161**	779
Available-For-Sale Investments		
Opening balance	**-**	50
(Charged)/credited directly to Other Comprehensive Income	**-**	(50)
Closing balance	**-**	-
Unrealised loss on Financial Assets at fair value through Other Comprehensive Income		
Opening balance	**993**	-
(Charged)/credited directly to Other Comprehensive Income	**(993)**	993
Closing balance	**-**	993

DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Amounts recognised in Profit or Loss		
Unfranked dividend and interest receivable	**12**	9
Net deferred tax liabilities	**12**	9
Amounts recognised in Other Comprehensive Income		
Unrealised gain on Financial Assets on fair value through Other Comprehensive Income	**774**	-
	774	-
Net deferred tax liabilities	**786**	9

Reconciliations

(i) Gross Movements:

The overall movement in the deferred tax liability account is as follows:		
Opening balance	**9**	14
Charged/(credited) directly to profit or loss	**3**	(5)
Charged/(credited) directly to other comprehensive income	**774**	-
Closing balance	**786**	9

(ii) The movement in deferred tax liability for each temporary difference during the year is as follows:

Unrealised gain on Financial Assets on fair value through Other Comprehensive Income		
Opening balance	**-**	-
Charged/(credited) directly to other comprehensive income	**774**	-
Closing balance	**774**	-
Unfranked dividend and interest receivable		
Opening balance	**9**	14
Charged/(credited) directly to profit and loss	**3**	(5)
Closing balance	**12**	9
Net deferred tax asset adjusted for deferred tax liabilities	**447**	2,384

12. TRADE AND OTHER PAYABLES

Accrued expenses	**1,409**	57
	1,409	57

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

	2013 Shares	2012 Shares	2013 $'000	2012 $'000

13. CONTRIBUTED EQUITY

(a) Share Capital

	2013 Shares	2012 Shares	2013 $'000	2012 $'000
Ordinary shares				
Fully paid	**24,226,573**	24,455,539	**33,657**	33,941
Total Share Capital	**24,226,573**	24,455,539	**33,657**	33,941

The Company does not have an authorised capital value or par value in respect of its issued shares.

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Price	$'000
30 June 2011	**Balance**	**24,752,257**		**34,293**
20 July 2011 to 29 June 2012	Cancellation of shares under the buy-back scheme	(673,721)	$1.230 (average price)	(826)
9 September 2011	Dividend Reinvestment Plan issues (see note (d) below)	213,372	$1.318	281
10 May 2012	Dividend Reinvestment Plan issues (see note (d) below	163,631	$1.177	193
30 June 2012	**Balance**	**24,455,539**		**33,941**
20 July 2012 to 29 June 2013	Cancellation of shares under the buy-back scheme	(519,449)	$1.222 (average price)	(635)
12 October 2012	Dividend Reinvestment Plan issues (see note (d) below)	123,497	$1.085	134
30 November 2012	Dividend Reinvestment Plan issues (see note (d) below)	1,041	$1.085	1
12 April 2013	Dividend Reinvestment Plan issues (see note (d) below	165,945	$1.305	216
30 June 2013	**Balance**	**24,226,573**		**33,657**

(c) 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.

(d) Share Buy-back

On 24 July 2012 the Company announced to the Australian Securities Exchange that it intended to buy-back up to a maximum of 10% of its issued capital within one year, subject to market conditions. The buy-backs reflect the Company's focus on maintaining an efficient balance sheet through active capital management.

The Company has also announced on 26 June 2013 to the Australian Securities Exchange that the buy-back program had been extended and that it intended to buy-back up to a maximum of 10% of its issued capital within one year, subject to market conditions.

14. OTHER RESERVES

Asset Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred tax are recorded in the Asset Revaluation Reserve. When an investment has been sold or de-recognised, the realised gains and losses (after tax) are transferred from the revaluation reserve to the Asset Revaluation Reserve.

Asset Realisation Reserve

The Asset Realisation Reserve records realised gains and losses from the sale of investments which are transferred from the Asset Revaluation Reserve.

	2013 $'000	2012 $'000
15. DIVIDENDS		
(a) Dividends paid		
Final dividend of 3.00 cents (2012 – 4.25 cents) per fully paid share paid on 12 October 2012 (2011 – 9 September 2011)		
Fully franked based on tax paid @ 30% - 3.00 cents per share	**728**	1,046
Interim dividend of 3.0 cents (2012 – 3.00 cents) per fully paid share paid on 12 April 2013 (2012 – 10 May 2012)		
Fully franked based on tax paid @ 30% - 3.0 cents per share	**728**	733
Total dividends provided for or paid	**1,456**	1,779
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2013 and 2012 were as follows:		
Paid in cash	**1,105**	1,305
Satisfied by issue of shares	**351**	474
	1,456	1,779
(b) Listed Investment Company capital gain account		
Balance of the Listed Investment Company (LIC) capital gain account	**-**	-

LIC capital gains available for distribution are dependent upon:

(i) The disposal of investment portfolio holdings which qualify for LIC capital gains or

(ii) The receipt of LIC distributions from LIC securities held in the portfolio

	2013 $'000	2012 $'000

15. DIVIDENDS (continued)

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax or franking credits received on dividends in the year ending 30 June 2014.

	2013 $'000	2012 $'000
Balance as at 30 June 2013 of the franking account after allowing for tax payable in respect of the current year's profits, the receipt of dividends recognised as receivables and the payment of dividends recognised as a liability at the reporting date.	**1,440**	**1,539**

(d) Dividends not recognised at year end

	2013 $'000	2012 $'000
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 3.5 cents per fully paid ordinary share, (2012 – 3.00 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 27 September 2013, but not recognised as a liability at year end	**845**	**732**
The impact on the franking account of dividends recommended after year end but before the financial statements were authorised for issue and not recognised as a liability at year end will be a reduction on the franking account	**362**	**314**

16. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 $'000	2012 $'000
Profit / (Loss) for the year	**204**	1,038
Sundry Income	**-**	-
Net (Gain)/loss on sale of Financial Assets at fair value through Other Comprehensive Income	**-**	-
Changes in Operating Assets/Liabilities		
(Increase)/decrease in trade and other receivables	**(50)**	11
(Increase)/decrease in prepayment	**-**	-
(Increase)/(Decrease) in deferred tax assets	**(448)**	(38)
Increase /(Decrease) in trade and other payables	**1,355**	20
Increase in deferred tax liabilities	**-**	-
Net cash inflow /(outflow)from operating activities	**1,061**	1,031

17. EARNINGS PER SHARE .

(a) Earnings used in the calculation of basic and diluted earnings per share.

	2013	2012
(i) Profit / (loss) from continuing operations attributable to the owners of the Company	**204**	1,038
(ii) Total Comprehensive Income	**5,769**	(1,150)

	Cents	Cents
(b) Basic and diluted earnings per share		
(i) Profit / (loss) from continuing operations attributable to the owners of the Company	**0.8**	4.22
(ii) Total Comprehensive Income	**23.73**	(4.67)

	Number	Number
(c)–Weighted average number of ordinary shares used in the calculation of earnings per share	**24,310,607**	24,598,740

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.