



HYPERION
FLAGSHIP
INVESTMENTS

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR
ENDED 31 DECEMBER 2007

Portfolios that perform

Hyperion Flagship Investments Limited

ABN 99 080 135 913

Table of Contents

3

Highlights

4

Directors' Report

6

Auditor's Independence
Declaration

7

Condensed Income Statement
for the half-year ended
31 December 2007

8

Condensed Balance Sheet as at
31 December 2007

9

Condensed Statement of
Changes in Equity for the
half-year ended
31 December 2007

10

Condensed Statement of Cash
Flows for the half-year ended
31 December 2007

11–12

Notes to the Condensed
Financial Statement for the
half-year ended
31 December 2007

13

Directors' Declaration

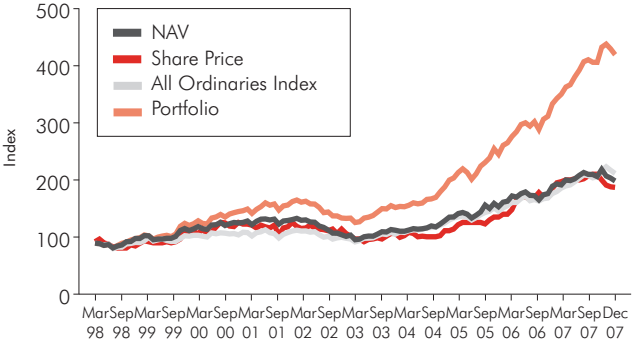
14–15

Independent Review Report
to the Members

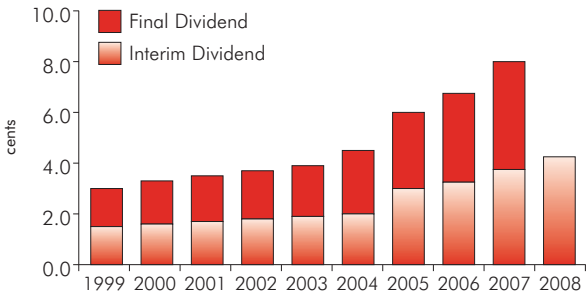
This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year-ended 30 June 2007 and any public announcements made by Hyperion Flagship Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Highlights

PERFORMANCE HISTORY

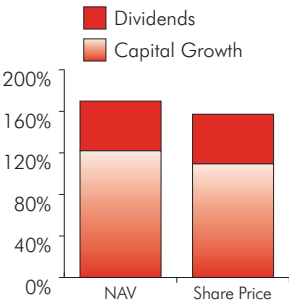


DIVIDENDS PER SHARE

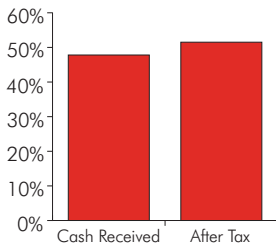


RETURNS SINCE INCEPTION

Return since inception (adjusted for rights issue)



Dividend Return since inception: Cash Received and After Tax showing the effect of The LIC Deduction (assuming a 45% tax rate)



Directors' Report

Your Directors submit the financial report of the Company for the half-year ended 31 December 2007.

DIRECTORS

The following persons were Directors of Hyperion Flagship Investments Limited since 30 June 2007 and up to the date of this report:

- ☉ Mr Henry R Smerdon (Chairman)
- ☉ Dr Emmanuel C Pohl (Managing Director)
- ☉ Mr Steven M Wilson
- ☉ Ms Justine S Hickey

Ms Ignazia Grace retired as a Director on 15 October 2007.

PRINCIPAL ACTIVITY

The principal activity of the Company is making investments in listed and unlisted companies. No change in this activity took place during the half-year or is likely in the future.

REVIEW OF OPERATIONS

The investment climate over the past six months has been extremely volatile changing from bullish to bearish in a relatively short period. World equity markets in general have not performed well during the first half of this financial year with the MSCI (as measured in US dollar terms) declining by 0.8% in the six months to December 2007, after increasing by 8.0% in the six months to June 2007. In Australian dollar terms the MSCI declined by 3.8% over the same six month period reflecting the strengthening of the Australian dollar during the same period.

The Australian market continued its relative out-performance, with the All Ordinaries Index increasing by 1.7% over the six month period to the end of December 2007. The Australian market performance in the first four months reflected the good growth in corporate earnings which had been driven by strong commodity markets, Federal and State spending as well as continued levels of full employment in the economy. However, after a positive start the market declined by 2.7% and 2.6% in November and December respectively, following the trend set overseas.

The portfolio investment return of 2.1% for the six months to the end of December 2007 exceeded the All Ordinaries Index increase of 1.7%. However, shareholders have seen a decline in the NAV per share of 5.5% during the six months to December 2007 which was due to the dilutive effect of the large placement undertaken in October 2007 which, at \$1.92, was at a 7.25% discount to the September NAV of \$2.06. As the portfolio has been unable to match the UBS Bank Bill index during the period, no performance fee has been accrued.

As a result of the sound investment performance and continued growth in the dividend receipts from the companies in which we invest, the Directors of Hyperion Flagship Investments Limited have pleasure in announcing an interim dividend of 4.25 cents per share fully franked (2007 Interim: 3.75 cents per share fully franked). The 4.25 cent interim dividend will be paid on 17 March 2008 with the books closing on 3 March 2008.

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. Therefore, individual taxpayers will 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 1/3%). This deduction is in addition to the franking credit that they will receive on the dividend.

The Capital Raising increased capital by \$19,431,602 following the allotment of 10,120,626 new shares at \$1.92 per share.

The Dividend Reinvestment Plan raised \$261,265 following the allotment of 134,759 shares at \$1.94 per share.

An on-market buy-back facility to acquire up to 1,713,061 of the Company's shares is in place. During the half-year the Company bought back 98,561 shares for a total cost of \$188,386 at an average price of \$1.911 per share.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the period. The following significant changes to the investments were made:

- ☉ An increase of 116,941 Billabong
- ☉ An increase of 112,500 Brambles
- ☉ An increase of 14,490 Macquarie Bank

DIVIDEND DECLARED

A fully franked interim dividend of 4.25 cents per share in respect to the half-year ended 31 December 2007 is to be paid on 17 March 2008.

A final dividend of 4.25 cents per share was declared on 9 August 2007 in respect to the year ended 30 June 2007 and paid on 7 September 2007.

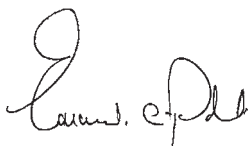
ROUNDING OF AMOUNTS

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 2007.

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



E C Pohl

Director

BRISBANE

27 February 2008

BDO Kendalls

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27 February 2008

Mr Henry Smerdon
Chairman
Hyperion Flagship Investments Limited
Level 22
307 Queen Street
BRISBANE Qld 4000

Dear Henry

AUDITOR'S INDEPENDENCE DECLARATION

In relation to our review of the Interim Financial Report of Hyperion Flagship Investments Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely
BDO Kendalls



P J Gallagher
Partner

Condensed Income Statement

For the half-year ended 31 December 2007

| | Note | 31 Dec 2007 \$'000 | 31 Dec 2006 \$'000 |
|---|------|--------------------------|--------------------------|
| Realised Profits/(Losses) on investments sold | | 1,601 | 1,567 |
| Other Revenue | 2 | 771 | 625 |
| Management Fees | | – | (593) |
| Other expenses | | (176) | (146) |
| Profit/(Loss) before income tax | | 2,196 | 1,453 |
| Income tax (expense)/benefit | | (472) | (257) |
| Net profit after income tax expense attributable to shareholders of the Company | | 1,724 | 1,196 |
| | | Cents | Cents |
| Basic earnings per share based on net profit | | 6.05 | 7.03 |
| Diluted earnings per share based on net profit | | 6.05 | 7.03 |

The above condensed income statement should be read in conjunction with the notes to the financial statements.

Condensed Balance Sheet

For the half-year ended 31 December 2007

| | Note | 31 Dec 2007 \$'000 | 31 Dec 2006 \$'000 |
|---|------|--------------------------|--------------------------|
| Assets | | | |
| Cash and Cash Equivalents | | 712 | 911 |
| Trade and Other Receivables | | – | 94 |
| Other Assets | | 23 | 20 |
| Available for Sale Financial Assets | | 54,902 | 37,614 |
| Held to Maturity Investments | | – | 784 |
| Deferred Tax Assets | | 261 | 45 |
| Total Assets | | 55,898 | 39,468 |
| Liabilities | | | |
| Trade & Other Payables | | 28 | 1,372 |
| Current Tax Liabilities | | 1,792 | 1,389 |
| Deferred Tax Liabilities | | 3,085 | 3,823 |
| Total Liabilities | | 4,905 | 6,584 |
| Net Assets | | 50,993 | 32,884 |
| Equity | | | |
| Issued Capital | | 37,670 | 18,834 |
| Reserves | | 7,199 | 8,921 |
| Retained Earnings | | 6,124 | 5,129 |
| Total Equity | | 50,993 | 32,884 |
| Net Tangible Assets per share (tax on realised gains only) | | 1.98 | 2.14 |
| Net Tangible Assets per share (tax on realised and unrealised gains) | | 1.86 | 1.92 |

The above condensed balance sheet should be read in conjunction with the notes to the financial statements.

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2007

| | Note | Issued Capital \$'000 | Retained Earnings \$'000 | Reserves \$'000 | TOTAL \$'000 |
|------------------------------------|------|-----------------------------|--------------------------------|--------------------|-----------------|
| Balance at 1 July 2006 | | 18,518 | 2,165 | 6,449 | 27,132 |
| Shares Issued during period | 6 | 179 | | | 179 |
| Shares Bought back on market | 6 | (8) | | | (8) |
| Profit attributable to members | | | 1,196 | | 1,196 |
| Revaluation increment (net of tax) | | | | 1,861 | 1,861 |
| Sub-total | | 18,689 | 3,361 | 8,310 | 30,360 |
| Dividends paid or provided for | 5 | | (593) | | (593) |
| Balance at 31 December 2006 | | 18,689 | 2,768 | 8,310 | 29,767 |
| Balance at 1 January 2007 | | 18,689 | 2,768 | 8,310 | 29,767 |
| Shares Issued during period | | 220 | | | 220 |
| Shares Bought back on market | | (75) | | | (75) |
| Profit attributable to members | | | 3,001 | | 3,001 |
| Revaluation increment (net of tax) | | | | 611 | 611 |
| Sub-total | | 18,834 | 5,769 | 8,921 | 33,524 |
| Dividends paid or provided for | | | (640) | | (640) |
| Balance at 30 June 2007 | | 18,834 | 5,129 | 8,921 | 32,884 |
| Balance at 1 July 2007 | | 18,834 | 5,129 | 8,921 | 32,884 |
| Shares issued during period | 6 | 19,693 | | | 19,693 |
| Payment for Share Issue Cost | 6 | (669) | | | (669) |
| Shares Bought back on market | 6 | (188) | | | (188) |
| Profit attributable to members | | | 1,724 | | 1,724 |
| Revaluation increment (net of tax) | | | | (1,722) | (1,722) |
| Sub-total | | 37,670 | 6,853 | 7,199 | 51,722 |
| Dividends paid or provided for | 5 | | (729) | | (729) |
| Balance at 31 December 2007 | | 37,670 | 6,124 | 7,199 | 50,993 |

The above condensed Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Condensed Statement of Cash Flows

For the half-year ended 31 December 2007

| | 31 Dec 2007 \$'000 | 31 Dec 2006 \$'000 |
|---|--------------------------|--------------------------|
| NET CASH FLOWS PROVIDED BY/(USED IN) | | |
| OPERATING ACTIVITIES | | |
| Income Tax paid | – | – |
| Interest received | 84 | 20 |
| Dividends received | 687 | 605 |
| Other receipts | 94 | – |
| Other payments | <u>(1,806)</u> | <u>(1,138)</u> |
| Net cash flows provided by operating activities | <u>(941)</u> | <u>(513)</u> |
| NET CASH FLOWS PROVIDED BY/(USED IN) | | |
| INVESTING ACTIVITIES | | |
| Payments for Bank Bills | – | 66 |
| Proceeds from sales of investment securities | 4,517 | 4,409 |
| Payments for investment securities | <u>(21,882)</u> | <u>(3,076)</u> |
| Net cash flows used in long-term investing activities | <u>(17,365)</u> | <u>1,399</u> |
| NET CASH FLOWS PROVIDED BY/(USED IN) | | |
| FINANCING ACTIVITIES | | |
| Dividend paid on ordinary shares | (729) | (415) |
| Payments for Share Buy-back | (188) | (8) |
| Proceeds from Share issues | 19,692 | – |
| Payments for Share Issue Costs | <u>(668)</u> | <u>–</u> |
| Net cash flows used in financing activities | <u>18,107</u> | <u>(423)</u> |
| Net increase/(decrease) in cash held | (199) | 463 |
| Cash at beginning of the financial period | <u>911</u> | <u>220</u> |
| Cash at the end of the financial period | <u><u>712</u></u> | <u><u>683</u></u> |

The above condensed statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2007

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 the *Corporations Act 2001*, Australian Equivalents to International Financial Reporting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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 2007 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 2007 annual report.

Compliance with Australian Equivalents to IFRS ensures that the Interim Financial Report comprising of the Financial Statements and Notes, complies with International Financial Reporting Standards.

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 Australian Equivalents to International Financial Reporting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 2 OTHER REVENUE

| | 31 Dec 2007 \$'000 | 31 Dec 2006 \$'000 |
|-----------|--------------------------|--------------------------|
| Dividends | 687 | 605 |
| Interest | 84 | 20 |
| Other | — | — |
| | 771 | 625 |

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2007

NOTE 3 CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are no contingent liabilities or contingent assets.

NOTE 4 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 5 DIVIDENDS

| | 31 Dec 2007 \$'000 | 31 Dec 2006 \$'000 |
|---|--------------------------|--------------------------|
| Dividends provided for or paid during the half-year | | |
| – Final dividend of 4.25 cents per share paid September 2007 | 729 | |
| – Final dividend of 3.5 cents per share paid September 2006 | | 593 |

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 17 March 2008.

NOTE 6 MOVEMENTS IN ISSUED CAPITAL

| | 31 Dec 2007 \$'000 | 31 Dec 2006 \$'000 |
|---|--------------------------|--------------------------|
| Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan | 261 | 179 |
| Capital Raising | 19,432 | – |
| Capital Raising Costs | (669) | – |
| On-market buy-back of ordinary shares | (188) | (8) |
| | <u>18,836</u> | <u>171</u> |

NOTE 7 SEGMENT INFORMATION

Business Segment

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

The fund operates solely in one geographical segment being Australia, investing primarily in Australian equities.

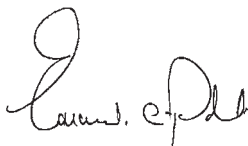
Directors' Declaration

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

- (a) comply with Australian Equivalents to International Financial Reporting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
- (b) give a true and fair view of the Company's financial position as at 31 December 2007 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

27 February 2008

Independent Review Report to the Members of Hyperion Flagship Investments Limited

REPORT ON THE HALF-YEAR INTERIM FINANCIAL REPORT

We have reviewed the accompanying half-year interim financial report of Hyperion Flagship Investments Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the Directors' declaration of the disclosing entity in order for the disclosing entity to lodge the half-year interim financial report with the Australian Securities and Investments Commission and Australian Securities Exchange.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR INTERIM FINANCIAL REPORT

The Directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year interim 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 interim 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 interim 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 2007 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 Act 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 interim financial report.

A review of a half-year interim 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 Review Report to the Members of Hyperion Flagship Investments Limited

INDEPENDENCE

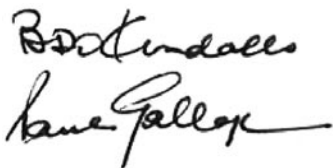
We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We confirm the independence declaration required by the *Corporations Act 2001*, provided to the Directors of Hyperion Flagship Investments Limited on 16 February 2007, would be in the same terms if provided to the Directors as at the date of this review report.

STATEMENT

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 interim 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 consolidated entity's financial position as at 31 December 2007 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 Kendalls
Chartered Accountants



P J Gallagher
Partner
Brisbane
27 February 2008

Board of Directors

Henry R Smerdon
Chairman

Emmanuel ('Manny') C Pohl
Managing Director

Steven M Wilson
Non-Executive Director

Justine Hickey
Non-Executive Director

Secretary

Ian W Harrison

Manager

Hyperion Asset
Management Limited
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Solicitors
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Tel: (07) 3233 8888
Fax: (07) 3229 9949

Auditors

BDO Kendalls
Chartered Accountants
Level 18
300 Queen Street
Brisbane Qld 4000
Tel: (07) 3237 5999
Fax: (07) 3221 9227

Share Register

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Services Pty Ltd
Level 19
307 Queen Street
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Tel: (07) 3237 2100
Fax: (07) 3229 9860

Registered Office

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307 Queen Street
Brisbane Qld 4000
Tel: (07) 3020 3718
Fax: (07) 3020 3701

Website Address

www.hyperionfi.com.au



HYPERION
FLAGSHIP
INVESTMENTS

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