



A.B.N. 99 080 135 913

## APPENDIX 4E STATEMENT

Preliminary Final Report

For the year ended 30 June 2023

(Previous corresponding period is year ended 30 June 2022)

## CONTENTS

- ◆ Results for announcement to the market
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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

The preliminary results are based on audited financial statements.

The reporting period is the year ended 30 June 2023 with the corresponding period being the year ended 30 June 2022.

### SUMMARY OF RESULTS

The investment portfolio performance was positive 15.4% compared with the ASX All Ordinaries Index which increased by 9.7%.

	2023 \$'000	2022 \$'000	Movement
Revenue from Ordinary Activities	1,794	1,847	(2.9)%
Profit/(Loss) from Ordinary Activities after income tax <sup>(1)</sup>	(807)	2,574	(131.4)%
Total Comprehensive Income/(Loss) after income tax <sup>(2)</sup>	5,271	(11,935)	144.2%
Net Tangible Asset backing per share (Cents) (before tax on unrealised gains)	208.0	192.9	7.8%

#### Explanations

- <sup>1.</sup> Profit/(Loss) from Ordinary Activities declined from the prior year due to the recognition of the performance fee \$1,060,799 (FY22: Nil) and convertible note amortisation expense over the full year of \$1,737,563 (FY22: 1,260,281)
- <sup>2.</sup> Total Comprehensive Income comprises Profit/(Loss) after income tax and the realised and unrealised gains or losses (net of income tax) on the investment portfolio. Portfolio performance in FY2023 was positive 15.4% compared to negative 21.1% in FY2022. Portfolio gains less expenses, taxes and dividends paid contributed to the NTA increase of 7.8%.

## DIVIDEND

#### Final Dividend per share

Final Fully Franked Dividend – payable on 30 August 2023:	4.9 cents
Record date to determine entitlements to the dividends:	16 August 2023

#### Dividend Reinvestment Plan

The Dividend Reinvestment Plan will apply to the final dividend with the price to be determined with reference to the market price 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 17 August 2023. There is no foreign conduit income attributable to the dividend.

#### Previous corresponding period

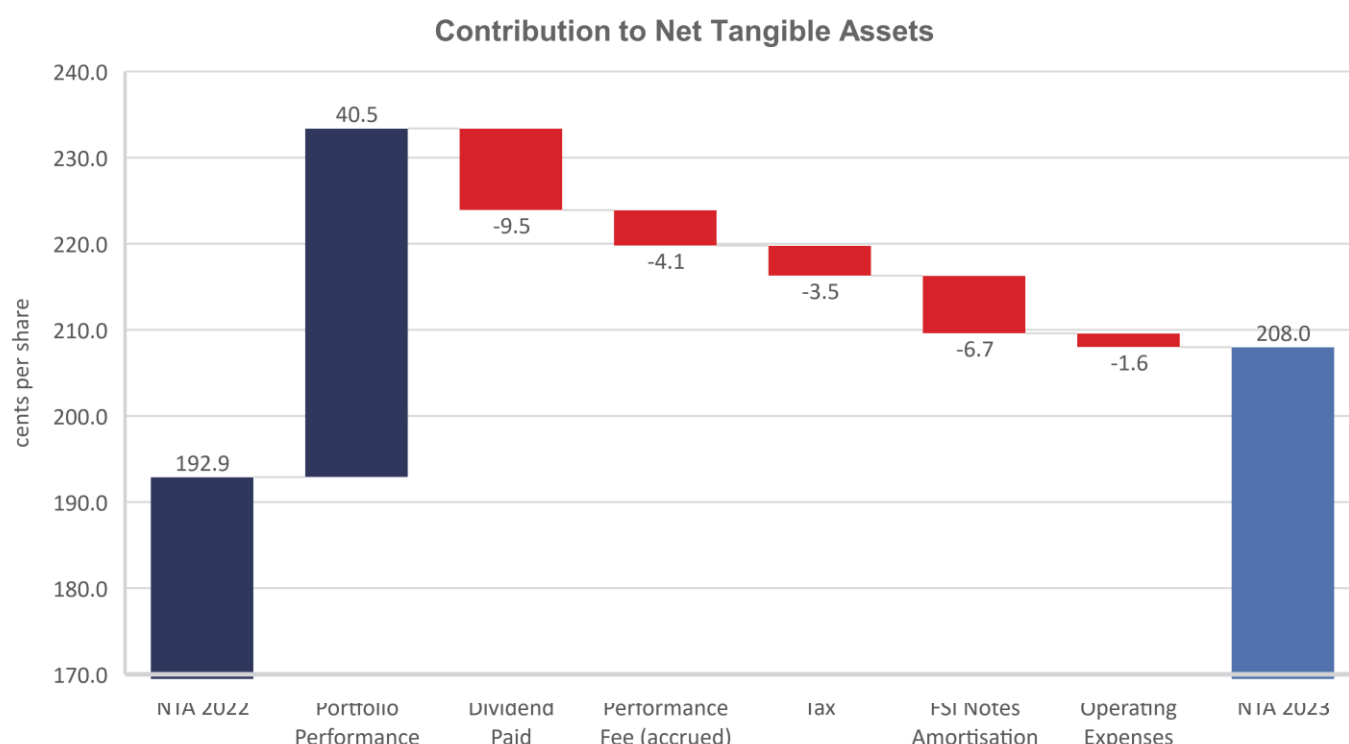
Final Fully Franked Dividend – paid on 26 August 2022:	4.75 cents
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#### Capital Gains Components

The capacity of the Company to facilitate access to the LIC capital gain benefit of the dividend will depend on the Company's capacity to generate taxable capital profits. The final dividend will be fully attributable to LIC capital gains (see Note 17(d) in the Notes to the Financial Statements).

## NET TANGIBLE ASSET (NTA) BACKING

The NTA backing per share (tax on realised gains only) at 30 June 2023 was 208.0 cents per share compared with 192.9 cents per share at 30 June 2022.



## OPERATING AND FINANCIAL REVIEW

Portfolio performance during the financial year was positive 15.4% compared to the ASX All Ordinaries Index which increased by 9.7%. The company's portfolio of growth stocks performed well compared to the index and reflects a shift from when technology & other growth stocks had been devalued due to interest rate rises but are recovering based on improving economic prospects.

At year end there is a provision for the performance fee of \$1,061,000 payable to the Manager due to the outperformance of the Bank Bill Index, which increased by 2.9%. This, together with the amortised interest on the FSI Convertible Notes of \$1,737,000, led to a loss for the year of \$807,000. By comparison, FY2022 profit for the year was \$2,574,000 assisted by the \$2,047,000 credit for fair value movement of the derivative liability associated with the convertible note and a nil performance fee. At the Comprehensive Income level the portfolio performance is reflected in the Total Comprehensive Income of \$5,271,000 compared to a loss of \$11,935,000 last year.

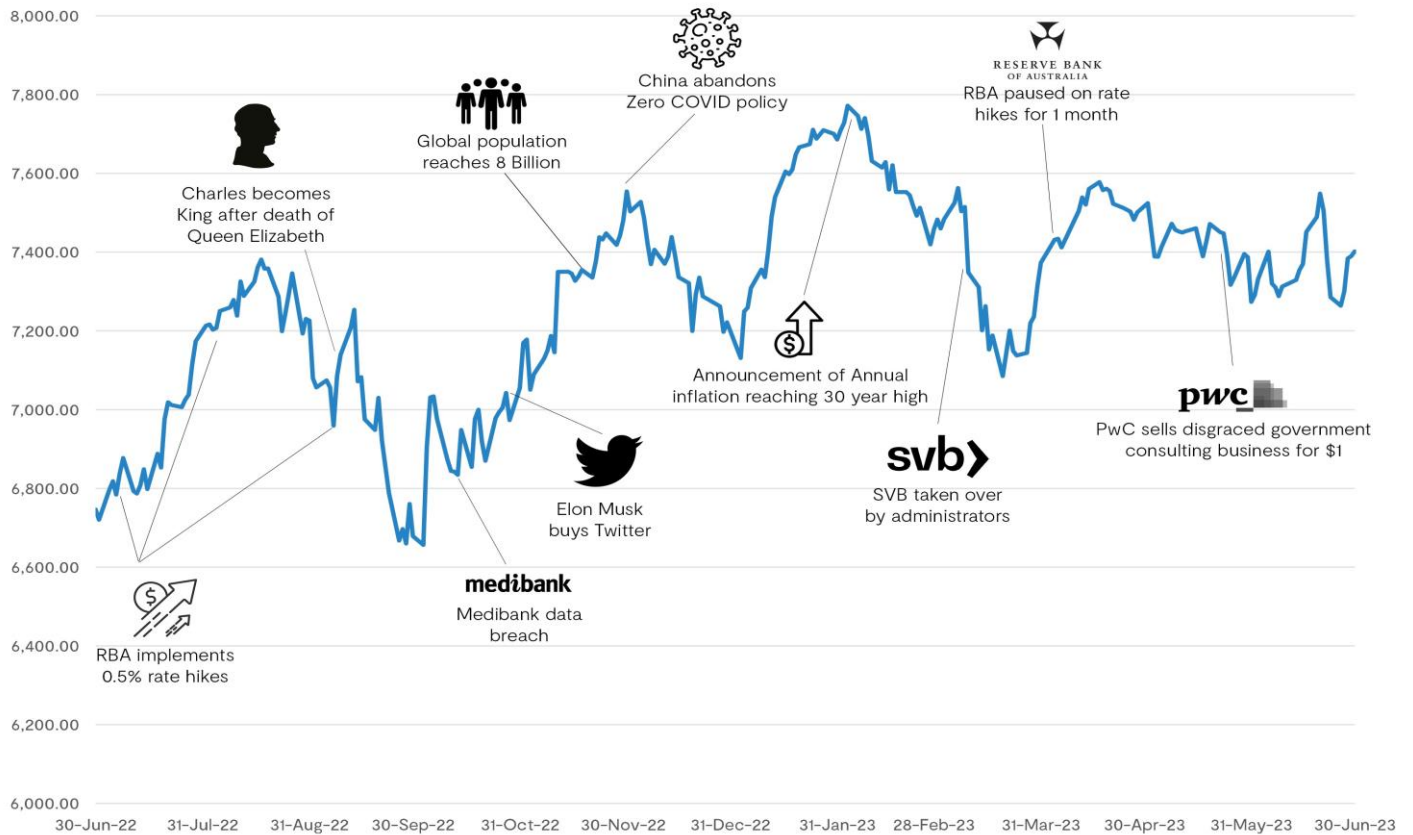
The Company's investment focus remains unchanged: selecting quality companies that have the ability to grow their earnings and dividends over three to five years. This should ensure continued growth in the future dividends declared and also capital appreciation potential within the portfolio.

## THE MARKET OUTLOOK

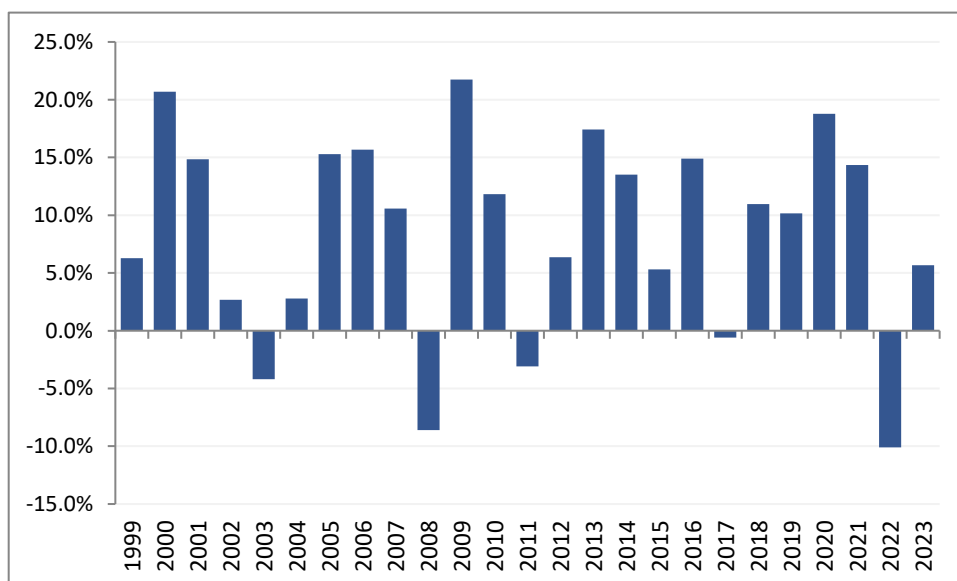
Comments from the RBA indicate that the rate increases are not over yet and seem likely while the labour market remains tight and inflation remains high. Forecasting the medium-term impact of the rate increases remains difficult and the debate about a hard or soft landing will continue.

It is likely that stubborn core inflation, tighter financial conditions and central bankers that are slow to cut rates may result in declining company earnings in many businesses. It is therefore as important as ever to remain diligent and committed to the investment process, assessing our investee businesses on their ability to generate above-average earnings and to think long-term with our strategy so as not to be caught up in the fluctuations in the market.

## ASX ALL ORDINARIES INDEX MOVEMENT 2022/2023



## RELATIVE PERFORMANCE HISTORY PORTFOLIO OUTPERFORMANCE vs ALL ORDINARIES INDEX



## INVESTMENT PERFORMANCE

	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since Inception (1 May 1998) p.a.
Portfolio^	15.4%	8.6%	10.1%	12.2%	11.9%
Bank Bill Index	2.9%	1.0%	1.2%	1.7%	3.8%
ASX All Ordinaries Index	9.7%	7.2%	3.3%	4.5%	4.0%
ASX All Ord Accumulation Index	14.8%	11.4%	7.4%	8.8%	8.3%

^ Source: EC Pohl & Co Pty Ltd

ANNUAL PERCENTAGE CHANGE					
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NTA (tax on Realised Gains Only)	All Ordinaries Index	All Ordinaries Accumulation Index
June-99	16.4%	14.4%	14.6%	10.1%	14.1%
June-00	33.6%	30.4%	25.3%	12.9%	16.8%
June-01	20.0%	15.2%	8.8%	5.1%	8.8%
June-02	-5.0%	-6.3%	-9.3%	-7.6%	-4.5%
June-03	-9.4%	-10.2%	-14.6%	-5.2%	-1.1%
June-04	20.5%	19.0%	14.4%	17.7%	22.4%
June-05	35.1%	31.0%	24.1%	19.8%	24.7%
June-06	34.7%	31.6%	19.8%	19.0%	24.2%
June-07	35.9%	32.8%	21.6%	25.4%	30.3%
June-08	-24.1%	-25.8%	-31.3%	-15.5%	-12.1%
June-09	-4.2%	-4.2%	-8.0%	-26.0%	-22.1%
June-10	21.4%	19.6%	6.7%	9.5%	13.8%
June-11	4.6%	4.6%	-1.7%	7.7%	12.2%
June-12	-4.9%	-4.9%	-8.2%	-11.3%	-7.0%
June-13	32.9%	29.5%	15.7%	15.5%	20.7%
June 14	26.2%	23.5%	15.8%	12.7%	17.6%
June-15	6.6%	6.2%	-1.4%	1.3%	5.7%
June-16	12.3%	10.9%	5.7%	-2.6%	2.0%
June-17	8.0%	7.1%	0.6%	8.5%	13.1%
June-18	20.1%	17.8%	8.5%	9.1%	13.7%
June-19	16.7%	14.8%	6.4%	6.5%	11.0%
June-20	8.4%	7.4%	0.9%	-10.4%	-7.2%
June-21	40.7%	36.2%	29.3%	26.4%	30.2%
June-22	-21.1%	-21.1%	-29.9%	-11.1%	-7.4%
June-23	15.4%	13.9%	7.8%	9.7%	14.8%

Note: Fees include Performance fees and Underwriting fees.

NTA (Net Tangible Assets) is after all expenses, tax and payment of dividends to Shareholders

## INVESTMENTS AS AT 30 JUNE 2023

Code	Company	Shares	Market Value \$'000	%
	<b>ORDINARY SHARES</b>			
ALU	Altium Limited	35,000	1,292.2	1.76
ARB	ARB Corporation Limited	40,000	1,144.0	1.55
CAR	Carsales.Com Limited	150,000	3,573.0	4.86
CBA	Commonwealth Bank of Australia	36,000	3,609.7	4.9
COH	Cochlear Limited	9,900	2,267.8	3.08
CSL	CSL Limited	11,000	3,051.2	4.15
CTD	Corporate Travel Management Limited	150,000	2,683.5	3.65
DMP	Domino's Pizza Enterprises Limited	83,000	3,853.7	5.24
FCL	Fineos Corporation Holdings PLC	750,000	1,665.0	2.26
FPH	Fisher & Paykel Healthcare Corporation Limited	31,711	714.8	0.97
GQG	GQG Partners Inc.	3,300,000	4,570.5	6.21
HUB	HUB24 Limited	160,000	4,072.0	5.53
IEL	Idp Education Limited	160,000	3,536.0	4.8
JDO	Judo Capital Holdings Limited	1,500,000	1,777.5	2.42
JHX	James Hardie Industries PLC	60,000	2,385.0	3.24
LOV	Lovisa Holdings Limited	126,000	2,431.8	3.3
MP1	Megaport Limited	300,000	2,166.0	2.94
MQG	Macquarie Group Limited	20,000	3,552.4	4.83
NAN	Nanosonics Limited	170,000	805.8	1.09
NWL	Netwealth Group Limited	200,000	2,768.0	3.76
NXL	Nuix Limited	1,000,000	850.0	1.16
REA	REA Group Ltd	16,000	2,288.5	3.11
RIO	Rio Tinto Limited	43,323	4,968.7	6.75
RMD	ResMed Inc.	50,000	1,640.5	2.23
SEK	Seek Limited	150,000	3,258.0	4.43
SQ2	Block Inc.	25,000	2,422.3	3.29
WTC	Wisetech Global Limited	27,095	2,162.5	2.94
XRO	Xero Limited	19,000	2,259.7	3.07
			<b>71,770.0</b>	<b>97.52</b>
	<b>CASH</b>			
	Cash (including dividends receivable)		1,822.9	2.48
	<b>GRAND TOTAL</b>		<b>73,593.0</b>	<b>100.0</b>

## APPENDIX 4E ACCOUNTS

### FLAGSHIP INVESTMENTS LIMITED

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Other Income	5	1,794	1,847
Other expenses	6	(402)	(463)
<b>Operating Profit</b>		<b>1,392</b>	<b>1,384</b>
Fair value change in Derivatives	14	–	2,047
Finance Expense	14	(1,737)	(1,260)
Performance Fee	24	(1,061)	–
<b>Profit/(Loss) before income tax</b>		<b>(1,406)</b>	<b>2,171</b>
Income tax credit	7(a)	599	403
<b>Profit/(Loss) for the year</b>		<b>(807)</b>	<b>2,574</b>
<b>Other Comprehensive Income, net of income tax</b>			
<b>Items that will not be reclassified subsequently to profit &amp; loss</b>			
Changes in fair value of Financial Assets at fair value through Other Comprehensive Income		8,683	(20,723)
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income	7(c)	(2,605)	6,214
<b>Other Comprehensive Income for the year, net of tax</b>		<b>6,078</b>	<b>(14,509)</b>
<b>Total Comprehensive Income for the year</b>		<b>5,271</b>	<b>(11,935)</b>
<b>Earnings per share:</b>			
		Cents	Cents
Basic earnings per share	18(b)	(3.1)	10.0
Diluted earnings per share	18(b)	1.8	5.2
Comprehensive earnings per share	18(b)	20.4	(46.2)

*The accompanying Notes form part of these Financial Statements.*

# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
<b>ASSETS</b>			
Cash and Cash Equivalents	8	1,739	4,925
Trade Receivables and Other Assets	9	150	175
Intangible Assets	10	5	5
Financial Assets at fair value through Other Comprehensive Income	11	71,770	63,649
<b>TOTAL ASSETS</b>		<b>73,664</b>	<b>68,754</b>
<b>LIABILITIES</b>			
Trade and Other Payables	12	1,085	680
Tax Payable	13	879	953
Deferred Tax Liability	13	1,238	112
Convertible notes	14	18,025	17,387
<b>TOTAL LIABILITIES</b>		<b>21,227</b>	<b>19,132</b>
<b>NET ASSETS</b>		<b>52,437</b>	<b>49,622</b>
<b>EQUITY</b>			
Issued Capital	15	36,488	36,488
Other Reserves	16	13,405	9,783
Option premium on convertible notes		507	507
Retained Earnings		2,037	2,844
<b>TOTAL EQUITY</b>		<b>52,437</b>	<b>49,622</b>

*The accompanying Notes form part of these Financial Statements.*



FLAGSHIP INVESTMENTS LIMITED  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 30 JUNE 2023

2022	Note	Ordinary Shares	Retained Earnings	Asset Revaluation Reserve	Asset Realisation Reserve	Option Premium on Convertible Notes	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2021		36,179	270	17,869	8,806	–	63,124
Profit or loss attributable to members		–	2,574	–	–	–	2,574
Other Comprehensive Income		–	–	(14,509)	–	–	(14,509)
Transfer to Asset Realisation Reserve		–	–	(2,806)	2,806	–	–
Convertible Notes Issued		–	–	–	–	507	507
Shares issued via dividend reinvestment plan net of costs	15(c)	309	–	–	–	–	309
Dividends paid or provided for	17(a)	–	–	–	(2,383)	–	(2,383)
Balance at 30 June 2022		36,488	2,844	554	9,229	507	49,622

2023	Note	Ordinary Shares	Retained Earnings	Asset Revaluation Reserve	Asset Realisation Reserve	Option Premium on Convertible Notes	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2022		36,488	2,844	554	9,229	507	49,622
Profit or loss attributable to members		–	(807)	–	–	–	(807)
Other Comprehensive Income		–	–	6,078	–	–	6,078
Transfer to Asset Realisation Reserve		–	–	(3,513)	3,513	–	–
Dividends paid or provided for	17(a)	–	–	–	(2,456)	–	(2,456)
Balance at 30 June 2023		36,488	2,037	3,119	10,286	507	52,437

*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 2023

	Notes	2023 \$'000	2022 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		1,738	1,869
Interest Received		80	1
Payments to suppliers and employees		(411)	(3,764)
Interest paid on convertible notes		(1,099)	(814)
Net cash provided by/(used in) operating activities	26	308	(2,708)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		22,116	25,876
Income tax paid on gains on sale of investments		(953)	(355)
Payments for investments		(22,201)	(38,302)
Net cash used in investing activities		(1,038)	(12,781)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	17(a)	(2,456)	(2,071)
Share issue costs	17(a)	–	(3)
Net proceeds from issue of convertible notes	14	–	19,427
Net cash provided by/(used in) financing activities		(2,456)	17,353
Net increase/(decrease) in cash and cash equivalents		(3,186)	1,864
Cash and cash equivalents at the beginning of the year		4,925	3,061
Cash and cash equivalents at end of year	8	1,739	4,925

*The accompanying Notes form part of these Financial Statements.*

FLAGSHIP INVESTMENTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

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. There are no changes in existing accounting policies that apply for the year ended 30 June 2023.

## 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.

#### Interest Revenue

Interest is recognised using the effective interest method.

#### Dividend Revenue

Dividends are recognised when the Company'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 payables 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) Intangible Assets – Trademarks

Trademarks are considered intangible assets with indefinite useful lives. Trademarks are initially recognised at cost and are reviewed for impairment annually or whenever there is an indication of impairment.

# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### (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) Financial Instruments

#### Financial Assets At Fair Value Through Profit Or Loss

Financial assets at fair value through Profit or Loss are Financial Instruments convertible into 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.

#### 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.

#### 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.

#### 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 closing quoted price.

The appropriate quoted market price for financial liabilities is the closing quoted 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.

#### Convertible Notes

On the 1st of October 2021, the Company issued 7,407,407 Convertible Notes. These compound financial instruments are able to be converted to ordinary shares at the option of the noteholder in accordance with the Note Terms. The liability component is initially recognised as the difference between the compound financial instrument as a whole and the component associated with the conversion feature. Initially the conversion option was considered a derivative liability measured at fair value using observable inputs. The attributable transaction costs are allocated to the liability and derivative components in proportion to their carrying amounts, the derivative portion immediately recognised in the statement of profit or loss.

On 17 June 2022 there was an amendment to the conversion price features of the Note Terms and the conversion option was re-classified as equity. Prior to reclassification the conversion option was remeasured to fair value with the change recognised in the statement of profit or loss.

After initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or maturity of the notes. The carrying amount of the equity component is not remeasured in subsequent periods.

### (i) 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 Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (j) 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.

FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2023

**(k) 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 17 Insurance Contracts	1 Jan 2023	AASB 17 Insurance replaces three standards that currently deal with insurance: definitions of insurance (AASB 4), general insurance (AASB 1023) and life insurance (AASB 1038). The concept behind the standard is to account for profit from insurance contracts in a way that considers risk associated with an insurance contract. There are three methods of accounting under the new standard, with the applicable method determined by the nature of the insurance contracts issued.	The impact of AASB 17 will not have an impact on the Company.
AASB 2020-1 Amendment to Classification of Liabilities as Current or Non-Current	1 Jan 2024	AASB 2020-1 & AASB 2022-6 were introduced to deal with liability classification issues relating to the right to defer settlement need not be unconditional and must exist at the end of the reporting period, classification based on rights to defer (not intention), liabilities settled by transferring own equity instruments prior to maturity, and additional disclosures where right to defer settlement is subject to entity complying with covenants within 12 months after the reporting period.	The amendment will not have an impact on the Company.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

**(a) Key Estimates**

The option feature of the convertible notes was valued using the Black Scholes Method. Key inputs into the calculation include observable data such as dividend yield, share price and exercise price as well as assumptions of stock price volatility (27.5% based on the annualised standard deviation of daily market movement averaged between a three and five year period) and risk free rate of return (based off the five year bond rate at the date of measurement).

There are no other 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: 12.

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.

The Company does not recognise a deferred tax asset when there are net unrealised losses in the portfolio from short term market fluctuations. The Company holds investments with a three to five-year horizon and therefore the short term tax loss is unlikely to be realised.

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.

# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
<b>5. REVENUE AND OTHER INCOME</b>			
Dividends Received		1,712	1,846
Interest Received		82	1
		<b>1,794</b>	<b>1,847</b>
<b>6. OTHER EXPENSES</b>			
ASX listing and other fees		47	45
Audit fees		26	26
Directors fees		127	127
Insurance		41	39
Marketing		64	49
Share registry		29	28
Convertible Note Trustee		51	43
Other		17	106
		<b>402</b>	<b>463</b>
<b>7. INCOME TAX EXPENSE</b>			
<b>(a) Reconciliation of income tax to accounting profit</b>			
Profit/(Loss) before income tax		(1,406)	2,171
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2022 - 30%)		(422)	651
Add Tax effect of:			
- Fully franked dividends received and timing differences		158	35
- Fair value change in derivative liability		-	(614)
- Amortised convertible note expense		191	132
Less Tax effect of:			
- Rebateable fully franked dividends		452	568
- Other foreign tax credit		74	39
Income tax credit		(599)	(403)
<b>(b) The major components of tax (expense)/credit comprise:</b>			
Current tax credit		626	253
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	13.a	(35)	145
Decrease in deferred tax liabilities	13.b	8	5
Income tax credit for continuing operations		<b>599</b>	<b>403</b>
<b>(c) The major components of tax expense relating to Other Comprehensive Income</b>			
Current tax expense		(1,506)	(1,206)
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	13.a	-	-
Decrease/(increase) in deferred tax liabilities	13.b	(1,099)	7,420
Income tax (expense)/credit for Other Comprehensive Income		<b>(2,605)</b>	<b>6,214</b>

FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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## 8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,739	4,925
	<b>1,739</b>	<b>4,925</b>

### 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	1,739	4,925
<b>Balance as per Statement of Cash Flows</b>	<b>1,739</b>	<b>4,925</b>

## 9. TRADE RECEIVABLES AND OTHER ASSETS

CURRENT		
Receivables	97	121
Prepayments	46	46
GST receivable	7	8
<b>Total current trade and other receivables</b>	<b>150</b>	<b>175</b>

## 10. INTANGIBLE ASSETS

Trademarks	5	5
<b>Total Intangible Assets</b>	<b>5</b>	<b>5</b>

## 11. OTHER FINANCIAL ASSETS

Financial Assets at Fair Value Through Other Comprehensive Income

At beginning of year	63,649	71,536
Additions (at cost)	21,554	39,407
Revaluation	8,683	(20,723)
Disposals (at sale value)	(22,116)	(26,571)
<b>Australian listed equity securities</b>	<b>71,770</b>	<b>63,649</b>

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

## 12. TRADE AND OTHER PAYABLES

CURRENT		
Accounts payable and accrued expenses	1,085	680
	<b>1,085</b>	<b>680</b>

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

# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
<b>13. TAX</b>			
Current Year Tax Payable		879	953
Total Tax Payable		879	953
Deferred Tax Assets	13.a	(117)	(152)
Deferred Tax Liabilities	13.b	1,355	264
<b>Net deferred tax liabilities adjusted for deferred tax assets</b>		<b>1,238</b>	<b>112</b>
<b>(a) Reconciliations – Deferred Tax Assets</b>			
<b>Gross Movements:</b>			
The overall movement in deferred tax asset accounts is as follows:			
Opening balance		152	7
(Charged)/credited to profit or loss		(35)	145
(Charged)/credited to Other Comprehensive Income		–	–
<b>Closing balance</b>		<b>117</b>	<b>152</b>
The movement in deferred tax assets for each temporary difference during the year is as follows:			
<i>(i) Accruals</i>			
Opening balance		5	5
(Charged)/credited to profit or loss		–	–
<b>Closing Balance</b>		<b>5</b>	<b>5</b>
<i>(ii) Capital Raising Costs</i>			
Opening balance		147	2
(Charged)/credited to profit or loss		(35)	145
<b>Closing Balance</b>		<b>112</b>	<b>147</b>
<b>(b) Reconciliations – Deferred Tax Liabilities</b>			
<b>Gross Movements:</b>			
The overall movement in the deferred tax liability account is as follows:			
Opening balance		264	7,689
Credited to profit or loss		(8)	(5)
Charged/(credited) to Other Comprehensive Income		1,099	(7,420)
<b>Closing balance</b>		<b>1,355</b>	<b>264</b>
The movement in deferred tax liability for each temporary difference during the year is as follows:			
<i>(i) Unrealised gain on Financial Assets on fair value</i>			
Opening balance		238	7,658
Charged/(credited) to Other Comprehensive Income		1,099	(7,420)
<b>Closing balance</b>		<b>1,337</b>	<b>238</b>
<i>(ii) Unfranked dividend and interest receivable</i>			
Opening balance		26	31
Credited to Profit and Loss		(8)	(5)
<b>Closing balance</b>		<b>18</b>	<b>26</b>



FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$'000	\$'000

#### 14. CONVERTIBLE NOTES

On the 1st of October 2021, the Company issued 7,407,407 listed, unsecured, redeemable, convertible notes (ASX: FSI GA) raising a total of \$20.0 million. The convertible notes carry a fixed interest entitlement of 5.5% per annum paid quarterly with a step-up to 6.5% per annum on 30 September 2024 if the 2-year bank bill swap rate is above 1.2832%. At any time after the second anniversary of the issue date and before 10 days before maturity, the notes can be converted to ordinary shares on a one for one basis – alternatively the note capital will be repaid on the maturity date – 1 October 2026.

Opening Balance	17,387	-
Proceeds from issue of convertible notes (7,407,407 notes at \$2.70)	-	20,000
Transaction costs	-	(573)
Net proceeds	-	19,427
Initial Recognition – Conversion Feature	-	(2,481)
Finance Expense	1,737	1,260
Interest paid to note holders	(1,099)	(819)
<b>Total Convertible Note Liability</b>	<b>18,025</b>	<b>17,387</b>

##### Conversion Feature

Initial Recognition – Derivative liability	-	2,481
Prorata allocation of transaction costs recognised in profit or loss	-	73
Fair value adjustment	-	(2,047)
Reclassification to equity*	-	(507)
Derivative liability	-	-

\*Note terms amended on 17 June 2022 triggering reclassification of derivative liability to equity.

# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$'000	\$'000

### 15. ISSUED CAPITAL

(a) Share Capital

Ordinary shares Fully Paid 25,857,263 (2022: 25,857,263)	36,488	36,488
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(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 \$'s	\$'000
30 June 2021	Balance	25,730,259		36,179
20 August 2021	Dividend reinvestment plan	62,461	\$2.5230	158
24 February 2022	Dividend reinvestment plan	64,543	\$2.3919	154
	Share issue costs	-	-	(3)
30 June 2022	Balance	25,857,263		36,488
	Nil Movement *	-	-	-
30 June 2023	Balance	25,857,263		36,488

\* The Dividend reinvestment plan was facilitated through on-market purchase of shares in FY2023.

	2023	2022
	\$'000	\$'000

### 16. RESERVES

(a) Asset Revaluation Reserve

3,120 554

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

10,285 9,229

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.

FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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## 17. DIVIDENDS

### (a) Dividends and distributions paid

The following dividends were declared and paid:

Final fully franked ordinary dividend of 4.75 cents (2022 – 4.75 cents) per share paid on 26 August 2022 (2022 – 20 August 2021)	1,228	1,222
Interim fully franked ordinary dividend of 4.75 cents (2022 – 4.5 cents) per share paid on 23 February 2023 (2022 – 24 February 2022)	1,228	1,161
<b>Total</b>	<b>2,456</b>	<b>2,383</b>

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2023 and 2022 were as follows:

Paid in cash	2,139	2,071
Satisfied by issue of shares	–	312
Purchase of shares on market on behalf of Shareholders per DRP rules	317	–
<b>Total</b>	<b>2,456</b>	<b>2,383</b>

### (b) Proposed dividends

Proposed final 2023 fully franked ordinary dividend of 4.9 cents per share to be paid (2022: 4.75 cents)	1,267	1,228
<b>Total Proposed Dividend</b>	<b>1,267</b>	<b>1,228</b>

The proposed final dividend for FY2023 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 2023.

### (c) Franked dividends

<b>The franking credits available for subsequent financial years at a tax rate of 30%</b>	<b>3,981</b>	<b>3,629</b>
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The dividend franking account is calculated on a cash basis. It does not take into account:

- (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 \$543,003 (2022: \$526,380).

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

# FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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### 17. DIVIDENDS (continued)

#### (d) Listed Investment Company capital gain account

Balance of the Listed Investment Company (LIC) capital gain account	2,306	2,710
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LIC Capital Gains are generated from tax paid on the realised gains of assets that have been held for 12 months. LIC Capital Gains are attached or *attributed* to dividends and enable some Shareholders to claim a deduction in their tax return.

The deductions are generally as follows (please consult your tax advisor for details):

1. For an individual – 50% of the attributable amount
2. If the beneficiary of a trust or partner of a partnership is an individual – 50% of the attributable amount
3. For a complying superannuation entity (eg SMSF) – 33 1/3% of the attributable amount
4. If you are a company or a company is the beneficiary of a trust or partnership – 0%

### 18. EARNINGS PER SHARE

#### (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	(807)	2,574
Adjustment: items in profit or loss relating to Convertible notes	1,408	(959)
(ii) Diluted Profit from continuing operations attributable to the owners of the Company	601	1,615
(iii) Total Comprehensive Income	5,271	(11,935)

#### (b) Basic and Diluted earnings per share

	Cents	Cents
(i) Profit/(loss) from continuing operations attributable to the owners of the Company	(3.1)	10.0
(ii) Diluted Profit from continuing operations attributable to the owners of the Company	1.8	5.2
(iii) Total Comprehensive Income	20.4	(46.2)

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

#### (c) Weighted average number of ordinary shares

	#Shares	#Shares
(i) Weighted average number of ordinary shares used in the calculation of earnings per share	25,857,263	25,806,482
Effect of dilution from convertible notes	7,407,407	5,535,205
(ii) Weighted average number of ordinary shares used in the calculation of diluted earnings per share	33,264,670	31,341,687

### 19. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Company for:

Audit or reviewing the financial statements	26	26
<b>Total remuneration of auditors</b>	<b>26</b>	<b>26</b>

FLAGSHIP INVESTMENTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

## 20. 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 program focuses on the volatility of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not speculate in financial assets. 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 as outlined in the Investment Mandate. 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:

	2023 \$'000	2022 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	1,739	4,925
Receivables	103	129
Financial Assets at fair value through Other Comprehensive Income	71,770	63,649
<b>Total Financial Assets</b>	<b>73,612</b>	<b>68,703</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	1,085	680
<b>Total Financial Liabilities</b>	<b>1,085</b>	<b>680</b>

### (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:

	2023	2022
Portfolio five-year return	10.1%	11.0%
All Ordinaries Index five-year return	3.3%	3.2%

### (b) Sensitivity Analysis

Increases/decreases in an equity security's prices, 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% (2022 - 5%) with all other variables held constant.

Impact on Equity and Other Comprehensive Income for the year:

2023 +/- \$3,588,000

2022 +/- \$3,182,000

Impact on profit or loss is nil.

### (c) Cash Flow Interest Rate Risk

The convertible notes issued by the Company have a fixed interest rate coupon of 5.5% per annum with a single step up to 6.5% per annum at 30 September 2024 if the 2-year bank bill swap rate is above 1.2832%.

The Company is exposed to cash flow interest rate risk from holding cash and cash equivalents at variable rates. 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 2023: Balance \$1,739,000

Weighted average interest rate 2.5%

30 June 2022: Balance \$4,925,000

Weighted average interest rate 0.0%

### (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.

# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### (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.

## 21. 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 beyond the convertible notes issued in October 2021. 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.

## 22. 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.

### 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 Company 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:

	Level 1	Level 2	Level 3	TOTAL
30 June 2023	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Financial Assets				
-Listed Equity Securities	71,770	-	-	71,770

	Level 1	Level 2	Level 3	TOTAL
30 June 2022	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Financial Assets				
-Listed Equity Securities	63,649	-	-	63,649

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.

FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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## 23. 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:

EC Pohl & Co Pty Ltd for Performance Fee

• A Performance Fee may be payable in accordance with the Management Services Agreement as detailed in Note 24.	1,060	-
• Dr E C Pohl AM has an interest in the transaction as during the year Dr E C Pohl AM was a Director, employee and Shareholder of EC Pohl & Co Pty Ltd.		

McCullough Robertson Lawyers for the provision of legal services.

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D M McGann is a partner of McCullough Robertson Lawyers.

Allegiant IRS for insurance advice for D & O Policy.

2 2

The company is owned by McCullough Robertson Lawyers, of which D M McGann is a partner.

All related party transactions are made on an arms-length basis using the standard terms and conditions.

## 24. MANAGEMENT SERVICES AGREEMENT

In accordance with a Management Services Agreement, 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.

In August 2020 it was agreed that the agreement be extended for a term of five years.

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 notice 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 next calendar month 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 Bloomberg 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 Bloomberg Bank Bill Index for that year, then no performance fee will be payable. Under the terms of this agreement \$1,060,779 performance fee expense was recognised during the year ended 30 June 2023 (2022 - Nil).



# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$'000	\$'000

### 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

As per the Management Services Agreement, the Company's Secretary and Chief Financial Officer, Mr Scott Barrett is 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 23.

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

Short-term Employment benefits paid to the Directors	127	127
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Detailed remuneration disclosures are provided in sections (A) – (F) of the Remuneration Report on pages 11 and 12.

### 26. 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:

Profit for the year	(807)	2,574
Cash flows attributed to profit excluded from operating activities		
- Interest expense on convertible notes	638	441
- Fair value change in derivatives	-	(2,047)
- Convertible note transaction costs	-	73
Changes in assets and liabilities		
- decrease in trade and other receivables	25	14
- decrease in current tax liabilities	(626)	(253)
- increase/(decrease) in net deferred tax liabilities	27	(150)
- increase/(decrease) in trade and other payables	1,051	(3,359)
Cash flow from operations	308	(2,708)

### 27. CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022: None).

### 28. 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 2023, the Directors declared a final 2023 fully franked ordinary share dividend of 4.9 cents per share.



**FLAGSHIP INVESTMENTS LIMITED**  
**ABN 99 080 135 913**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED**  
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**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 2023, 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 2023 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 2023. 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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KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b> Refer to Notes 2(h) and 11 to the financial statements	
<p>As at 30 June 2023 the Company's statement of financial position includes financial assets at fair value through other comprehensive income of \$71,770,000.</p> <p>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.</p> <p>We focused on this area as a key audit matter due to the amounts involved being material.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> <li>Inspecting externally prepared documentation to verify the valuation of the portfolio as at 30 June 2023.</li> <li>Randomly and judgmentally selecting investments and agreeing dividends and closing market value to third party evidence.</li> <li>Recalculating the movement in fair value for the year.</li> <li>Review of the appropriateness of the Company's disclosures in the financial report in accordance with AASB 7 and AASB 9.</li> </ul>
<b>Tax and Income Tax Expense</b> Refer to Note 7 and 13 to the financial statements	
<p>The Company recognises the deferred tax liability as a net amount adjusted for deferred tax assets. As at 30 June 2023 the net deferred tax liability included in the statement of financial position amounted to \$1,238,000.</p> <p>Current tax payable as at 30 June 2023 included in the statement of financial position amounted to \$879,000.</p> <p>We focused on this area as a key audit matter due to the amounts involved being material.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> <li>Reviewing the Company's taxation calculations for accuracy, completeness and compliance with AASB 112.</li> <li>Review of the appropriateness of the Company's disclosures in the financial report in accordance with AASB 112.</li> </ul>
<b>Performance fee</b> Refer to Notes 23 and 24 to the financial statements.	
<p>For the year ended 30 June 2023 the Company's statement of profit or loss and other comprehensive income includes the performance fee of \$1,061,000.</p> <p>In accordance with a management service agreement the Company pays a performance fee to a related party to engage a manager to provide primary and secondary management services.</p> <p>We focused on this area as a key audit matter due to the nature of the relationship and the change in the amount from the prior year.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> <li>Reviewing the management service agreement</li> <li>Review of the appropriateness of the Company's disclosures in the financial report in accordance with AASB 124.</li> </ul>
<b>Convertible Note – Host Debt Subsequent Valuation</b> Refer to Notes 2(h) and 14 to the financial statements.	
<p>For the year ended 30 June 2023 the Company's statement of financial position includes the following in relation to convertible notes:-</p> <ul style="list-style-type: none"> <li>Non-current liabilities: Convertible Note of \$18,025,000</li> <li>Equity: option premium on convertible notes of \$507,000</li> </ul> <p>On the 1/10/2021 the Company issued 7,407,407 Convertible Notes. These compound financial instruments are able to be converted to share capital at the option of the noteholder in accordance with the Note Terms. After initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method.</p> <p>We have identified this area as a key audit matter due to the amounts involved being material.</p>	<p>Our procedures included, inter alia:-</p> <ul style="list-style-type: none"> <li>Assessed whether the subsequent valuation of the liability component of the compound financial instrument is measured at amortised cost using the effective interest method.</li> <li>Reviewed the adequacy and appropriateness of the Company's disclosures in the financial report.</li> <li>Assessed the reasonableness of the valuation method and model used to value the embedded derivatives, the key inputs into the model and the resulting valuation amounts recognised by the company.</li> <li>Reviewed the appropriateness of the Company's disclosures in the financial report in accordance with AASB 9.</li> </ul>

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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 2023 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 2023, intended to be included on the Company's or other websites. The Company's Directors are responsible for the integrity of the Company's or other websites. 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 websites.

**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, omitting, misstating or obscuring them, could reasonably be expected to influence the decisions of primary 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.

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- 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.
- 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 exists, 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 2023.

In our opinion the remuneration report of Flagship Investments Limited for the year ended 30 June 2023 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.

**CONNECT NATIONAL AUDIT PTY LTD**  
Authorised Audit Company No. 521888

**GEORGE GEORGIOU FCA**  
**MANAGING DIRECTOR**

Dated this 9<sup>th</sup> day of August, 2023.