

# FLAGSHIP INVESTMENTS

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Annual Report 2021  
Expert Craftsmanship



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## FINANCIAL CALENDAR

### FINANCIAL YEAR END

30 June 2021

### FINAL DIVIDEND

4.75 cents per share

### SHARES TRADED EX DIVIDEND

5 August 2021

### DIVIDEND BOOKS CLOSE

6 August 2021

### DIVIDEND PAYMENT

20 August 2021

## ANNUAL GENERAL MEETING

The Annual General Meeting of  
Flagship Investments Limited:

### WILL BE HELD AT:

The office of  
McCullough Robertson Lawyers  
Level 11, Central Plaza Two  
66 Eagle Street  
BRISBANE QLD 4000

### TIME:

12:00pm (QLD Time)

### DATE:

Wednesday 22 September 2021

## INVESTING IN FLAGSHIP INVESTMENTS LIMITED

Investors can purchase shares in  
Flagship Investments Limited  
through the Australian Securities  
Exchange.

ASX code: **FSI**

Flagship Investments Limited  
ABN 99 080 135 913  
Registered in Queensland  
23 September 1997



**FLAGSHIP INVESTMENTS LIMITED DIRECTORS** (from left to right)  
Dr Manny Pohl AM (Managing Director), Sophie Mitchell and Dominic McGann (Chairman)

# HIGHLIGHTS FOR 2021

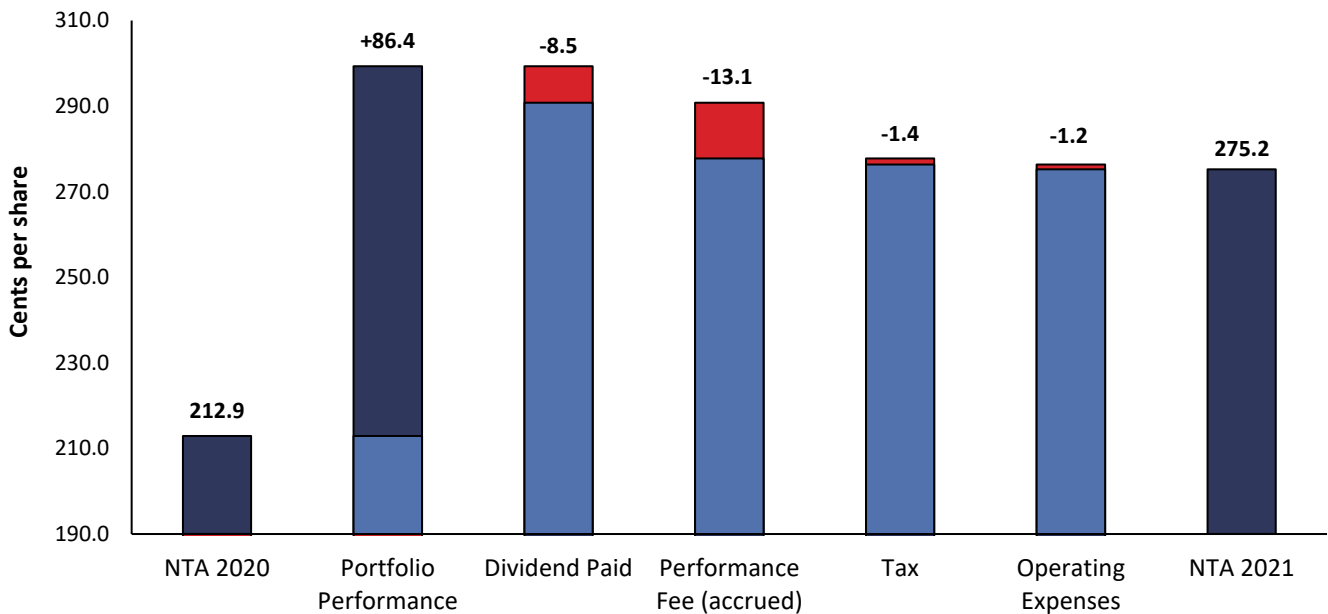


## Highlights for the year ending June 2021

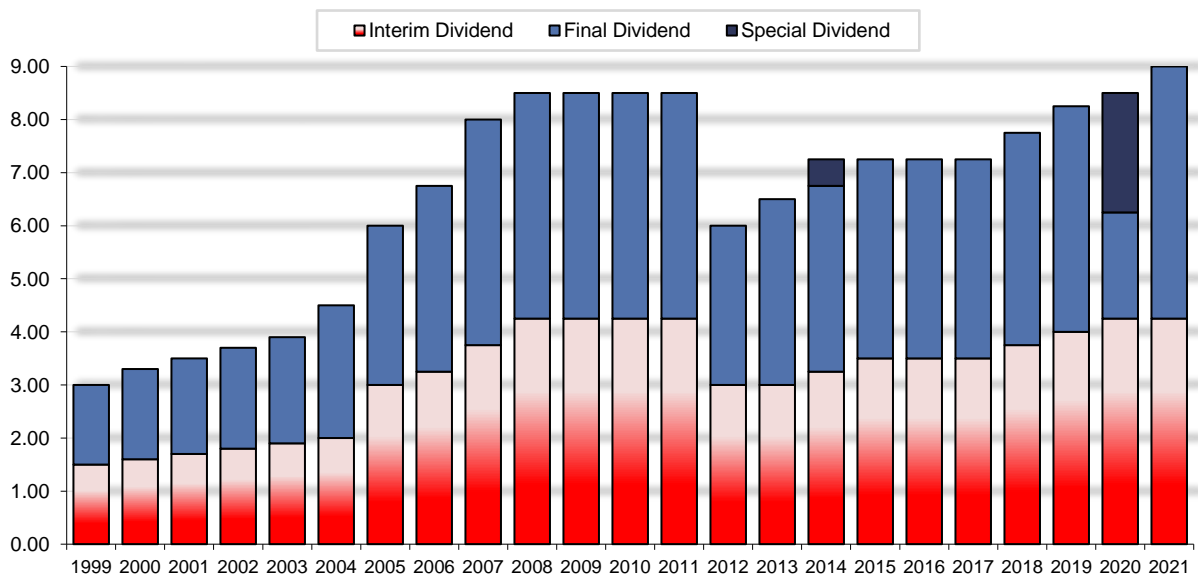
- Record portfolio performance of positive 40.7%, outperforming the All Ordinaries Index by 14.3 percentage points which increased by 26.4% over the twelve-month period. The portfolio result is also 10.5 percentage points higher than the All Ordinaries Accumulation Tax Index which increased by 30.2% over the financial year.
- Comprehensive earnings per share was 51.7 cents per share, up from 10.8 cents per share last year.
- Total Shareholder Return (based on share price movement and dividends paid) for the year was 38.1%, an increase on 7.7% last financial year.



## Contribution to Net Tangible Assets 'NTA' (before tax on unrealised gains)



## Dividends per share as declared



Compound Annual Growth Rate 5.1% \* (CPI annual growth rate 2.5%)

\* (includes Special Dividends)



## Underlying Portfolio Performance

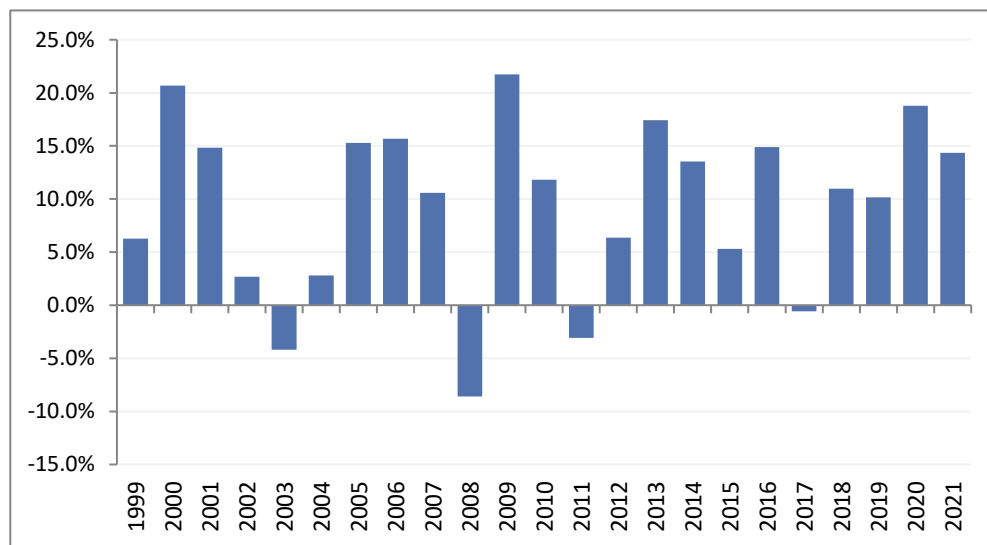
	6 months	1 year	5 years p.a.	10 years p.a.	Since Inception (1 May 1998) p.a.
Portfolio <sup>^</sup>	12.3%	40.7%	18.2%	16.0%	13.5%
Bloomberg Bank Bill Index	0.0%	0.1%	1.3%	2.2%	4.1%
ASX All Ordinaries	10.7%	26.4%	7.4%	5.0%	4.5%
ASX All Ord Accumulation Index	12.6%	30.2%	11.5%	9.4%	8.8%

<sup>^</sup> Source: EC Pohl & Co Pty Ltd



## Relative Performance History

PORTFOLIO OUTPERFORMANCE vs ALL ORDINARIES INDEX



## Major Investments June 2021

TOP 10 INVESTMENTS		
	June 21	June 20
HUB24 Limited	8.1%	3.9%
Macquarie Group	6.3%	6.3%
Magellan Financial Group Ltd	5.8%	2.5%
Rio Tinto Limited	5.4%	6.9%
Commonwealth Bank of Australia	5.4%	7.4%
CSL Limited	5.4%	3.1%
ResMed Inc	5.3%	5.1%
Domino's Pizza Enterprises	4.4%	6.3%
James Hardie Industries	4.0%	0.0%
Lovisa Holdings Ltd	3.8%	0.0%
<b>TOTAL</b>	<b>53.9%</b>	<b>41.5%</b>

# OVERVIEW

## COMPANY PROFILE

Flagship Investments Limited (the “Company”) commenced operations in April 1998 and is a Listed Investment Company (LIC) providing investors with access to an expertly crafted quality portfolio of Australian growth companies.

The portfolio is managed by EC Pohl & Co Pty Ltd which has a strong funds management investment team renowned for its stability, track record and sound investment process.

The Manager’s investment strategy centres on the view that the economics of a business drives long-term investment returns and investing in high quality business franchises that have the ability to generate predictable, above-average economic returns will produce superior investment performance.

## MISSION

Creating Shareholder wealth through active management of a portfolio of ASX listed quality growth companies.

## OBJECTIVES

The investment objectives of Flagship Investments Limited are:

- ◆ To achieve medium to long-term capital growth and income through investing in a diversified portfolio of Australian companies;
- ◆ To preserve and enhance the NTA backing per share; and
- ◆ To provide Company Shareholders with a fully franked dividend, which over time, will grow at a rate in excess of the rate of inflation.

## INVESTOR BENEFITS

The benefits for investors in Flagship Investments Limited are:

- ◆ Reduced share investment risk through a diversified investment portfolio;
- ◆ Professional and disciplined management of an investment portfolio;
- ◆ Fully franked dividend income;
- ◆ Access to tax advantages of Listed Investment Company Capital Gains when available;
- ◆ Access to a Dividend Reinvestment Plan;
- ◆ Easy access to information via the Company’s website [www.flagshipinvestments.com.au](http://www.flagshipinvestments.com.au).

## INVESTMENT MANAGER

The management of the Company’s investment portfolio is undertaken by EC Pohl & Co Pty Ltd. There is no fixed management fee attached to the investment portfolio or administration of the Company. The Manager receives only a performance-based fee which is payable annually in arrears if the Company’s investments outperform the returns on a cash investment. If the Company’s net performance is less than the returns on a cash investment, no performance fee is payable ensuring the Manager is focused on absolute returns to Shareholders.

The Company’s portfolio of investments comprises companies with a sustainable competitive advantage whose operations cover a wide spectrum of business activities. The portfolio is constructed from the perspective of a business owner, by investing in well managed companies and not simply by tracking the index weighting of various component stocks.

Dr Manny Pohl AM is the Managing Director and major Shareholder of EC Pohl & Co Pty Ltd.

Information on the Investment Manager is available from [www.ecpohl.com](http://www.ecpohl.com).

## ENVIRONMENT, SOCIAL, GOVERNANCE

The Company focuses on Environment, Social and Governance (ESG) issues and risks in order to maintain its social licence to operate. The core business of Flagship Investments Limited is to invest in a portfolio of businesses with a sustainable competitive advantage, therefore it is important to incorporate ESG analysis into the investment process.

The Manager is a signatory to the UN-backed Principles for Responsible Investment and is committed to responsible investment utilising an integrated framework. The ‘Pillars of a Quality Franchise’ framework combines six pillars and breaks down each pillar into three underlying characteristics. Each characteristic is an assertion or statement of truth, which must be present in any portfolio company. Under the pillars of sustainability and management exposure associated with environmental, social and governance risks are investigated and tested through the research process.

The Manager’s investment process scrutinises companies to see if they have appropriate and sensible governance structures in place as well as incorporating sustainable practices into their day to day operations. Companies that do not meet standards of respect and integrity with regard to compensation structures, internal controls, accounting treatment, rules, relationships, systems and process throughout the organisation are not included in the portfolio.

## CHAIRMAN'S REPORT

Dear Fellow Shareholders,

I am pleased to present the Chairman's Report of Flagship Investments Limited for the 2020-2021 Financial Year. The result for the year is very pleasing given the backdrop of ongoing uncertainty and market volatility caused by the global COVID pandemic. Our investment performance continues to impress and our Net Tangible Assets have grown 29.3% over the year while also paying dividends of 8.5 cents per share.

### THE YEAR IN REVIEW

It is remarkable to consider the current market position against the outlook from 12 months ago. Prior to July 2020, we witnessed an unprecedented market decline against the backdrop of a world-wide pandemic. The future prospects of the economy, at home and abroad, relied heavily on development and rollout of vaccines and the ongoing co-ordinated stimulus from the governments and the central banks. Understandably, health officials were nervous, businesses were defensive, consumers were cautious and we all braced ourselves for an unknown future.

As the financial year progressed, we became increasingly grateful that Australia has proven to be a fortunate country. With comparably minor interruption from intermittent lockdowns (and I extend my sincere sympathy for the impact upon all those who have been subject to lockdowns of various durations), the Australian business environment has been positive. Job keeper and job seeker packages helped maintain employment and targeted stimulus in housing and infrastructure have assisted key areas of the economy with the additional boost as demand for mining output remained high. And, while there was a lot of speculation of what would happen as the stimulus measures were withdrawn, the reality has proven to be that trading returned to sustainable levels and the perceived cliff-face was avoided.

In the second half of the financial year, equity markets witnessed a growth to value rotation. This feature had an impact on our portfolio as the investment process favours growth companies. While the performance in the second half of the financial year was not as strong as the first half, the full financial year portfolio performance result of positive 40.7% is incredibly pleasing. Importantly, it adds to the performance since inception which is now 13.5%, 9.0 percentage points higher than the ASX All Ordinaries Index over the same period of time.

The ongoing performance of the Company is a direct result of the consistent and disciplined efforts of the Manager. As I have done always, I wish to acknowledge and thank Dr Manny Pohl AM and his team for their disciplined application of the investment process, and their reliable stewardship of our assets which generated such outstanding returns.

### SHAREHOLDERS

As a result of the investment performance, Shareholders have benefited from strong share price appreciation throughout the year. Total Shareholder Return (TSR), which measures the change in the share price and dividends paid over the financial year, was 38.1% (last financial year it was 7.7%).

This measure does not include the benefit attached to the dividends of franking credits and LIC Attributable Gains received by Shareholders. This result is extremely pleasing in that it provides a reward to our long-term Shareholders and encourages new Shareholders to participate in the Company.

Flagship Investments has been successful in promoting itself throughout the year despite the interruptions caused by COVID. Focusing on digital channels, SEO and particularly the monthly e-newsletter, there has been increasing engagement with the investment community. This has been validated with a reduction in the share price discount to NTA, which was as low as 3.5% in January 2021 and finished the year at 12.8%. However, I would like to highlight that the key indicator investors should be looking at, is consistent NTA performance which gives a strong indication of the manager's ability to perform (which drives share price growth and dividend returns). We are proud of the NTA growth this year, but more so as it continues the momentum of previous years and delivers value to our Shareholders.

### THE BOARD

I wish to record my appreciation for my fellow Board members for their support and input throughout the past year. In particular, I would like to thank Sophie Mitchell, who will not be standing for re-election at the upcoming AGM. Sophie has been a Director of FSI since 2008 and, given her depth of industry knowledge and experience, has played a vital part in steering the successful strategy of the Company. In her role as Chairman of the Audit and Risk Committee, she has led the oversight of our corporate reporting, governance, risk management and internal control framework. She has been a valuable member of the Board, a consummate professional and a good friend, and we wish her all the best in her future endeavours.

I would also like to welcome Angela Obree, who joined the Board as an Alternate Director in February 2021 and who will replace Sophie in September 2021. Angela brings a diverse commercial background and key governance skills which will be invaluable to the Board.

Finally, the Board would like to thank all Shareholders for their continued support and we warmly welcome all new Shareholders who joined the Company over the financial year.

Yours sincerely



**Dominic McGann**  
Chairman



## DIRECTORS' REPORT

Your Directors present their report on Flagship Investments Limited for the financial year ended 30 June 2021.

### 1. DIRECTORS

The following persons were Directors of Flagship Investments Limited for the entire financial year: D McGann, Dr E Pohl AM and S Mitchell. S Barrett Alternate Director to D McGann and to S Mitchell up until 16 February 2021 and A Obree Alternate Director to S Mitchell from 16 February 2021.

### 2. INFORMATION ON DIRECTORS



#### **Dominic M McGann**

Solicitor of the Supreme Court of Queensland, LLB (QIT), LL.M (Sydney University), LL.M (Bond University)

*Non-Executive Chairman*

*Member of Audit and Risk Committee*

#### **Experience and expertise**

Appointed Non-Executive Director on 8 October 2009.  
Appointed Chairman on 4 November 2016  
Extensive experience as a Partner with McCullough Robertson Lawyers and a Solicitor with the Supreme Court of Queensland.

#### **Other current directorships:**

Director of TRI Foundation Limited  
Director of Frazer Family Foundation Pty Ltd  
Chair of Queensland Music Festival Limited  
Chair of Climate-KIC Australia Ltd  
Co-Chair of Carumba Institute

#### **Former Listed Company directorships in last 3 years**

None

#### **Interest in Shares**

447,562 ordinary shares



#### **Dr Emmanuel (Manny) C Pohl AM**

B.Sc (Eng), MBA, DBA, FAICD, MSAFAA, F Fin

*Managing Director*

#### **Experience and expertise**

Managing Director since the inception of the Company in 1997.  
Extensive experience in the funds management industry.

#### **Other current directorships**

Managing Director of Global Masters Fund Limited  
Managing Director of Athelney Trust Plc  
Chairman of EC Pohl & Co Pty Ltd  
Chairman of ECP Asset Management Pty Ltd  
Chairman and President of Bond University Rugby Club  
Director of Bond University Limited  
Director of Huysamer International Holdings (Pty) Ltd  
Trustee of Currumbin Wildlife Hospital Foundation

#### **Former Listed Company directorships in last 3 years**

None

#### **Interest in Shares**

10,409,105 ordinary shares

Has a relevant interest in shares in the Company and he holds a Power of Attorney arrangement with a number of Shareholders.





**Sophia (Sophie) A Mitchell**

B.Econ, GAICD

*Non-Executive Director  
Chairman of Audit and Risk Committee*

**Experience and expertise**

Appointed a Non-Executive Director on 11 June 2008. Management and industry experience as a former executive of Morgans, former Portfolio Manager Seymour Funds Management (2007), and Head of Research Morgans (1996-2007).

**Other current directorships**

Director of Morgans Holdings (Australia) Limited  
Director of Morgans Foundation  
Board Member of the Australia Council for the Arts  
Chairman of Apollo Tourism & Leisure Ltd  
Director of Corporate Travel Management Ltd  
Chairman of Queensland Advisory Board, Australian Super  
Director of Myer Family Investments Pty Ltd

**Former Listed Company directorships in last 3 years**

Director of Silverchef Limited (December 2019)

**Interest in Shares**

30,000 ordinary shares



**Scott W Barrett**

B.Com, CA

*Company Secretary  
Alternate Director  
Chief Financial Officer*

**Experience and expertise**

Appointed Alternate Director since 3 November 2017 for Dominic McGann and Sophie Mitchell. Scott ceased being an Alternate Director to Sophie on 16 February 2021.

Scott has over 15 years' experience in business management and accounting, leading businesses across Australia and New Zealand. He is the CFO for EC Pohl & Co Pty Ltd and two ASX Listed Investment Companies.

**Other current directorships**

Alternate Director ECP Emerging Growth Limited

**Former Listed Company directorships in last 3 years**

None

**Interest in Shares**

16,443 ordinary shares



**Angela Obree**

B.Compt, MBA, MAICD

*Alternate Director*

**Experience and expertise**

Appointed Alternate Director to Sophie Mitchell since 16 February 2021.

Angela has almost 25 years' experience in management consulting in the UK, South Africa, Ireland, and Germany. She is a highly experienced commercial mediator, negotiation expert, and corporate crisis leader.

**Other current directorships**

Director of Congrua Limited  
Alternate Director of Global Masters Fund Limited

**Former Listed Company directorships in last 3 years**

None

**Interest in Shares**

Nil

## DIRECTORS' REPORT (Continued)

### 3. PRINCIPAL ACTIVITIES

The principal activity of the Company is investing in securities listed on the Australian Securities Exchange. There have been no significant changes in the nature of this activity during the year.

### 4. REVIEW OF OPERATIONS

Portfolio performance has once again been very impressive. In a year where the ASX All Ordinaries Index increased by 26.4%, the FSI portfolio produced a positive 40.7%. NTA growth of 29.3% is a direct result of this performance less major items such as dividends paid, performance fees accrued, taxes and other operating expenses.

Revenue from dividends, interest and other income increased by \$2,192 compared to last year. This occurred as investee companies responded to recovery-related optimism and increased their dividends in the second half of the year making up for the decline in dividends in the first half. Profit declined by \$1,962,284 compared to FY2020 due to the accrued performance fee of \$3,358,853. The performance fee is reflective of the movement in Other Comprehensive Income which increased by \$12,440,076 compared to last year and resulted in Total Comprehensive Income of \$13,228,841, which is \$10,477,791 above last year.

During the year the share price increased by 33.3% to close at \$2.40 at the end of June 2021. This was a 12.8% discount to NTA before tax on unrealised gains. The discount has narrowed throughout the year and was as low as 3.5% at the end of January 2021. The narrowing of the discount provided FSI with an opportunity to issue new shares in satisfaction of the dividend reinvestment plan, without diluting existing Shareholders and increased the number of shares on issue from 25,502,736 shares to 25,730,259 shares.

### 5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year.

### 6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no planned changes to principal activities. Any general decline in equity markets may have an adverse effect on results in future years.

### 7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Apart from the dividend declared as per item 8, no other matter or circumstance not otherwise dealt with in the Directors' Report or Financial Report, has arisen since the end of the year that has 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.

### 8. DIVIDENDS PAID

Type	Cents per share	Total amount \$'000's	Date of payment
The dividends paid to Shareholders during the financial year were as follows			
Final	4.25	1,084	September 2020
Interim	4.25	1,085	March 2021
	<b>8.50</b>	<b>2,169</b>	
Dividends paid by the Company during the preceding year were:			
Final	4.25	1,084	August 2019
Interim	4.25	1,084	March 2020
	<b>8.50</b>	<b>2,168</b>	

The final dividend paid on 17 September 2020 and the interim dividend paid on 5 March 2021, were fully franked and fully attributable to LIC capital gains.

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a fully franked final dividend of 4.75 cents per share, totalling \$1,222,187 to be paid on 20 August 2021. This dividend is fully attributable to LIC capital gains.

### 9. EARNINGS PER SHARE

Based on profit after income tax.

	2021 Cents	2020 Cents
Basic earnings per share	(5.8)	1.9
Diluted earnings per share	(5.8)	1.9

Based on Comprehensive Income after tax

	2021 Cents	2020 Cents
Basic earnings per share	51.7	10.8
Diluted earnings per share	51.7	10.8

See Note 17 of the Financial Report.

### 10. COMPANY SECRETARY

**Scott Barrett B.Com, CA**

Scott is a Chartered Accountant and commenced as Alternate Director and Company Secretary on 3 November 2017. He is the Chief Financial Officer for EC Pohl & Co. Scott has extensive business management and accounting experience working in subsidiaries of multinational groups from the hospitality and property industries.

### 11. MEETINGS OF DIRECTORS

The number of Directors' meetings attended by each of the Directors of the Company during the financial year are:

Director	Board		Audit and Risk Committee	
	Eligible to attend	Attend	Eligible to attend	Attend
D M McGann	5	5	3	3
Dr E C Pohl AM	5	5	-	-
S A Mitchell	5	5	3	3

## 12. REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- (A) Principles used to determine the nature and amount of remuneration
- (B) Details of remuneration
- (C) Service agreements
- (D) Share-based compensation
- (E) Related Party Transactions
- (F) Equity Instrument Disclosure relating to Key Management Personnel

### (A) Principles used to determine the nature and amount of remuneration

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board reviews the remuneration of Directors annually.

No remuneration consultants were engaged during the year.

The per annum remuneration (exclusive of non-claimable GST) of the Directors remains unchanged from June 2020.

◆ Chairman	\$45,000
◆ Chairman – Audit and Risk Committee	\$40,000
◆ Other Directors	\$35,000

Remuneration of Directors is determined by the Board within the maximum amount of \$200,000 previously approved by the Shareholders.

There is no performance based remuneration for Directors.

### (B) Details of remuneration

Details of the remuneration of each Director of Flagship Investments Limited and the executives of the Company are set out in the following table.

DETAILS OF REMUNERATION								
Director	Year	Short-term Benefits			Post-Employment Super	Equity		Total \$
		Fees \$	Performance Fees \$	Non-monetary Benefits \$		Shares \$	Options \$	
<b>Dominic McGann *</b> <i>Non-executive Chairman</i>	2021	<b>46,125</b>	-	-	-	-	-	<b>46,125</b>
	2020	46,125	-	-	-	-	-	46,125
<b>Dr E C Pohl AM *</b> <i>Managing Director</i>	2021	<b>35,875</b>	-	-	-	-	-	<b>35,875</b>
	2020	35,875	-	-	-	-	-	35,875
<b>S A Mitchell</b> <i>Non-executive Director</i>	2021	<b>40,000</b>	-	-	-	-	-	<b>40,000</b>
	2020	40,000	-	-	-	-	-	40,000
<b>Total Directors Remuneration</b>	2021	<b>122,000</b>	-	-	-	-	-	<b>122,000</b>
	2020	122,000	-	-	-	-	-	122,000

\* Inclusive of non-claimable GST amount

### (C) Service agreements

As the Company does not employ any staff, there are no employment service agreements entered into by the Company. The Managing Director and Company Secretary are employed by the Investment Manager – EC Pohl & Co Pty Ltd.

### (D) Share-based compensation

No share-based compensation exists.

### (E) Related Party Transactions

The following transactions occurred with other related parties:	2021 \$'000	2020 \$'000
Expenses paid or payable by the Company to:		
– EC Pohl & Co Pty Ltd for Performance Fee	<b>3,359</b>	564
A Performance Fee was payable in accordance with the Management Services Agreement as detailed in Note 22 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. D M McGann is a partner of McCullough Robertson Lawyers.	<b>2</b>	5
– 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.	<b>2</b>	2
All related party transactions are made on an arm's length basis using the standard terms and conditions.		

## DIRECTORS' REPORT (Continued)

### (F) Equity Instrument Disclosure relating to Key Management Personnel

The number of shares in the Company held during the financial year by each Director of Flagship Investments Limited, including their related parties and powers of attorney is set out below. There were no shares granted during the year as compensation.

2021	Balance At The Start Of The Year	Received During The Year By Exercise Of Rights	Other Changes During The Year	Balance At the End Of The Year
D M McGann	447,562	-	-	447,562
Dr E C Pohl AM	10,244,194	-	164,911	10,409,105
S A Mitchell	30,000	-	-	30,000

## END OF REMUNERATION REPORT (AUDITED)

### 13. ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### 14. GENERAL TRANSACTIONS

Other than the Director's remuneration, the Company does not directly contract with any of the Directors.

### 15. LOANS

There are no loans issued to any of the Directors during or since the financial year (30 June 2020 – Nil).

### 16. OPTIONS

No Options have been issued during or since the financial year (30 June 2020 – Nil).

### 17. INSURANCE OF OFFICERS AND/OR AUDITORS

During the financial year, the Company insured the Directors and Officers against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

The Company has entered into an agreement for the purpose of indemnifying Directors and Officers, to the extent permitted by law, against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as a Director and Officer of the Company.

The Company has not during or since the financial year indemnified or paid any insurance premiums to indemnify the auditors.

### 18. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceeding to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

### 19. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

There have been no amounts paid or payable to the auditors for non-audit services provided during the year.

The Directors have considered the position and are satisfied that the provision of any non-audit services (if necessary in future) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Audit and Risk Committee is satisfied that the provision of any non-audit services by the auditor, would not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

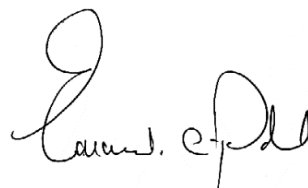
- ◆ All non-audit services would be reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- ◆ None of the services undermine the general principles relating to auditor independence as set out in APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporation Act 2001* is set out on page 13.

### 20. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (rounding in Financials/ Directors' Report). Accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest \$1,000.

This report is made in accordance with a resolution of the Directors.



**Dr Emmanuel (Manny) C Pohl AM**  
Managing Director

30 July 2021

# AUDITOR'S INDEPENDENCE DECLARATION



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

**AUDITOR'S INDEPENDENCE DECLARATION UNDER  
SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF FLAGSHIP INVESTMENTS LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink, appearing to read 'G. Georgiou', written over a faint blue horizontal line.

**GEORGE GEORGIU FCA RCA**  
**DIRECTOR**

Dated this 30<sup>th</sup> day of July, 2021.

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Connect National Audit Pty Ltd is an Authorised Audit Company

ABN 43 605 713 040

Liability limited by a scheme approved under Professional Standards Legislation

Head Office: Level 8, 350 Collins St, Melbourne VIC 3000

Gold Coast Office: Level 9 Wyndham Corporate Centre,  
1 Corporate Court, Bundall QLD 4217

w: [www.connectaudit.com.au](http://www.connectaudit.com.au)

## CORPORATE GOVERNANCE SUMMARY: FOR THE YEAR ENDED 30 June 2021

The Directors of Flagship Investments Ltd are committed to excellence in corporate governance. By adopting the ASX Corporate Governance Council's Corporate Governance Principles and incorporating industry best practice, the Company has built a framework that supports our business performance and enhances transparency and accountability which ultimately protects the interests of Shareholders.

Below is a list of the Company's Corporate Governance Framework documents set out against the relevant ASX Governance Principles and Recommendations (4<sup>th</sup> Edition), the details of which are available on the Company's Website. The full Corporate Governance Statement for the year ending 30 June 2021 is also available on the website, at

[www.flagshipinvestments.com.au/corporate-governance/](http://www.flagshipinvestments.com.au/corporate-governance/)

ASX GOVERNANCE PRINCIPLES	RELEVANT DOCUMENT/INFORMATION
<b>Principle 1:</b> Lay solid foundations for management and oversight	Board Charter Diversity Policy
<b>Principle 2:</b> Structure the Board to be effective and add value	Board Charter Diversity Policy
<b>Principle 3:</b> Instil a culture of acting lawfully, ethically and responsibly	Statement of Values Code of Conduct Whistleblower Policy
<b>Principle 4:</b> Safeguard the integrity of corporate reports	Audit and Risk Committee Charter Code of Conduct
<b>Principle 5:</b> Make timely and balanced disclosure	Disclosure Policy Communications Policy
<b>Principle 6:</b> Respect the rights of security-holders	Communications Policy Privacy Policy
<b>Principle 7:</b> Recognise and manage risk	Audit and Risk Committee Charter Risk Management Policy
<b>Principle 8:</b> Remunerate fairly and responsibly	Board Charter

The Corporate Governance Statement explains the extent to which the Company complies with the ASX Corporate Governance Principles and Recommendations including how the policies above support Corporate Governance in the Company. Under the “if not, why not” approach the Board provide explanations as to why a particular recommendation is not appropriate to its circumstances. For clarity, the Board would like to highlight below the recommendations that have not been adopted and the reasons behind the decision:

ASX GOVERNANCE PRINCIPLES	COMPLIANCE STATEMENT
<p><b>Principle 1:</b> Lay solid foundations for management and oversight</p>	Compliant
<p><b>Principle 2:</b> Structure the Board to be effective add value</p>	Compliant
<p><b>Principle 3:</b> Instil a culture of acting lawfully, ethically and responsibly Recommendation 2.1: Establish a Nomination Committee</p>	<p>Compliant except for 2.1:</p> <p><b>Non-Compliant</b> The Company does not have a Nomination Committee given the size of the Board. The full Board maintains responsibility for nomination of Directors and succession planning.</p>
<p><b>Principle 4:</b> Safeguard integrity of corporate reports</p>	Compliant
<p><b>Principle 5:</b> Make timely and balanced disclosure</p>	Compliant
<p><b>Principle 6:</b> Respect the rights of security-holders</p>	Compliant
<p><b>Principle 7:</b> Recognise and manage risk Recommendation 7.3: Internal audit function</p>	<p>Compliant except for 7.3:</p> <p><b>Non-Compliant</b> The Company does not have an internal audit function given the nature of the Company. Instead, the Board, through the Audit and Risk Committee, liaises closely with the Company’s external auditor to identify potential improvements to the Financial risk management and internal control process. The Audit and Risk Committee also interrogate the internal compliance and external audit of the Manager.</p>
<p><b>Principle 8:</b> Remunerate fairly and responsibly Recommendation 8.1 Remuneration Committee  Recommendation 8.3: Equity-based remuneration</p>	<p>Compliant except for 8.1 and 8.3</p> <p><b>Non-Compliant</b> The Company does not have a Remuneration Committee. Instead the full Board develops the remuneration policy balancing the need to attract high quality Directors, establishing appropriate incentives and commercial control of expenses.</p> <p><b>Not Applicable</b> The Company does not have an equity-based remuneration scheme and does not intend to establish one. Recommendation 8.3 is not applicable.</p>

# FINANCIAL REPORT

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This Financial Report covers Flagship Investments Limited as an individual entity. There are no controlled entities.

Flagship Investments Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Flagship Investments Limited  
Level 12  
Corporate Centre One  
2 Corporate Court  
BUNDALL QLD 4217

The Financial Report was authorised for issue by the Directors on 30 July 2021.

A description of the nature of the Company’s operations and its principal activities is included in the Operating and Financial Review.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All media releases, Financial Reports and other information are available from the Company at the above address or from our website:

**[www.flagshipinvestments.com.au](http://www.flagshipinvestments.com.au)**



FLAGSHIP INVESTMENTS LIMITED  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
Other Income	5	1,183	1,181
Other expenses	6	(310)	(290)
<b>Operating Profit</b>		<b>873</b>	891
Performance Fee	23	(3,359)	(564)
<b>Profit/(Loss) before income tax</b>		<b>(2,486)</b>	327
Income tax credit	7	1,011	160
<b>Profit/(Loss) for the year</b>		<b>(1,475)</b>	487
<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		21,006	3,234
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income	7	(6,302)	(970)
<b>Other Comprehensive Income for the year, net of tax</b>		<b>14,704</b>	2,264
<b>Total Comprehensive Income for the year</b>		<b>13,229</b>	2,751
<b>Earnings per share:</b>			
		<b>Cents</b>	Cents
Basic earnings per share	17	(5.8)	1.9
Diluted earnings per share	17	(5.8)	1.9
Comprehensive earnings per share	17	51.7	10.8

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

## FINANCIAL REPORT (continued)

### FLAGSHIP INVESTMENTS LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
Cash and Cash Equivalents	8	3,061	2,237
Trade Receivables and Other Assets	9	189	188
Intangible Assets	10	5	-
Financial Assets at fair value through Other Comprehensive Income	11	71,536	54,226
<b>TOTAL ASSETS</b>		<b>74,791</b>	56,651
<b>LIABILITIES</b>			
Trade and Other Payables	13	3,630	587
Tax Payable	12	355	1,774
Deferred Tax Liability	12	7,682	2,746
<b>TOTAL LIABILITIES</b>		<b>11,667</b>	5,107
<b>NET ASSETS</b>		<b>63,124</b>	51,544
<b>EQUITY</b>			
Issued Capital	14	36,179	35,659
Other Reserves	15	26,675	13,630
Retained Earnings		270	2,255
<b>TOTAL EQUITY</b>		<b>63,124</b>	51,544

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

FLAGSHIP INVESTMENTS LIMITED  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 30 JUNE 2021

<b>2020</b>	Note	Ordinary Shares \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Total \$'000
<b>Balance at 30 June 2019</b>		35,659	2,852	6,543	5,907	50,961
Profit or loss attributable to members		-	487	-	-	487
Other Comprehensive Income		-	-	2,264	-	2,264
Transfer to Asset Realisation Reserve		-	-	(2,477)	2,477	-
Dividends paid or provided for	<b>16</b>	-	(1,084)	-	(1,084)	(2,168)
<b>Balance at 30 June 2020</b>		<b>35,659</b>	<b>2,255</b>	<b>6,330</b>	<b>7,300</b>	<b>51,544</b>

<b>2021</b>	Note	Ordinary Shares \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Total \$'000
<b>Balance at 30 June 2020</b>		35,659	2,255	6,330	7,300	51,544
Profit or loss attributable to members		-	(1,475)	-	-	(1,475)
Other Comprehensive Income		-	-	14,704	-	14,704
Transfer to Asset Realisation Reserve		-	-	(3,165)	3,165	-
Shares issued via dividend reinvestment plan net of costs	<b>14</b>	520	-	-	-	520
Dividends paid or provided for	<b>16</b>	-	(510)	-	(1,659)	(2,169)
<b>Balance at 30 June 2021</b>		<b>36,179</b>	<b>270</b>	<b>17,869</b>	<b>8,806</b>	<b>63,124</b>

*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 2021

	Notes	2021 \$'000	2020 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		1,181	1,101
Interest Received		4	15
Other Income received		10	10
Payments to suppliers and employees		(876)	(1,351)
Net cash provided by/(used in) operating activities	25	319	(225)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		23,882	19,258
Income tax paid on gains on sale of investments		(1,774)	-
Payments for intangible assets		(5)	-
Payments for investments		(19,949)	(18,391)
Net cash provided by/(used in) investing activities		2,154	867
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	16(a)	(1,643)	(2,168)
Share issue costs		(6)	-
Net cash used in financing activities		(1,649)	(2,168)
Net increase/(decrease) in cash and cash equivalents held		824	(1,526)
Cash and cash equivalents at the beginning of the year		2,237	3,763
Cash and cash equivalents at end of year	8	3,061	2,237

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

FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2021

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 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 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) 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 2021

### **(g) 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 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.

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 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.

#### **(h) 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.

#### **(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 2021

**(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 1060 General Purpose Financial Statements	1 July 2021	AASB 1060 is a single standard containing all the disclosure requirements for an entity preparing General Purpose Financial Statements under Tier 2.	AASB 1060 is not applicable to the Company.
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 a material impact on the Company.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

**(a) Key Estimates**

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

**(b) Key Judgements**

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

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

As the Directors do not intend to dispose of the portfolio, the tax liability/benefit may not be crystallised at the amount disclosed in Note: 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 2021

	Notes	2021 \$'000	2020 \$'000
<b>5. REVENUE AND OTHER INCOME</b>			
Dividends Received		1,169	1,156
Interest Received		4	15
Other Income		10	10
		<b>1,183</b>	<b>1,181</b>
<b>6. OTHER EXPENSES</b>			
ASX listing and other fees		40	40
Audit fees		26	26
Directors fees		122	122
Insurance		26	22
Marketing		47	25
Share registry		21	24
Other		28	31
		<b>310</b>	<b>290</b>
<b>7. INCOME TAX EXPENSE</b>			
<b>(a) Reconciliation of income tax to accounting profit</b>			
Profit/(Loss) before income tax		(2,486)	327
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020 - 30%)		(746)	98
Add Tax effect of:			
- Fully franked dividends received and timing differences		111	102
Less Tax effect of:			
- Rebateable fully franked dividends		365	354
- Other foreign tax credit		11	6
Income tax expense/(credit)		<b>(1,011)</b>	<b>(160)</b>
<b>(b) The major components of tax (expense)/credit comprise:</b>			
Current tax credit		1,009	173
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	12.a	2	-
Decrease/(increase) in deferred tax liabilities	12.b	-	(13)
<b>Income tax (expense)/credit for continuing operations</b>		<b>1,011</b>	<b>160</b>
<b>(c) The major components of tax expense relating to Other Comprehensive Income</b>			
Current Tax (expense)/credit		(1,364)	(1,061)
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	12.a	-	-
Decrease/(increase) in deferred tax liabilities	12.b	(4,938)	91
<b>Income tax (expense)/credit for Other Comprehensive Income</b>		<b>(6,302)</b>	<b>(970)</b>



FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2021

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000

## 8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	<b>3,061</b>	2,237
	<b>3,061</b>	2,237

### 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	<b>3,061</b>	2,237
<b>Balance as per Statement of Cash Flows</b>	<b>3,061</b>	2,237

## 9. TRADE RECEIVABLES AND OTHER ASSETS

### CURRENT

Receivables	<b>145</b>	156
Prepayments	<b>38</b>	27
GST receivable	<b>6</b>	5
<b>Total current trade and other receivables</b>	<b>189</b>	188

## 10. INTANGIBLE ASSETS

Trademarks opening balance	-	-
Additions:	<b>5</b>	-
<b>Trademarks closing balance</b>	<b>5</b>	-

## 11. OTHER FINANCIAL ASSETS

Financial Assets at Fair Value Through Other Comprehensive Income

At beginning of year	<b>54,226</b>	51,859
Additions (at cost)	<b>20,186</b>	18,391
Revaluation	<b>21,006</b>	3,234
Disposals (at sale value)	<b>(23,882)</b>	(19,258)
<b>Australian listed equity securities</b>	<b>71,536</b>	54,226

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 2021

	Notes	2021 \$'000	2020 \$'000
<b>12. TAX</b>			
Current Year Tax Payable		355	888
Prior Year Tax Payable		-	886
Total Tax Payable		355	1,774
Deferred Tax Assets	12.a	(7)	(5)
Deferred Tax Liabilities	12.b	7,689	2,751
Net deferred tax liabilities adjusted for deferred tax assets		7,682	2,746
<b>(a) Reconciliations – Deferred Tax Assets</b>			
<b>Gross Movements.</b>			
The overall movement in deferred tax asset accounts is as follows:			
Opening balance		5	5
(Charged)/credited to the Income Statement		2	-
(Charged)/credited to Other Comprehensive Income		-	-
<b>Closing balance</b>		<b>7</b>	<b>5</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 directly to Profit or Loss		-	-
<b>Closing Balance</b>		<b>5</b>	<b>5</b>
<i>(i) Capital Raising Costs</i>			
Opening balance		-	-
Charged directly to Profit or Loss		2	-
<b>Closing Balance</b>		<b>2</b>	<b>-</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		2,751	2,829
Charged/(credited) to the Income Statement		-	13
Charged/(credited) to Other Comprehensive Income		4,938	(91)
<b>Closing balance</b>		<b>7,689</b>	<b>2,751</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		2,720	2,811
Charged/(credited) directly to Other Comprehensive Income		4,938	(91)
<b>Closing balance</b>		<b>7,658</b>	<b>2,720</b>
<i>(ii) Unfranked dividend and interest receivable</i>			
Opening balance		31	18
Charged/(credited) directly to Profit and Loss		-	13
<b>Closing balance</b>		<b>31</b>	<b>31</b>

FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2021

<b>2021</b>	2020
<b>\$'000</b>	\$'000

### 13. TRADE AND OTHER PAYABLES

CURRENT

Accounts payable and accrued expenses

<b>3,630</b>	587
<b>3,630</b>	587

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

### 14. ISSUED CAPITAL

(a) Share Capital

Ordinary shares Fully Paid 25,730,259 (2020: 25,502,736)

<b>36,179</b>	35,659
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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
<b>30 June 2019</b>	<b>Balance</b>	<b>25,502,736</b>		<b>35,659</b>
	Nil Movement *	-		-
<b>30 June 2020</b>	<b>Balance</b>	<b>25,502,736</b>		<b>35,659</b>
17 September 2020	Dividend reinvestment plan*	21,503	\$2.169	47
5 March 2021	Dividend reinvestment plan	206,020	\$2.3273	479
	Share issue costs	-	-	(6)
<b>30 June 2021</b>	<b>Balance</b>	<b>25,730,259</b>		<b>36,179</b>

\* The Dividend Reinvestment Plan was facilitated through on-market purchase of shares in FY20 and in part for FY21.

<b>2021</b>	2020
<b>\$'000</b>	\$'000

### 15. RESERVES

(a) Asset Revaluation Reserve

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>17,869</b>	6,330
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(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, net of dividends paid from reserves.

<b>8,806</b>	7,300
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# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$'000	2020 \$'000
<b>16. DIVIDENDS</b>		
<b>(a) Dividends and distributions paid</b>		
The following dividends were declared and paid:		
Final fully franked ordinary dividend of 2.0 cents (2020 – 4.25 cents) per share paid on 17 September 2020 (2020 – 30 August 2019)	510	1,084
Final fully franked special dividend of 2.25 cents (2020 – 0.0 cents) per share paid on 17 September 2020 (2020 – Nil)	574	-
Interim fully franked ordinary dividend of 4.25 cents (2020 – 4.25 cents) per share paid on 5 March 2021 (2020 – 6 March 2020)	1,085	1,084
<b>Total</b>	<b>2,169</b>	<b>2,168</b>
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2021 and 2020 were as follows:		
Paid in cash	1,546	1,845
Satisfied by issue of shares	526	-
Purchase of shares on market on behalf of Shareholders per DRP rules	97	323
	<b>2,169</b>	<b>2,168</b>
<b>(b) Proposed dividends</b>		
Proposed final 2020 fully franked ordinary dividend of 4.75 cents per share to be paid (2020: 2.00 cents)	1,222	510
A fully franked special dividend has not been proposed (2020: 2.25 cents)	-	574
<b>Total Proposed Dividend</b>	<b>1,222</b>	<b>1,084</b>
The proposed dividend for 2021 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 2021.		
<b>(c) Franked dividends</b>		
The franking credits available for subsequent financial years at a tax rate of 30%	3,727	2,516
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 \$523,795 (2020: \$464,514).		
The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.		

FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2021

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000

**16. DIVIDENDS** *(continued)*

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

Balance of the Listed Investment Company (LIC) capital gain account	<b>2,881</b>	4,221
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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%

**17. 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	<b>(1,475)</b>	487
(ii) Total Comprehensive Income	<b>13,229</b>	2,751

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

	<b>Cents</b>	Cents
(i) Profit/(loss) from continuing operations attributable to the owners of the Company	<b>(5.8)</b>	1.9
(ii) Total Comprehensive Income	<b>51.7</b>	10.8

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

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	<b>25,585,624</b>	25,502,736
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**18. AUDITOR'S REMUNERATION**

Remuneration of the auditor of the Company for:

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

# FINANCIAL REPORT (continued)

## FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 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 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:

	2021	2020
	\$'000	\$'000
<b>Financial Assets</b>		
Cash and cash equivalents	3,061	2,237
Receivables	151	161
Financial Assets at fair value through Other Comprehensive Income	71,536	54,226
<b>Total Financial Assets</b>	<b>74,748</b>	<b>56,624</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	3,630	587
<b>Total Financial Liabilities</b>	<b>3,630</b>	<b>587</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:

	2021	2020
Portfolio five-year return	18.2%	13.0%
All Ordinaries Index five-year return	7.4%	1.9%

#### (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% (2020 - 5%) with all other variables held constant.

Impact on Equity and Other Comprehensive Income for the year:

2021 +/- \$3,577,000

2020 +/- \$2,711,000

Impact on profit or loss is nil.

#### (c) Cash Flow Interest Rate Risk

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

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

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

30 June 2021: Balance \$3,061,000

Weighted average interest rate 0.1%

30 June 2020: Balance \$2,237,000

Weighted average interest rate 0.5%

#### (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 2021

**(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.

**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:

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
<b>Recurring fair value measurements</b>				
<b>Financial Assets</b>				
- Listed Equity Securities	71,536	-	-	71,536
<hr/>				
30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
<b>Recurring fair value measurements</b>				
<b>Financial Assets</b>				
- Listed Equity Securities	54,226	-	-	54,226

**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 2021

	2021 \$'000	2020 \$'000
<b>22. RELATED PARTY TRANSACTIONS</b>		
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		
<ul style="list-style-type: none"><li>A Performance Fee was payable in accordance with the Management Services Agreement as detailed in Note 23.</li><li>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 &amp; Co Pty Ltd.</li></ul>	<b>3,359</b>	564
McCullough Robertson Lawyers for the provision of legal services.	2	5
D M McGann is a partner of McCullough Robertson Lawyers.	2	2
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.		
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, the Company has agreed to engage the Manager to provide primary and secondary management services, including:

- managing the investment of the Company's portfolio, including keeping it under review;
- ensuring investments by the Company are only made in authorised investments;
- complying with the investment policy of the Company;
- identifying, evaluating and implementing the acquisition and disposal of authorised investments;
- provide the Company with monthly investment performance reporting;
- manage the Company's public and regulatory announcements and notices;
- promoting investment in the Company by the general investment community;
- providing investor relationship services; and
- 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:

- either party ceases to carry on business, or
- either party enters into liquidation voluntarily or otherwise, or
- either party passes any resolution for voluntary winding-up, or
- a receiver of the property of either party, or any part thereof, is appointed, or
- the Shareholders of the Company at an abnormal meeting called in for that purpose, resolve by binding resolution to terminate the operations, or
- 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.
- 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.
- 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 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 performance fee expense of \$3,358,853 was recognised during the year ended 30 June 2021 (2020 - \$564,279).



FLAGSHIP INVESTMENTS LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2021

2021	2020
\$'000	\$'000

## 24. 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 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 paid to the Directors	122	122
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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	(1,475)	487
Cash flows excluded from profit attributable to operating activities		
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	(1)	(58)
- increase/(decrease) in current tax liabilities	(1,011)	(173)
- increase/(decrease) in net deferred tax liabilities	(2)	13
- increase/(decrease) in trade and other payables	2,808	(494)
Cash flow from operations	319	(225)

## 26. CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2021 (30 June 2020: 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. Subsequent to year-end on 2 August 2021, the Directors declared a final 2021 fully franked ordinary share dividend of 4.75 cents per share.

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

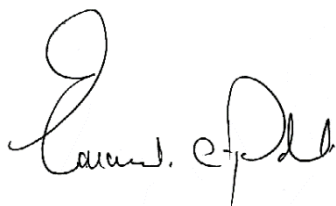
- (a) the Financial Statements and Notes set out on pages 16 to 33 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date; and

in the Directors' opinion,

- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the remuneration disclosures set out on pages 11 and 12 of the Directors' Report (as part of the audited remuneration report) for the year ended 30 June 2021 comply with section 300A of the *Corporations Act 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



**Dr Emmanuel (Manny) C Pohl AM**  
Managing Director

30 July 2021

# INDEPENDENT AUDITOR'S REPORT



FLAGSHIP INVESTMENTS LIMITED  
ABN 99 080 135 913

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

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Flagship Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2021, 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 2021 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 2021. 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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# INDEPENDENT AUDITOR'S REPORT (continued)



FLAGSHIP INVESTMENTS LIMITED  
ABN 99 080 135 913

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED  
(Page 2 of 4)

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
<p><b>Financial Assets at Fair Value Through Other Comprehensive Income</b> Refer to Notes 2(g) and 11 to the financial statements</p>	
<p>As at 30 June 2021 the Company's statement of financial position includes financial assets at fair value through other comprehensive income of \$71,536,000.</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 2021.</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>
<p><b>Tax and Income Tax Expense</b> Refer to Note 7 and 12 to the financial statements</p>	
<p>The Company recognises the deferred tax liability as a net amount adjusted for deferred tax assets. As at 30 June 2021 the net deferred tax liability included in the statement of financial position amounted to \$7,682,000.</p> <p>Current tax payable as at 30 June 2021 included in the statement of financial position amounted to \$355,000.</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>
<p><b>Performance fee</b> Refer to Notes 22 and 23 to the financial statements.</p>	
<p>For the year ended 30 June 2021 the Company's statement of profit or loss and other comprehensive income includes the performance fee of \$3,359,000.</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 materiality of the amount.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> <li>Reviewing the management service agreement</li> <li>Assessing the Company's management fee calculation to ensure compliance with the agreement.</li> <li>Review of the appropriateness of the Company's disclosures in the financial report in accordance with AASB 124.</li> </ul>

FLAGSHIP INVESTMENTS LIMITED  
ABN 99 080 135 913

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED  
(Page 3 of 4)

## 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 2021 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 2021, 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.
- 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.

FLAGSHIP INVESTMENTS LIMITED  
ABN 99 080 135 913

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

- 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 2021.

In our opinion the remuneration report of Flagship Investments Limited for the year ended 30 June 2021 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 GEORGIU FCA RCA  
DIRECTOR

Dated this 30<sup>th</sup> day of July, 2021.

## SHAREHOLDER INFORMATION

Flagship Investments has only one class of equity security, being Fully Paid Ordinary Shares. The Shareholder information set out below was applicable as at 20 July 2021.

### 1. TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares	%
CITICORP NOMINEES PTY LIMITED	8,486,364	32.98%
GLOBAL MASTERS FUND LIMITED	1,129,000	4.39%
MR HANK VAN LIESHOUT	621,422	2.42%
MRS SYLVIA MARIA VALMADRE	598,973	2.33%
MR CORNELIUS LAUBIUS VISSER LAUBSCHER	512,707	1.99%
NOONBAH PTY LTD <NOONBAH A/C>	502,000	1.95%
MR GREGORY JOHN BURTON & MRS CATHERINE BEATRICE BURTON <GJ BURTON PERSONAL SUPER A/C>	500,000	1.94%
CIDEL BANK & TRUST INC <CBT THE FRAGRANCE A/C>	489,201	1.90%
MR DOMINIC MARTIN MCGANN	447,562	1.74%
QUANTUM ELECTRONICS PTY LTD <QUANTUM ELEC PL S/FUND A/C>	423,768	1.65%
MRS ERIKA HABERFIELD	307,520	1.20%
PRIMARY COMMUNITY AGED CARE PTY LTD <ARDMILLAN A/C>	284,481	1.11%
BURTON HOLDINGS (QLD) PTY LTD <THE CB A/C>	275,000	1.07%
BOND STREET CUSTODIANS LIMITED <HEF - D63174 A/C>	244,917	0.95%
RENNIN PTY LTD <REYNARD SUPER FUND A/C>	233,017	0.91%
DYNASTY PEAK PTY LTD <THE AVOCA SUPER FUND A/C>	210,148	0.82%
BOND STREET CUSTODIANS LIMITED <HEF - Q01843 A/C>	210,000	0.82%
ELGARA PTY LTD <ELGARA P/L SUPER FUND A/C>	207,277	0.81%
BURTON HOLDINGS (QLD) PTY LTD <BURTON FAMILY A/C>	200,000	0.78%
MR EDWIN HENRY BUCKLAND & MRS ENID OLIVE BUCKLAND <BUCKLAND SUPER FUND A/C>	200,000	0.78%
<b>Total</b>	<b>16,083,357</b>	<b>62.54%</b>

### 2. DISTRIBUTION OF SECURITIES:

Fully Paid Ordinary Shares

Distributions	Number of Shareholders	% of shares held
1 to 1,000	115	0.2%
1,001 to 5,000	188	2.0%
5,001 to 10,000	124	3.7%
10,001 to 100,000	224	25.2%
100,001 and over	31	68.9%
<b>Total</b>	<b>682</b>	<b>100.0%</b>
Holdings of less than a marketable parcel	34	0.00%

### 3. SUBSTANTIAL SHAREHOLDINGS

The names of the Shareholders who have notified the Company of a substantial holding in accordance with section 671B of the *Corporations Act 2001* are:

Substantial Shareholder	Number of Shares	% of total
Dr E C Pohl AM *	10,394,034	40.4%

\* Has the power to control voting and/or the disposal of securities in accordance with a Power Of Attorney in relation to 1,922,871 shares.

### 4. VOTING RIGHTS

On a show of hands every Shareholder present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### 5. ON-MARKET BUY BACK

There is no current on-market buy back.

## INVESTMENTS

### (1) HOLDINGS OF SECURITIES AS AT 30 JUNE 2021

Individual investments at 30 June 2021 are listed below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share at other dates. Individual holdings in the portfolio may change during the course of the year.

Code	Company	Shares	Market Value \$'000	%
	<b>ORDINARY SHARES</b>			
ALU	Altium Limited	50,000	1,834.5	2.46
APT	Afterpay Limited	16,292	1,925.2	2.58
ARB	ARB Corporation Limited	51,000	2,202.7	2.96
CAR	Carsales.Com Limited	85,730	1,694.0	2.27
CBA	Commonwealth Bank of Australia	40,000	3,994.8	5.36
CGC	Costa Group Holdings Limited	500,000	1,655.0	2.22
CGCXX	Costa Group Holdings Limited - Rights Offer	78,989	237.0	0.32
COH	Cochlear Limited	10,879	2,737.9	3.68
CSL	CSL Limited	14,000	3,992.7	5.36
CTD	Corporate Travel Management Limited	124,079	2,666.5	3.58
DMP	Domino's Pizza Enterprises Limited	27,000	3,253.8	4.37
FCL	Fineos Corporation Holdings PLC	247,130	963.8	1.29
FPH	Fisher & Paykel Healthcare Corporation Limited	30,000	867.6	1.16
HUB	HUB24 Limited	211,000	6,015.6	8.07
IEL	Idp Education Limited	91,791	2,252.6	3.02
JHX	James Hardie Industries PLC	65,000	2,942.6	3.95
LOV	Lovisa Holdings Limited	185,000	2,821.3	3.79
MFG	Magellan Financial Group Limited	80,000	4,308.8	5.78
MP1	Megaport Limited	102,463	1,888.4	2.53
MQG	Macquarie Group Limited	29,900	4,677.3	6.28
NWL	Netwealth Group Limited	93,464	1,602.9	2.15
NXL	Nuix Limited	260,026	574.7	0.77
PDL	Pendal Group Limited	332,871	2,682.9	3.60
REA	REA Group Ltd	12,000	2,028.4	2.72
RIO	Rio Tinto Limited	32,000	4,052.5	5.44
RMD	ResMed Inc.	120,000	3,931.2	5.28
SEK	Seek Limited	44,845	1,486.2	1.99
WTC	Wisetech Global Limited	33,137	1,058.1	1.42
XRO	Xero Limited	8,659	1,187.1	1.59
			<b>71,536.1</b>	<b>96.02</b>
	<b>CASH</b>			
	Cash (including dividends receivable)		2,963.0	3.98
	<b>GRAND TOTAL</b>		<b>74,499.1</b>	<b>100.0</b>

### (2) TRANSACTIONS AND BROKERAGE

There were 86 (2020: 105) transactions in securities during the year on which brokerage of \$121,241 (2020: \$106,332) was paid.



## INVESTMENT PERFORMANCE

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%

Note: Fees include Performance fees and Underwriting fees.

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



## CORPORATE DIRECTORY

### FLAGSHIP INVESTMENTS LIMITED

ABN 99 080 135 913

REGISTERED IN QUEENSLAND ON  
23 SEPTEMBER 1997.



### BOARD OF DIRECTORS

Dominic M McGann

*Non-Executive Chairman*

Dr Emmanuel (Manny) C Pohl AM

*Managing Director*

Sophie A Mitchell

*Non-Executive Director*

Scott W Barrett

*Alternate Director*

Angela Obree

*Alternate Director*

### COMPANY SECRETARY

Scott W Barrett

### REGISTERED OFFICE

Level 12

Corporate Centre One

2 Corporate Court

BUNDALL QLD 4217

Tel: +61 (0) 7 5644 4405

Fax: +61 (0) 7 5574 1457

Toll Free: 1800 FLAGSHIP

1800 352 474

### POSTAL ADDRESS

P O Box 7536

Gold Coast Mail Centre

BUNDALL QLD 9726

### AUDITORS

Connect National Audit Pty Ltd

Level 9

Wyndham Corporate Centre

1 Corporate Court

BUNDALL QLD 4217

### INVESTMENT MANAGER

EC Pohl & Co Pty Ltd

ACN 154 399 916

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Corporate Centre One

2 Corporate Court

BUNDALL QLD 4217

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### SOLICITORS

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