



HYPERION
FLAGSHIP
INVESTMENTS

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR
ENDED 31 DECEMBER 2009

Portfolios that perform

Hyperion Flagship Investments Limited

ABN 99 080 135 913

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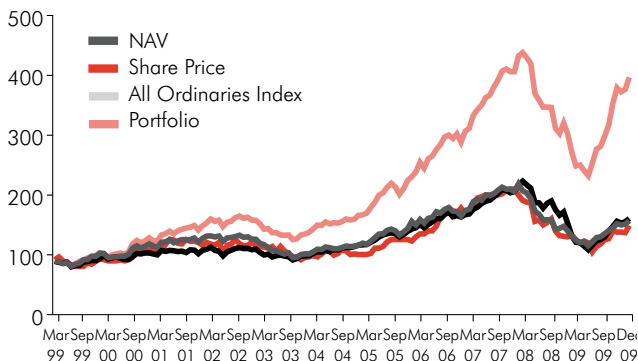
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Independent Auditor's Review Report

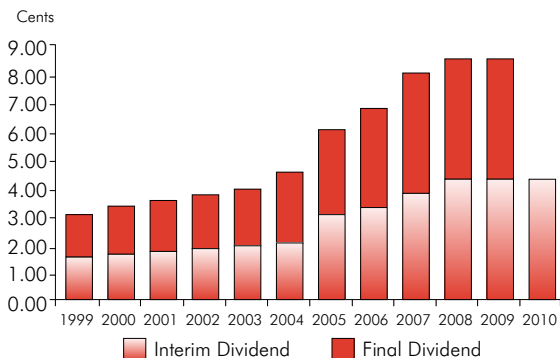
This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2009 and any public announcements made by Hyperion Flagship Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Highlights

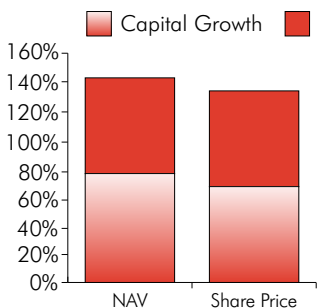
PERFORMANCE HISTORY



DIVIDENDS PER SHARE



RETURNS SINCE INCEPTION (adjusted for rights issue)



Directors' Report

Your Directors submit the Financial Report of the Company for the half-year ended 31 December 2009.

DIRECTORS

The following persons were Directors of Hyperion Flagship Investments Limited since 30 June 2009 and up to the date of this report.

- ☉ Mr Henry R Smerdon AM (Chairman)
- ☉ Dr Emmanuel C Pohl (Managing Director)
- ☉ Mr Patrick Corrigan AM
- ☉ Mr Dominic McGann (Appointed 8th October 2009)
- ☉ Ms Sophie A Mitchell
- ☉ Ms Justine S Hickey (Resigned 8th October 2009)

PRINCIPAL ACTIVITY

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 period.

REVIEW OF OPERATIONS

The investment climate over the past six months has improved substantially over the previous corresponding period due to low interest rates, support of the banking system by the world central banks and continued growth in China, our major trading partner. World equity markets have improved during the first half of this financial year with the MSCI (as measured in US dollar terms) increasing by 21.5% in the six months to December 2009, after increasing by 4.5% in the six months to June 2009. However, when measured in Australian dollar terms, the MSCI increased by only 9.2% over the six months to December 2009 reflecting the strengthening of the Australian dollar during this period.

The Australian market performed slightly better than the international markets, with the All Ordinaries Index increasing by 23.7% over the six month period to the end of December 2009. The Australian market performance, while in line with other world equity markets, did not reflect the relative strength of the local economy, the relatively strong fiscal position of the Australian Federal Government nor the sound management of the Australian financial system by ASIC, APRA and the Reserve Bank of Australia.

The portfolio increase of 32.9% for the six months to the end of December 2009 was substantially better than that of the All Ordinaries Index which increased by 23.7%. Tax and performance fees have resulted in the NAV per share increasing by 20.0% after adjusting the NAV for the payment of the final dividends.

While the outlook is for reasonable economic growth over the next twelve months, the five year expected return from our portfolio has reduced from the all time high and is slightly above the long-term average, suggesting fair value for the market. Hyperion's investment focus on high quality companies with earnings certainty, low levels of debt and sustainable competitive advantages means that the portfolio is well positioned to generate reasonable returns over a three to five year time horizon for our Shareholders.

The continued growth in the dividend receipts from the companies in which we invest, in contrast to much of the market, has enabled the Directors of Hyperion Flagship Investments Limited to announce an interim dividend of 4.25 cents per share fully franked (2008 Interim: 4.25 cents per share fully franked). The 4.25 cent interim dividend will be paid on 19 March 2010 with the books closing on 5 March 2010.

The Dividend Reinvestment Plan raised \$200,000 following the allotment of 147,536 shares at \$1.355 per share.

An on-market buy-back facility to acquire up to 2,677,955 of the Company's shares is in place. During the half-year the Company bought back 122,172 shares for a total cost of \$167,000 at an average price of \$1.359 per share.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes to the investments were made during the period:

- A purchase of 244,227 Navitas
- A Purchase of 91,431 REA Group
- A purchase of 30,000 WorleyParsons
- A purchase of 158,200 Carsales.com
- The sale of 30,000 ANZ
- The sale of 29,000 JB Hi-Fi
- The sale of 60,000 IRESS Market Technology
- The sale of 117,000 Brambles
- The sale of 174,676 Fantastic Furniture

DIVIDEND DECLARED

A fully franked interim dividend of 4.25 cents per share in respect to the half-year ended 31 December 2009 is to be paid on 19 March 2010.

A final dividend of 4.25 cents per share was declared on 28 August 2009 in respect to the year ended 30 June 2009 and paid on 9 October 2009.

In accordance with the tax treatment of Listed Investment Companies, the capital gain component of the interim dividend is the full 4.25 cents per share so that the attributable amount is 6.07 cents per share. Individual taxpayers should be able to claim a deduction of 3.03 cents per share (50%) and superannuation funds will be able to claim a deduction of 2.02 cents per share (33 $\frac{1}{3}$ %). This deduction is in addition to the franking credit that they will receive on the dividend.

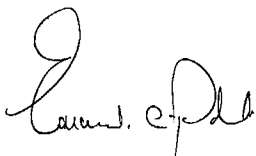
ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

AUDITORS' INDEPENDENCE DECLARATION

The Auditors' Independence Declaration under section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2009.

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



E C Pohl

Director

BRISBANE

22 February 2010



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DECLARATION OF INDEPENDENCE INDEPENDENT AUDITOR TO THE DIRECTORS OF HYPERION FLAGSHIP INVESTMENTS LIMITED

As lead auditor for the review of Hyperion Flagship Investments Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Paul Gallagher

Director

BDO Audit (QLD) Pty Ltd

Brisbane

Date: 22 February 2010

Condensed Statement of Comprehensive Income

For the half-year ended 31 December 2009

	Note	31 Dec 2009 \$'000	31 Dec 2008 \$'000
Realised Profits/(Losses) on investments sold		(101)	(2,553)
Other Revenue	2	690	898
Performance fee		(1,330)	-
Other expenses		(177)	(134)
Profit/(Loss) before income tax		(918)	(1,789)
Income tax (expense)/benefit		441	779
Net Operating profit/(loss) after income tax expense attributable to shareholders of the Company		(477)	(1,010)
Other Comprehensive Income			
Changes in fair value of Available for Sale Financial Assets		10,254	(5,623)
Income Tax (expense)/benefit relating to components of Other Comprehensive Income		(3,076)	1,687
Total Other Comprehensive Income/(loss) for the half-year		7,178	(3,936)
Total Comprehensive Income/(loss) for the half-year attributable to Shareholders of the Company ¹		6,701	(4,946)

¹ This is the Company's Net Return for the half-year, which includes the Net Operating Profit plus the net realised and unrealised gains or losses on the Company's investment portfolio.

	Cents	Cents
Basic earnings per share based on net profit/(loss)	(1.78)	(3.66)
Diluted earnings per share based on net profit/(loss)	(1.78)	(3.66)

The above Condensed Statement of Comprehensive Income should be read in conjunction with the Notes to the Condensed Financial Statements.

Condensed Statement of Financial Position

As at 31 December 2009

	Note	31 Dec 2009 \$'000	30 Jun 2009 \$'000
Assets			
Cash and Cash Equivalents		387	400
Trade and Other Receivables		125	138
Available for Sale Financial Assets		42,411	32,699
Deferred Tax Assets		1,606	3,022
Total Assets		44,529	36,259
Liabilities			
Trade & Other Payables		1,492	38
Current Tax Liabilities		1,221	2
Total Liabilities		2,713	40
Net Assets		41,816	36,219
Equity			
Contributed Equity		37,093	37,060
Reserves		2,849	(4,329)
Retained Earnings		1,874	3,488
Total Equity		41,816	36,219
		Cents	Cents
Net Tangible Assets per share (after tax on realised gains only)		\$1.57	\$1.35
Net Tangible Assets per share (after tax on realised and unrealised gains)		\$1.50	\$1.24

The above Condensed Statement of Financial Position should be read in conjunction with the Notes to the Condensed Financial Statements.

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2009

	Note	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	TOTAL \$'000
Balance at 1 July 2008		37,674	6,438	(3,979)	40,133
Shares issued during period		290			290
Shares bought back on market		(790)			(790)
Total Comprehensive Income for half-year ended 31 December 2008			(1,010)	(3,936)	(4,946)
Sub-total		37,174	5,428	(7,915)	34,687
Dividends paid or provided for	3		(1,156)		(1,156)
Balance at 31 December 2008		37,174	4,272	(7,915)	33,531
Balance at 1 July 2009		37,060	3,488	(4,329)	36,219
Shares issued during period	4	200			200
Shares bought back on market	4	(167)			(167)
Total Comprehensive Income for half-year ended 31 December 2009			(477)	7,178	6,701
Sub-total		37,093	3,011	2,849	42,953
Dividends paid or provided for	3		(1,137)		(1,137)
Balance at 31 December 2009		37,093	1,874	2,849	41,816

The above Condensed Statement of Changes in Equity should be read in conjunction with the Notes to the Condensed Financial Statements.

Condensed Statement of Cash Flows

For the half-year ended 31 December 2009

	31 Dec 2009 \$'000	31 Dec 2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received	688	886
Interest received	4	12
Sub-underwriting fees received	15	-
Income taxes paid	-	-
Other payments to suppliers	(58)	(151)
Net cash inflows/(outflows) from operating activities	649	747
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,913	3,747
Payments for investments	(3,471)	(2,254)
Net cash inflows/(outflows) from investing activities	442	1,493
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to Company Shareholders net of dividend reinvestment	(937)	(866)
Buy-Back of shares	(167)	(790)
Net cash (outflows)/inflows from financing activities	(1,104)	(1,656)
Net (decrease)/increase in cash and cash equivalents	(13)	584
Cash at beginning of the financial period	400	258
Cash at the end of the financial period	387	842

The above Condensed Statement of Cash Flows should be read in conjunction with the Notes to the Condensed Financial Statements.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2009

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR INTERIM FINANCIAL REPORT

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The half-year Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report.

Accordingly, it is recommended that this Interim Financial Report be read in conjunction with the Annual Financial Report for the year ended 30 June 2009 and any public announcements made by Hyperion Flagship Investments Limited during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied and are consistent with those in the 30 June 2009 Annual Report except as noted below.

Rounding of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 and in accordance with that class order, amounts in the Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Changes in Accounting Policy – Segment Information

A change in Accounting Policy has been necessary as a result of a new accounting standard (AASB 8 – Operating Segments) which has become operative for the annual reporting period commencing on 1 July 2009. AASB 8 requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments have been determined in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director. The change has not resulted in any change to the reportable segments presented.

During the period the Company has adopted the requirements of the revised AASB101 Presentation of Financial Statements and has presented a Statement of Comprehensive Income in place of the former Income Statement, as well as making the necessary changes to the Statement of Changes in Equity.

The adoption of this revised standard has no impact on the Company’s net assets, net profit or total recognised gains and losses, but changes the statement where certain gains and losses are presented. Previously, unrealised gains/(losses) on the investment portfolio and the associated deferred tax (charge)/credit were presented in the Statement of Changes in Equity. These items are now presented as components of “other comprehensive income” in the new Statement of Comprehensive Income.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2009

	31 Dec 2009 \$'000	31 Dec 2008 \$'000
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NOTE 2 OTHER REVENUE

Dividends	671	886
Interest	4	12
Sub-Underwriting	15	-
	<u>690</u>	<u>898</u>

NOTE 3 DIVIDENDS

Dividends provided for or paid during the half-year

- final dividend of 4.25 cents per share paid October 2009	1,137	
- final dividend of 4.25 cents per share paid September 2008		1,156

Since the end of the half-year, the Directors have declared an interim dividend of 4.25c per share fully franked at 30% payable on 19 March 2010.

NOTE 4 MOVEMENTS IN ISSUED CAPITAL

Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan	200	189
On-market buy-back of ordinary shares	(167)	(303)
	<u>33</u>	<u>(114)</u>

NOTE 5 CONTINGENT LIABILITIES & CONTINGENT ASSETS

The Company has no known contingent liabilities or contingent assets.

NOTE 6 EVENTS OCCURRING AFTER REPORTING DATE

The Directors are not aware of any matter or circumstance which has arisen since balance date that has significantly or may significantly affect the operations of the Company other than the volatility in the Australian stock market.

NOTE 7 SEGMENT INFORMATION

Operating Segment

The entity operates solely in the investment industry. Its core business focuses on investing in Australian equities to achieve medium to long-term capital growth and income.

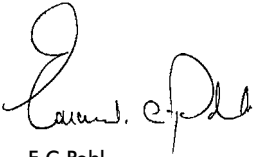
Directors' Declaration

The Directors declare that the Financial Statements and Notes as set out on pages 7 to 12:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Hyperion Flagship Investments Limited will be able to pay its debts as and when they become due and payable.

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



E C Pohl

Director

BRISBANE

22 February 2010

Independent Auditor's Review Report

To the Members of Hyperion Flagship Investments Limited.

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year Financial Report of Hyperion Flagship Investments Limited, which comprises the Condensed Statement of Financial Position as at 31 December 2009, and the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity and Condensed Statement of Cash Flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the Directors' Declaration.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The Directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410. *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Hyperion Flagship Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the Annual Financial Report.

A review of a half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report

(continued)

INDEPENDENCE


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the Directors at the time that this auditor's review report was made.

CONCLUSION

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year Financial Report of Hyperion Flagship Investments Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Audit (Qld) Pty Ltd

BDO


P A Gallagher

Partner

Brisbane

22 February 2010

Board of Directors

Henry R Smerdon AM
Chairman

Emmanuel ('Manny') C Pohl
Managing Director

Patrick Corrigan AM
Non-Executive Director

Dominic McGann
Non-Executive Director

Sophie A Mitchell
Non-Executive Director

Secretary

Ian W Harrison

Manager

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Toll free: 1300 HYPERION
1300 497 374

Website Address

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Hyperion Flagship Investments Limited

HYPERION
FLAGSHIP
INVESTMENTS

ABN 99 080 135 913
Registered in Queensland
on 23 September 1997
Listed on Australian Securities
Exchange Limited
on 20 December 2000.
ASX Code: HIP