



ABN 99 080 135 913

FLAGSHIP INVESTMENTS LTD
Chairman's Address – Annual General Meeting
6 November 2015

Ladies and Gentlemen, I welcome you to the 18th Annual General Meeting of our Company.

The 2014/15 Financial Year

As foreshadowed last year, returns to the portfolio were positive but modest, which was not unexpected in what has been a year of uncertainty and volatility. Portfolio return for the year on an after fees basis was 6.2% compared with an increase of only 1.3% for the All Ordinaries Index in the same period.

While the investment performance was somewhat modest in the 2014/15 financial year, it is worth noting that the Company's investment portfolio performance has been outstanding for a long period of time, with the portfolio return exceeding the corresponding increase in the All Ordinaries Index in 15 of the past 18 years. In many cases the outperformance against the All Ordinaries Index has been outstanding.

On the financial side, our net after tax profit for the year was \$1.032 million compared to \$0.326 million in the previous financial year.

One of the highlights of the year was a decision to offer a Share Purchase Plan. It was well received by our investors and 717,154 shares were issued at \$1.51 per share.

The Year Ahead

The Australian equity market continues to be impacted by the downturn in the resources sector and the slowing growth in the Chinese economy. While the decline in the Australian dollar has had some positive impact particularly for the export sector, continuing uncertainty and indecision around the Fed's policy on US interest rates has added to short term volatility in the Australian equity markets.

For the September Quarter 2015, the portfolio returned a negative 1.6% compared to negative 7.2% for the All Ordinaries Index in the same period. In all the circumstances this was a good result.

Our strategy has always been to invest in quality Australian listed equities that have strong organic sales and earnings growth potential. The portfolio is currently well positioned to take advantage of improvements in the economic outlook and the potential for improvements in P/E ratings from current levels. Ultimately we expect that this will result in continuing positive returns for shareholders.

Dividends

The Board was pleased to approve a final dividend for the year of 3.75 cents per share, fully franked, making a total payout for the year of 7.25 cents per share, fully franked. The dividend payout was consistent with the dividend payout in the preceding financial year, which also included a 0.5 cents special dividend, fully franked.

There was no LIC attributable capital gains tax deduction available for 2014/15.

Our Investment Manager

The credit for the outstanding investment performance must go to our investment manager, E C Pohl & Co Pty Ltd. Dr Manny Pohl and his small but very committed team of investment professionals continue to provide outstanding service to the Company.

As I have said on previous occasions, Manny's many years of professional investment experience plus his uncompromising commitment to consistent application of fundamental investment principles continues to reward our investors. The company's outstanding performance over the past 18 years is testament to the great skills and abilities of Manny and his team.

I am sure I speak for my fellow board members and indeed our loyal investors when we congratulate Manny and his team on their sustained efforts and look forward to continuing what has been a long and very successful relationship.

Share Buy Back Scheme

The previous Share Buy Back Scheme expired in July 2015 and was renewed for a further 12 months at that time. The Scheme is intended to provide an option for shareholders looking to dispose of all or part of their holding. While in recent times the Scheme has had limited activity, we believe it has a role to play in providing a more stable market for the Company's shares.

Our Service Providers

We have decided to appoint WPIAS as our auditor for the 2015/16 financial year. WPIAS is located on the Gold Coast where our Company is now based.

Our current auditors, BDO, have had a long relationship with the Company and the decision to change was not an easy one. I want to place on record our sincere appreciation for the service the BDO team has provided over the years.

The decision was also taken to change our Registry services provider from Computershare Investor Services Pty Ltd to Boardroom Pty Limited. This change will occur later in the month.

The Board

As shareholders will now be aware, current board member, Patrick Corrigan AM, has decided not to seek re-election to the board. Patrick has served the board with great distinction for 6 ½ years but now feels it is time to ease his workload. Not only has Patrick been a great board member but has been a very generous benefactor to many organisations particularly in the arts sector. We thank Patrick most sincerely for his wonderful contribution to the board and the Company over the years and wish him all the very best for the future.

The board has decided not to replace Patrick at this time.

Concluding Remarks

Before closing, I want to pay special tribute to our long serving CFO and Company Secretary, Ian Harrison, who is stepping down from the role after many years of loyal and committed service to the Company. On behalf of all the board and also shareholders, I want to say a huge thank you to Ian for the contribution he has made to our Company's success over the years.

I would also like to take the opportunity to welcome Mr Brian Jones, who will be taking over Ian's role going forward.

It has been another successful year for the Company under at times a difficult environment for investors. I thank our loyal shareholders for their continuing support for the Company.

I also want to thank my fellow board members for their support and contributions during the year. They are a great team and while we will miss Patrick, we will continue to serve the Company and our shareholders with commitment and to the best of our ability.

I look forward to another good year for the Company.