



HYPERION
FLAGSHIP
INVESTMENTS

INTERM FINANCIAL REPORT FOR THE HALF-YEAR
ENDED 31 DECEMBER 2006

A different horizon

Hyperion Flagship Investments Limited

ABN 99 080 135 913

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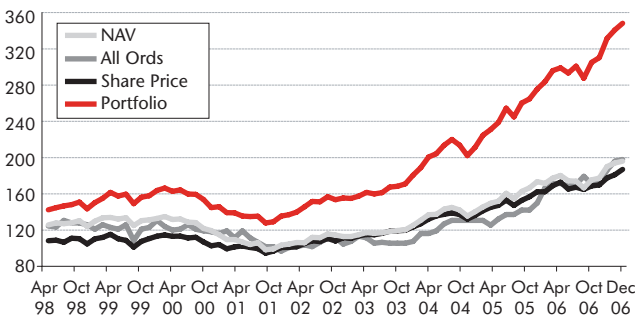
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Independent Review Report
to the Members

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 2006 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.

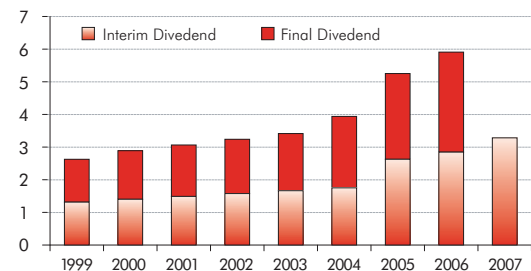
Highlights

Performance History (from April 1998)



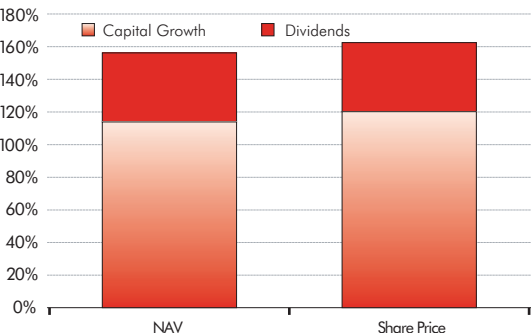
Dividends per share

Cents



* From commencement on 10 March 1998 to 30 June 1998

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 2006.

Directors

The following persons were directors of Hyperion Flagship Investments Limited since 30 June 2006 and up to the date of this report:

- ☉ Mr Henry R Smerdon (Chairman)
- ☉ Dr Emmanuel C Pohl
- ☉ Mr Steven M Wilson
- ☉ Ms Ignazia Grace

Ms Justine Hickey was appointed as a director on 5 October 2006.

Mr Russell McCrory retired as a director on 5 October 2006.

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 once again been very positive. World equity markets in general have performed well during the first half of this financial year with the MSCI (as measured in US dollar terms) increasing by 12.4% in the six months to December 2006, after increasing by 5.0% in the six months to June 2006. In Australian dollar terms the MSCI was up by 5.9% over the same six month period reflecting the strengthening of the Australian dollar during the period.

The Australian market continued its out-performance, with the All Ordinaries Index increasing by 12.1% over the six month period to the end of December 2006. The Australian market performance has reflected the good growth in corporate earnings which have been driven by strong commodity markets, Federal and State spending as well as continued levels of full employment in the economy.

The portfolio investment return of 16.0% for the six months to the end of December 2006 exceeded the All Ordinaries Index increase of 12.1%. The after-tax NAV of the portfolio increased by 13.0% over the six months, also exceeding the market over the six month period.

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 3.75 cents per share fully franked (2006 Interim: 3.25 cents per share fully franked). The 3.75 cent interim dividend will be paid on 16 March 2007 with the books closing on 2 March 2007.

The Dividend Reinvestment Plan raised \$178,344 following the allotment of 108,173 shares at \$1.65 per share.

An on-market buy-back facility for up to 5% of the Company's shares is in place. During the half-year the Company bought back 4,011 shares for a total cost of \$7,586 at an average price of \$1.8915 per share.

Significant Changes in State of Affairs

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

- ☉ The purchase of 670,000 Australis Aquaculture
- ☉ The purchase of 80,000 Aristocrat Leisure
- ☉ The purchase of 63,826 Mortgage Choice
- ☉ The sale of 300,000 STW Communications
- ☉ The sale of 206,000 Great Southern Plantations
- ☉ The sale of 174,287 Babcock & Brown Environmental Investments

Dividend Declared

A fully franked interim dividend of 3.75 cents per share in respect to the half-year ended 31 December 2006 is to be paid on 16 March 2007.

A final dividend of 3.5 cents per share was declared on 10 August 2006 in respect to the year ended 30 June 2006 and paid on 8 September 2006.

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 2006.

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



E C Pohl

Director

BRISBANE

16 February 2007

16 February 2007

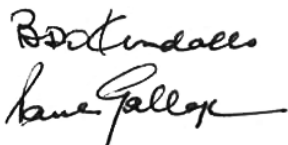
Mr Henry Smerdon
Chairman
Hyperion Flagship Investments Limited
Level 38
71 Eagle Street
BRISBANE Qld 4000

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 2006, 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 2006

	Note	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Realised Profits/(Losses) on investments sold		1,567	448
Other Revenue	2	625	528
Management Fees		(593)	(554)
Other expenses		(146)	(170)
Profit/(Loss) before income tax		1,453	252
Income tax (expense)/benefit		(257)	72
Net profit after income tax expense attributable to shareholders of the Company		1,196	324
		Cents	Cents
Basic earnings per share based on net profit		7.03	2.02
Diluted earnings per share based on net profit		7.03	2.02

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 2006

	Note	31 Dec 2006 \$'000	30 Jun 2006 \$'000
Assets			
Cash and Cash Equivalents		683	220
Trade and Other Receivables		46	75
Other Assets		16	20
Available for Sale Financial Assets		33,739	30,846
Held to Maturity Investments		305	371
Deferred Tax Assets		41	56
Total Assets		34,830	31,588
Liabilities			
Trade & Other Payables		665	1,097
Current Tax Liabilities		837	595
Deferred Tax Liabilities		3,561	2,764
Total Liabilities		5,063	4,456
Net Assets		29,767	27,132
Equity			
Issued Capital	6	18,689	18,518
Reserves		8,310	6,449
Retained profits		2,768	2,165
Total Equity		29,767	27,132
Net Tangible Assets per share (tax on realised gains only)		\$1.95	\$1.76
Net Tangible Assets per share (tax on realised and unrealised gains)		\$1.74	\$1.60

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 2006

	Note	Issued Capital	Retained Earnings	Reserves	TOTAL
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2005		15,063	555	3,924	19,542
Shares Issued during period	6	3,505			3,505
Payment for Share Issue Costs		(148)			(148)
Share Bought back on market		(36)			(36)
Profit attributable to members			324		324
Revaluation increment (net of tax)				2,447	2,447
Sub-total		18,384	879	6,371	25,634
Dividends paid or provided for	5		(419)		(419)
Balance at 31 December 2005		18,384	460	6,371	25,215
Balance at 1 January 2006		18,384	460	6,371	25,215
Shares issued during period		192			192
Share Bought back on market		(58)			(58)
Profit attributable to members			2,253		2,253
Revaluation increment (net of tax)				78	78
Sub-total		18,518	2,713	6,449	27,680
Dividends paid or provided for			(548)		(548)
Balance at 30 June 2006		18,518	2,165	6,449	27,132
Balance at 1 July 2006		18,518	2,165	6,449	27,132
Shares Issued during period	6	179			179
Share Bought back on market		(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

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 2006

	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Net cash flows provided by/(used in)		
operating activities		
Income Tax paid	–	(1)
Interest received	20	30
Dividends received	605	495
Other receipts	–	57
Other payments	(1,138)	(976)
Net cash flows provided by operating activities	<u>(513)</u>	<u>(395)</u>
Net cash flows provided by/(used in)		
investing activities		
Payments for Bank Bills	66	365
Proceeds from sales of investment securities	4,409	2,090
Payments for investment securities	(3,076)	(4,490)
Net cash flows used in long term investing activities	<u>1,399</u>	<u>(2,035)</u>
Net cash flows provided by/(used in)		
financing activities		
Dividend paid on ordinary shares	(415)	(419)
Payments for Share Buy-back	(8)	(36)
Proceeds from share issues	–	3,356
Payments for Share Issue Costs	–	(62)
Net cash flows used in financing activities	<u>(423)</u>	<u>2,839</u>
Net increase/(decrease) in cash held	463	409
Cash at beginning of the financial period	<u>220</u>	<u>334</u>
Cash at the end of the financial period	<u>683</u>	<u>743</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 2006

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 2006 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 2006 annual report.

Compliance with Australian Equivalents to International Financial Reporting Standards 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.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2006

NOTE 2 Other Revenue

	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Dividends	605	496
Interest	20	30
Other	–	2
	625	528

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.

NOTE 5 Dividends

	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Dividends provided for or paid during the half-year		
– final dividend of 3.5 cents per share paid September 2006	593	
– final dividend of 3.0 cents per share paid September 2005		419

Since the end of the half-year, the directors have declared an interim dividend of 3.75c per share fully franked at 30% payable on 16 March 07.

NOTE 6 Movements In Issued Capital

	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan	179	149
1 for 5 rights issue	–	3,356
Capital Raising Costs	–	(148)
On-market buy-back of ordinary shares	(8)	(36)
	171	3,321

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2006

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 13:

- (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 2006 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

16 February 2007

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 2006, 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 Stock 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 2006 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 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 (continued)

Independence

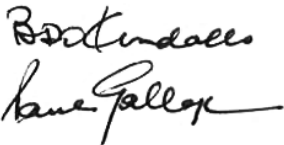
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We confirm the independence declaration required by the Corporations Act 2001, provided to the directors of Hyperion Flagship Investments Limited 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 2006 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
16 February 2007

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Board of Directors

Henry R Smerdon
Chairman

Emmanuel ('Manny') C
Pohl
Managing Director

Steven M Wilson
Non-Executive Director

Ignazia ('Grace') Grace
Non-Executive Director

Justine Hickey
Non-Executive Director

Secretary

Ian W Harrison

Manager

Hyperion Asset
Management Limited
ABN 80 080 135 897
Level 38
Riparian Plaza
71 Eagle Street
Brisbane Qld 4000
Tel: (07) 3212 1318
Fax: (07) 3212 1060

Solicitors

McCullough Robertson
Solicitors
Level 11
Central Plaza Two
66 Eagle Street
Brisbane Qld 4000
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

Computershare Investor
Services Pty Ltd
Level 19
307 Queen Street
Brisbane Qld 4000
Tel: (07) 3237 2100
Fax: (07) 3229 9860

Registered Office

Level 38
Riparian Plaza
71 Eagle Street
Brisbane Qld 4000
Tel: (07) 3212 1318
Fax: (07) 3212 1060

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