



A.B.N. 99 080 135 913




APPENDIX 4E STATEMENT

Preliminary Final Report

For the year ended 30 June 2017

(Previous corresponding period is year ended 30 June 2016)

CONTENTS

-  **Results for announcement to the market**
-  **Operating and Financial Review**
-  **Appendix 4E Accounts**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The preliminary results are based on audited financial statements.

The reporting period is the year ended 30 June 2017 with the corresponding period being the year ended 30 June 2016.

The following statutory information is provided:

◆ Investment Portfolio increased by 8% compared with the All Ordinaries Index increase of 8.5%				
◆ Revenue from Ordinary Activities (1)	Down	0.25 %	to	\$1,580,000
◆ Profit from ordinary activities after Income Tax	Up	35 %	to	\$1,000,000
◆ Total Comprehensive Income (after tax) attributable to members (2)	Down	25 %	to	\$2,397,000
◆ Final Dividend per share				3.75 cents

Explanations

1. Other revenue includes dividends and interest.
2. Total Comprehensive Income comprises Profit (after income tax) and realised and unrealised gains/losses (net of income tax) on the investment portfolio.

DIVIDEND

Final Dividend per share

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

Record date to determine entitlements to the final dividend: 18 August 2017

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will apply to the final dividend with the price to be determined by the market at the time of buying the shares. The last date for the receipt of an election notice for participation in the dividend reinvestment plan will be 18 August 2017. There is no foreign conduit income attributable to the dividend.

Previous corresponding period

Final Fully Franked Dividend – paid on 16 September 2016: 3.75 cents

Capital Gains Components

As previously advised, the capacity of the Company to facilitate access to the capital gain benefit of the dividend will depend on the Company's capacity to generate capital profits. The final dividend will include any capital gain component (see Note 15(d) in the Notes to the Financial Statements).

NET TANGIBLE ASSET BACKING (NTA)

The net tangible asset backing per share (tax on realised gains only) at 30 June 2017 was \$1.83 per share compared with \$1.82 at 30 June 2016.

OPERATING AND FINANCIAL REVIEW

Our portfolio performed in line with the market, increasing by 8.0% over the twelve months, while the NTA increased by 0.6% after tax (on realised gains only) to \$1.83 after paying dividends of 7.25 cents per share to Shareholders during the year.

Overall performance of the Australian equity market was driven by a heightened level of uncertainty in the World's major economies and local investors seeking yield. The Australian share market, as represented by the All Ordinaries Index, increased by 8.5%.

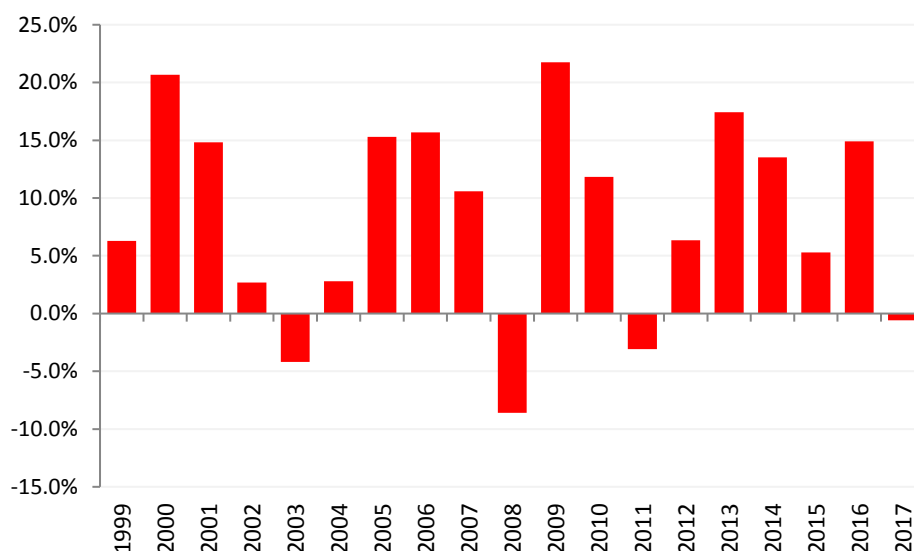
Once again high quality businesses were recognized as such by the market and marked up, while the speculative resource companies remain under pressure.

As our investment horizon is three to five years, we believe there is significant capital appreciation potential for the portfolio.

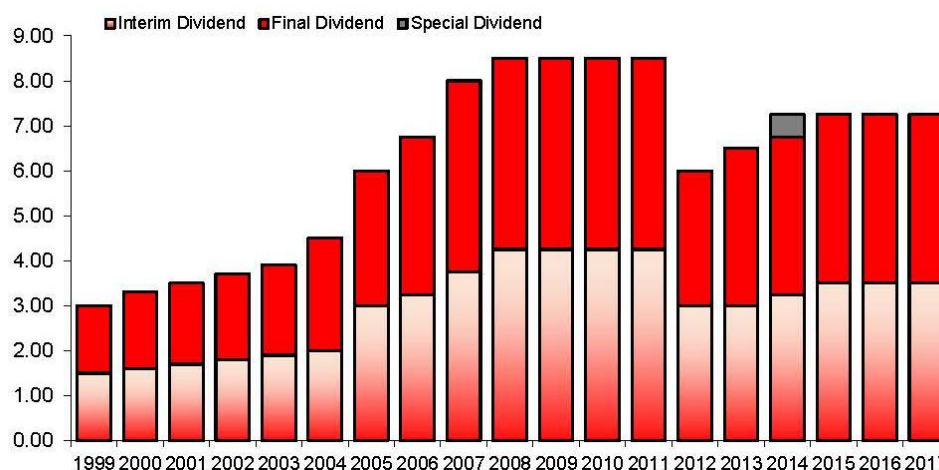
The quarterly updates on the Company's website gives detailed reviews of operations at the end of year quarter.

We believe that in year to come, there is significant potential for capital appreciation for the portfolio.

RELATIVE PERFORMANCE HISTORY PORTFOLIO OUTPERFORMANCE vs BENCHMARK



DIVIDENDS PER SHARE COMPOUND ANNUAL GROWTH RATE 5.0% * * (includes Special Dividend)



OPERATING AND FINANCIAL REVIEW

TOP 10 INVESTMENTS at 30 JUNE 2017

TOP 10 INVESTMENTS		
	June 17	June 16
Macquarie Group	7.5%	7.3%
Westpac Banking Corp	7.1%	4.9%
Commonwealth Bank	7.0%	5.9%
CSL Limited	6.5%	5.4%
REA Group	5.4%	6.6%
Magellan Financial Group	5.3%	2.8%
Rio Tinto Limited	5.0%	2.4%
IPH Limited	4.9%	4.5%
SEEK	4.9%	4.5%
TPG Telecom Limited	4.3%	0.0%
TOTAL	57.9%	44.3%

FLAGSHIP INVESTMENTS PERFORMANCE vs. THE ALL ORDINARIES INDEX

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

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

INVESTMENTS AS AT 30 JUNE 2017

Company		Shares	Market Value \$'000	%
	ORDINARY SHARES			
A2M	The A2 Milk Company Limited	232,579	874.5	1.85
ACX	Aconex Limited	275,000	1,025.8	2.17
APA	APA Group	185,574	1,701.7	3.60
ARB	ARB Corporation Limited	88,154	1,384.9	2.93
AUB	AUB Group Limited	73,828	959.0	2.03
BBN	Baby Bunting Group Limited	373,196	725.9	1.54
BLA	Blue Sky Alternative Investments Limited	132,859	1,260.8	2.67
BTT	BT Investment Management Limited	127,807	1,454.4	3.08
CAR	Carsales.Com Limited	165,468	1,906.2	4.03
CAT	Catapult Group International Ltd	314,346	732.4	1.55
CBA	Commonwealth Bank of Australia	40,000	3,312.4	7.01
CL1	Class Limited	49,213	147.6	0.31
COH	Cochlear Limited	4,784	743.7	1.57
CSL	CSL Limited	22,373	3,088.1	6.53
DMP	Domino's Pizza Enterprises Limited	26,265	1,367.9	2.89
IPH	IPH Limited	483,348	2,320.1	4.91
MFG	Magellan Financial Group Limited	86,881	2,505.6	5.30
MQG	Macquarie Group Limited	40,175	3,555.5	7.52
PSQ	Pacific Smiles Group Limited	432,121	786.5	1.66
PWH	PWR Holdings Limited	141,801	333.2	0.71
REA	REA Group Ltd	38,055	2,526.9	5.35
RIO	Rio Tinto Limited	37,117	2,348.4	4.97
RWC	Reliance Worldwide Corporation Limited	295,072	985.5	2.09
SEK	SEEK Limited	136,525	2,308.6	4.88
TME	Trade Me Group Limited	324,710	1,643.0	3.48
TPM	TPG Telecom Limited	353,631	2,015.7	4.27
WBC	Westpac Banking Corporation	110,292	3,365.0	7.12
WPL	Woodside Petroleum Limited	45,297	1,353.0	2.86
			46,732.3	98.88

	CASH			
	Cash (including dividends receivable)		528.8	1.12
	TOTAL		47,261.1	100.0

APPENDIX 4E ACCOUNTS

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Other Income	5	1,580	1,584
Performance Fee	23	(405)	(642)
Other expenses	6	(277)	(359)
Profit before income tax		898	583
Income tax credit	7	102	159
Profit for the year		1,000	742
Other Comprehensive Income, net of income tax			
Items that will not be reclassified subsequently to profit & loss			
Changes in fair value of Financial Assets at fair value through Other Comprehensive Income		1,996	3,308
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income	7	(599)	(861)
Other Comprehensive Income for the year, net of tax		1,397	2,447
Total Comprehensive Income for the year		2,397	3,189
Earnings per share:			
		Cents	Cents
Basic earnings per share	16	3.9	3.0
Diluted earnings per share	16	3.9	3.0
Comprehensive earnings per share	16	9.4	13.0

The accompanying Notes form part of these Financial Statements.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Cash and Cash Equivalents	8	261	1,969
Trade and Other Receivables	9	318	304
Financial Assets at fair value through Other Comprehensive Income	10	46,732	44,109
TOTAL ASSETS		47,311	46,382
LIABILITIES			
Trade and Other Payables	12	450	711
Tax Payable	11	298	-
Deferred Tax Liability	11	2,714	2,514
TOTAL LIABILITIES		3,462	3,225
NET ASSETS		43,849	43,157
EQUITY			
Issued Capital	13	35,659	35,518
Other Reserves	14	7,580	7,424
Retained earnings		610	215
TOTAL EQUITY		43,849	43,157

The accompanying Notes form part of these Financial Statements.

FLAGSHIP INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2017

2016	Note	Ordinary Shares \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Total \$'000
Balance at 1 July 2015		35,176	1,315	4,660	317	41,468
Profit or loss attributable to members		-	742	-	-	742
Other Comprehensive Income		-	-	2,447	-	2,447
Shares issued during the year	13(c)	342	-	-	-	342
Transfer to Asset revaluation reserve		-	-	(131)	131	-
Dividends paid or provided for	15	-	(1,842)	-	-	(1,842)
Balance at 30 June 2016		35,518	215	6,976	448	43,157

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

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 2017

	Notes	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		1,503	1,497
Interest received		27	30
Payments to suppliers and employees		(906)	(565)
Net cash provided by/(used in) operating activities	25	624	962
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		13,260	16,391
Payments for investments		(13,887)	(14,755)
Net cash provided by/(used in) operating activities		(627)	1,636
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	15(a)	(1,705)	(1,501)
Share Purchase Plan		-	-
Net cash used by financing activities		(1,705)	(1,501)
Net increase/(decrease) in cash and cash equivalents held		(1,708)	1,097
Cash and cash equivalents at the beginning of the year		1,969	872
Cash and cash equivalents at end of year	8	261	1,969

The accompanying Notes form part of these Financial Statements.

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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

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

1. BASIS OF PREPARATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Balance Sheet Format

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

(b) Revenue and Other Income

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

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

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

Interest Revenue

Interest is recognised using the effective interest method.

Dividend Revenue

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

(c) Income Tax

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

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

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

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

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

(d) Goods and Services Tax (GST)

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

Receivables and payable are stated inclusive of GST.

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

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

(e) Cash and Cash Equivalents

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

(f) Financial Instruments

Financial Assets At Fair Value Through Profit Or Loss

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

FINANCIAL REPORT *(continued)*

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

(f) Financial Instruments *(continued)*

Financial Assets At Fair Value Through Other Comprehensive Income

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

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

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

Available-For-Sale Financial Assets

These investments are measured at fair value.

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

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

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

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

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

Loans and Receivables

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

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

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

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

Fair Value Estimation

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

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

(g) Trade and Other Payables

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

(h) Provisions

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

Provisions for Dividends

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

(i) Share Capital

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

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2017

(j) New Accounting Standards and Interpretations

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

AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	1 July 2018	Changes to the classification and measurement requirements for financial assets and financial liabilities	The impact of AASB 9 did not have a material impact on the Company
AASB 16 Leases	1 July 2019	AASB 16 introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks & rewards of ownership. AASB 16 requires recognition of a right to use asset and liability for all leases excluding those with a tenure period of less than 12 months and those relating to low value assets. The assets will be depreciated in line with AASB 116 Property, Plant & Equipment with the unwinding of the liability in principal and interest components.	The Company is assessing the potential impact on its financial statements resulting from the application of AASB 16.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key Estimates

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

(b) Key Judgements

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

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

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

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

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

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

4. OPERATING SEGMENTS

Segment Information

The Company operates in the Investment Industry. Its core business focuses on investing in Australian equities to achieve medium to long-term capital growth and income.

Operating segments have been determined on the basis of reports reviewed by the Managing Director. The Managing Director is considered to be the chief operating decision maker of the Company. The Managing Director considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The Managing Director considers the business to consist of just one reportable segment.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
5. REVENUE AND OTHER INCOME			
Dividends Received		1,553	1,554
Interest Received		27	30
		1,580	1,584
6. OTHER EXPENSES			
ASX listing and other fees		37	42
Audit fees		25	22
Directors fees		122	152
Insurance		15	24
Marketing		27	-
Share registry		28	37
Other		23	82
		277	359
7. INCOME TAX EXPENSE			
(a) Reconciliation of income tax to accounting profit			
Profit/(Loss) before income tax		898	583
Prima facie tax payable on profit from ordinary activities before income tax rate at 30% (2016 - 30%)		269	175
Adds:			
Tax effect of:			
- Other		125	157
Less:		-	-
Tax effect of:		-	-
- Rebateable fully franked dividends		485	491
- Other foreign tax credit		11	-
- Other provision for income tax in prior year		-	-
Income tax credit		(102)	(159)
(b) The major components of tax expense/(income) comprise:			
Current tax credit		92	-
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	11	-	193
Decrease/(increase) in deferred tax liabilities	11	10	(34)
Income tax (expense)/credit for continuing operations		102	159
(c) The major components of tax expense relating to Other Comprehensive Income			
Current Tax (expense)/credit		(389)	224
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	11	(538)	-
Decrease/(increase) in deferred tax liabilities	11	328	(1,085)
		(599)	(861)

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$'000	\$'000

8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	261	1,969
	261	1,969

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	261	1,969
Balance as per Statement of Cash Flows	261	1,969

9. TRADE AND OTHER RECEIVABLES

CURRENT		
Other receivables	300	253
GST receivable	18	51
Total current trade and other receivables	318	304

10. OTHER FINANCIAL ASSETS

Financial Assets at Fair Value Through Other Comprehensive Income

At beginning of year	44,109	42,208
Additions (at cost)	13,886	14,755
Revaluation	1,998	3,677
Disposals (at fair value)	(13,261)	(16,531)
Australian listed equity securities	46,732	44,109

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

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
11. TAX		
Current Tax Payable	298	-
Recognised deferred tax assets and liabilities		
Net deferred tax liabilities adjusted for deferred tax assets	2,714	2,514
(a) Reconciliations – Deferred Tax Assets		
Gross Movements.		
The overall movement in deferred tax asset accounts is as follows:		
Opening balance	538	345
(Charged)/credited to the Income Statement	-	193
(Charged)/credited to Other Comprehensive Income	(538)	-
Closing balance	-	538
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>(i) Accruals</i>		
Opening balance	-	7
Charged directly to Profit or Loss	-	(7)
Closing Balance	-	-
<i>(ii) Tax losses - revenue</i>		
Opening balance	538	338
(Charged)/credited directly to profit or loss	-	200
(Charged)/credited directly to Other Comprehensive Income	(538)	-
Closing Balance	-	538
(b) Reconciliations – Deferred Tax Liabilities		
Gross Movements:		
The overall movement in the deferred tax liability account is as follows:		
Opening balance	3,052	1,933
Charged to the Income Statement	(10)	34
Charged/(credited) to Other Comprehensive Income	(328)	1,085
Closing balance	2,714	3,052
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	3,018	1,915
Charged/(credited) directly to Profit or Loss	-	18
Charged/(credited) directly to Other Comprehensive Income	(328)	1,085
Closing balance	2,690	3,018
<i>(ii) Unfranked dividend and interest receivable</i>		
Opening balance	34	18
Charged/(credited) directly to Profit and Loss	(10)	16
	24	34

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
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12. TRADE AND OTHER PAYABLES

CURRENT

Accounts payable and accrued expenses

450	711
450	711

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

13. ISSUED CAPITAL

(a) Share Capital

Ordinary shares Fully Paid 25,502,736 (2016: 25,426,168)

35,659	35,518
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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	\$'000
30 June 2015	Balance	25,230,455	-	35,176
11 September 2015	Dividend Reinvestment Plan issues	107,583	\$1.774	191
7 April 2016	Dividend Reinvestment Plan issues	88,130	\$1.715	151
		195,713	-	342
30 June 2016	Balance	25,426,168		35,518
16 September 2016	Dividend Reinvestment Plan issues	76,568	\$1.85	141
7 April 2017	Dividend Reinvestment Plan issues	-		-
		76,568		141
30 June 2017	Balance	25,502,736		35,659

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
14. RESERVES		
(a) Asset Revaluation Reserve		
The asset revaluation reserve records fair value movements 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 Realisation Reserve.		
(b) 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.		
15. DIVIDENDS		
(a) Dividends and distributions paid		
The following dividends were declared and paid:		
Final fully franked ordinary dividend of 3.75 cents (2016 – 3.75 cents) per share paid on 16 September 2016 (2016 – 11 September 2015)	953	955
Interim fully franked ordinary dividend of 3.50 cents (2016 – 3.50 cents) per share paid on 7 April 2017 (2016 – 7 April 2016)	893	887
Total	1,846	1,842
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2017 and 2016 were as follows:		
Paid in cash	1,561	1,501
Satisfied by issue of shares	141	-
Purchase of shares on market on behalf of Shareholders in terms of the new DRP rules	144	341
	1,846	1,842
(b) Proposed dividends		
Proposed final 2017 fully franked ordinary dividend of 3.75 cents (2016: 3.75 cents) per share to be paid	956	953
The proposed final dividend for 2017 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 2017		
(c) Franked dividends		
The franking credits available for subsequent financial years at a tax rate of 30%	609	850
The above available balance is based on the dividend franking account at year-end adjusted for		
(a) Franking credits that will arise from the payment of the current tax liabilities;		
(b) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.		
The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by \$375 (2016: \$408).		
The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.		
(d) Listed Investment Company capital gain account		
Balance of the Listed Investment Company (LIC) capital gain account	992	-

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
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16. 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	1,000	742
(ii) Total Comprehensive Income	2,397	3,189

(b) Basic and Diluted earnings per share

	Cents	Cents
(i) Profit/(loss) from continuing operations attributable to the owners of the Company	3.9	3.0
(ii) Total Comprehensive Income	9.4	13.0

(c) Weighted average number of ordinary shares used in the calculation of earnings per share

	25,464,452	25,331,442
Total Comprehensive Income is a more appropriate base for determining earnings per share as it includes profit after income tax and changes in fair value of financial assets		

17. AUDITORS REMUNERATION

Remuneration of the auditor of the Company for:

Audit or reviewing the financial statements

25	25
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Total remuneration of auditors

25	25
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18. LEASING COMMITMENTS

Operating Leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	-	35
- between one year and five years	-	-
	-	35

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT

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

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

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

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

The Company held the following financial instruments:

	2017 \$'000	2016 \$'000
Financial Assets		
Cash and cash equivalents	261	1,969
Receivables	318	304
Financial Assets at fair value through Other Comprehensive Income.	46,732	44,109
Total Financial Assets	47,311	46,382
Financial Liabilities		
Trade and Other Payables	450	711
Total Financial Liabilities	450	711

(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.

At 30 June 2017, the effect of profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2017	2016
Portfolio five year return	16.7%	13.82%
All Ordinaries Index five year return	2.8%	2.7%

(b) Sensitivity Analysis

Increases/decreases in an equity securities price, affect the Company's asset revaluation reserve and Other Comprehensive Income for the year. The analysis is based on the assumption that the Financial Assets at fair value through Other Comprehensive Income had increased/decreased by 5% (2016 - 5%) with all other variables held constant.

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

2017 +/- \$2,336,600

2016 +/- \$2,205,450

Impact on profit or loss is nil.

(c) Cash Flow Interest Rate Risk

The Company is exposed to cash flow interest rate risk from holding cash and cash equivalents at variable rates. The 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 2017: Balance \$579,000

Weighted average interest rate 2.3%

30 June 2016: Balance \$1,969,000

Weighted average interest rate 2.11%

(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.

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2017

(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.

20. CAPITAL MANAGEMENT

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

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

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

21. FAIR VALUE MEASUREMENTS

The Company measures the following assets and liabilities at fair value on a recurring basis:

- Financial Assets at fair value through Other Comprehensive Income.
- Financial Assets At fair value through Profit or Loss.
- Available-for-sale Financial Assets.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

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

30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Recurring fair value measurements.				
Financial Assets				
- Listed Equity Securities	46,732			46,732
30 June 2016				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Recurring fair value measurements.				
Financial Assets				
- Listed Equity Securities	44,109	-	-	44,109

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.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
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22. 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 was payable in accordance with the Management Services Agreement as detailed in Note 23.

- Dr E C Pohl has an interest in the transaction as during the year Dr E C Pohl was a Director, employee and Shareholder of EC Pohl & Co Pty Ltd.

405	642
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- McCullough Robertson Lawyers for the provision of legal services. D M McGann is a partner of McCullough Robertson Lawyers.

1	3
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- Allegiant IRS for insurance advice for D & O Policy.

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

2	2
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All related party transactions are made on an arm's length basis using the standard terms and conditions.

23. MANAGEMENT SERVICES AGREEMENT

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

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

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

The agreement may be terminated if:

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

Under the agreement the Manager will receive a performance fee, payable annually in arrears, equal to 15% of the amount by which the Company's net performance before tax (that is, after all costs and outlays but before the calculation of the performance fee) exceeds the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year. If the Company's net performance in the year is less than the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year, then no performance fee will be payable. Under the terms of this agreement a performance fee of \$434,461 (incl GST) was paid or payable during the year ended 30 June 2017 (2016 - \$689,468).

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
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24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Other Key Management Personnel

The Company's Secretary and Chief Financial Officer (Brian Jones) is a partner of Rothsay Chartered Accountants. Brian has not received any form of direct remuneration from the Company. Brian Jones (as Company Secretary and partner of Rothsay Chartered Accountants) is remunerated by EC Pohl & Co Pty Ltd for the provision of these services.

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 22.

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

Short-term Employment benefits	122	152
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Detailed remuneration disclosures are provided in sections (A) – (F) of the Remuneration Report on pages 11 and 12.

25. 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	1,000	742
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- unrealised (gains)/losses on fair value financial assets	-	-
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	(14)	(95)
- increase/(decrease) in current tax liabilities	298	-
- increase/(decrease) in net deferred tax assets/liabilities	(400)	(163)
- increase/(decrease) in trade and other payables	(260)	478
Cash flow from operations	624	962

26. CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (30 June 2016: None).

27. 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.

FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

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

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 2017, 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 entity's financial position as at 30 June 2017 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.

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Liability limited by a scheme approved under Professional Standards Legislation

WPIAS a Limited Partnership

FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

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

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 of the current period. 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.

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
Financial Assets at Fair Value Through Other Comprehensive Income Refer to Notes 2(f) and 10 to the financial statements	
<p>As at 30 June 2017 the company's statement of financial position includes financial assets at fair value through other comprehensive income of \$46,732 million.</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"> Inspecting externally prepared documentation to verify the valuation of the portfolio as at 30 June 2017. Randomly and judgements selecting investments and agreeing dividends and closing market value to third party evidence. Recalculating the movement in fair value for the year. Review of the appropriateness of the company's disclosures in the financial report in accordance with AASB 9.
Tax and Income Tax Expense Refer to Note 7 and 11 to the financial statements	
<p>The company recognises the deferred tax liability as a net amount adjusted for deferred tax assets. As at 30 June 2017 the net deferred tax liability included in the statement of financial position amounted to \$2,714 million.</p> <p>Current tax payable as at 30 June 2017 included in the statement of financial position amounted to \$298 thousand.</p> <p>The company has accounted for tax at an income tax rate of 30%.</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"> Reviewing the company's taxation calculations for accuracy, completeness and compliance with AASB 112. Review of the appropriateness of the company's disclosures in the financial report in accordance with AASB 112. Obtaining written communication between the external tax agent and the company regarding the appropriate company tax rate. Obtaining written representation from the external tax agent.
Performance fee Refer to Notes 22 and 23 to the financial statements.	
<p>For the year ended 30 June 2017 the company's statement of profit or loss and other comprehensive income includes the performance fee of \$405 thousand.</p> <p>In accordance with a management service agreement the company pays a performance fee to a related party to engage a manger to provide primary and secondary management services.</p> <p>We focused on this area as a key audit matter due to the nature of the relationship and the materiality of the amount.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> Reviewing the management service agreement Assessing the company's management fee calculation to ensure compliance with the agreement. Review of the appropriateness of the company's disclosures in the financial report in accordance with AASB 124.

FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

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

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 2017, 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 here 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 2017, intended to be included on the Company's website. The Company's directors are responsible for the integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the website.

Responsibility of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

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

- 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report should we identify any during the audit.
- 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 entity'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 entity 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 xx to xx of the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Flagship Investments Limited for the year ended 30 June 2017 complies with s300A of the Corporations Act 2001.

Responsibilities

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

WPIAS Pty Ltd

Authorised Audit Company No. 440306



LEE-ANN DIPPENAAR BCom CA RCA
DIRECTOR

Dated this 11th day of August 2017

4 Helensvale Road
Helensvale Qld 4212