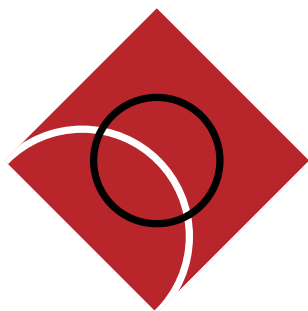


ANNUAL REPORT 2007



HYPERION
FLAGSHIP
INVESTMENTS

Portfolios that perform

Hyperion Flagship Investments Limited

ABN 99 080 135 913



AUSTRALIAN STOCK EXCHANGE

	OFFER	LAST	VOL	STOCK
10	5.28	5.05	1T	CC AMATIL
95	2.00	1.97	4HT	CENT. PRG
48	-	1.50	4HT	CENT. PRG
33	1.34	1.33	0	CENT. PRG
25	10.40	10.25	0	CENT. PRG
28	4.31	4.28	0	CENT. PRG
30	2.31	2.30	0	CENT. PRG
32	4.36	4.32	0	CENT. PRG
00	22.00	21.00	0	CENT. PRG
88	2.90	2.92	0	CENT. PRG

0 AAA 2.20 2745

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FINANCIAL CALENDAR FINANCIAL YEAR END

30 June 2007

BOOKS CLOSE

21 August 2007

DIVIDEND PAYMENT

7 September 2007

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Hyperion
Flagship Investments Limited

WILL BE HELD AT

The office of
Hyperion Flagship Investments Limited
Level 38, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

TIME

5.00 pm

DATE

Thursday 8 November 2007

INVESTING IN HYPERION FLAGSHIP INVESTMENTS LIMITED

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

ASX code: HIP

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



HYPERION FLAGSHIP INVESTMENTS LIMITED DIRECTORS (from left to right)
Grace Grace, Dr Manny Pohl, Henry Smerdon, Justine Hickey and Steven Wilson

Highlights for 2007

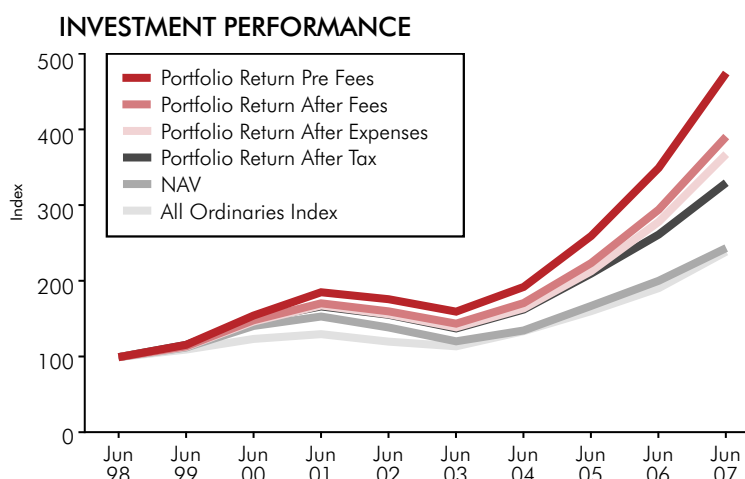


Highlights for the year ending June 2007

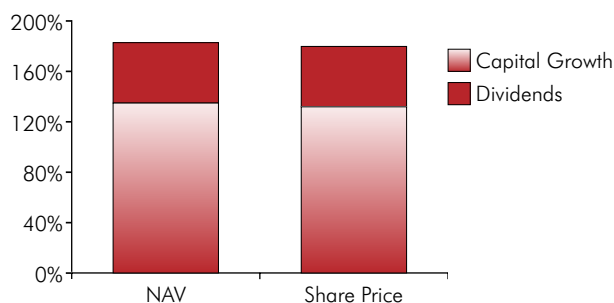
- The portfolio after fees but before tax increased by 32.8% versus 25.4% for the All Ordinaries Accumulation Index.
- Net Asset Value ("NAV") per share increased by 21.6% from \$1.76 at 30 June 2006 to \$2.14 at 30 June 2007.
- The annual dividend of 8.0 cents was an increase of 18.5%, exceeding the rate of inflation again, as it has done every year since inception.
- The annual dividend was fully franked and also had attached a Listed Investment Company ("LIC") attributable amount of 11.43 cents.



Relative Performance History



Total returns since inception to June 2007





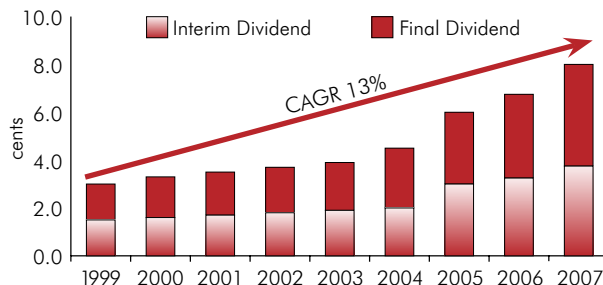
Hyperion Flagship Investments Performance vs. the All Ordinaries Index

ANNUAL PERCENTAGE GAIN				
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NAV**	All Ordinaries Index
June 1999	16.4%	14.4%	12.9%	10.1%
June 2000	33.6%	30.4%	25.5%	12.9%
June 2001	20.0%	15.2%	8.9%	5.1%
June 2002	-5.0%	-6.3%	-9.5%	-7.6%
June 2003	-9.4%	-10.2%	-13.3%	-5.2%
June 2004	20.5%	19.0%	12.0%	17.7%
June 2005	35.1%	31.0%	24.2%	19.8%
June 2006	34.7%	31.6%	19.9%	19.0%
June 2007	35.9%	32.8%	21.6%	25.4%
Overall Gain	379.0%	294.2%	145.5%	140.8%

**The 2006 and 2007 NAV has been adjusted by the amount of the final dividend.



Dividends per share



Five Major Investments June 2007

MAJOR INVESTMENTS		
	Jun 07	Jun 06
Rio Tinto	6.5%	6.4%
ANZ Bank Group	5.9%	5.5%
Brambles	5.4%	5.2%
BHP Billiton	5.3%	4.6%
Woodside Petroleum	5.2%	1.4%
TOTAL	28.3%	23.1%

COMPANY PROFILE

Hyperion Flagship Investments Limited (the "Company") is a listed investment company providing investors with access to a diversified Australian investment portfolio managed by Hyperion Asset Management Limited (the "Manager").

The composition and performance of the investment portfolio is monitored by the Board of Directors ("Directors"), which comprises business people with many years of experience in the investment and funds management industry.

The Manager's investment strategy centres on the view that investing in high quality business franchises with the ability to grow sales and earnings at rates above GDP will produce superior investment returns over the long-term. The Company's portfolio of investments comprises companies 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.

There is no fixed management fee. The Manager receives a fee which is performance based and 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.

OBJECTIVES

The investment objectives of Hyperion 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 real value of investments after allowing for inflation; and
- ☞ To provide Company Shareholders ("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 Hyperion Flagship Investments Limited are:

- ☞ Reduced share investment risk through a diversified investment portfolio.
- ☞ Professional, disciplined management of an investment portfolio by Hyperion Asset Management Limited.
- ☞ Growth in a fully franked dividend income.
- ☞ Access to a Dividend Reinvestment Plan.
- ☞ No fixed management fees - the Fund Manager is remunerated on a performance basis.
- ☞ No entry or exit charges made by the Company.
- ☞ Easy access to information via the Company's head office or website.

INVESTMENT MANAGER

The management of the Company's investment portfolio is undertaken by the Manager.

The executives of the Manager effectively own 50% of the Manager through a holding company.

Manny Pohl as an executive of the Manager has an effective 22% interest in the Manager.

Chairman's Report

Dear Investor,

I am pleased to present the Tenth Annual Report of the Company for the year ended 30 June 2007 and my first as your Chairman.

The Company has had another strong year underpinned by continued outstanding investment performance by our Manager, Hyperion Asset Management Limited. The return on the investment portfolio after fees was 32.8 per cent for the year which translates to a return of 21.6 per cent after tax on realized gains. The All Ordinaries Accumulation Index (pre tax and no fees) increased 25.4 per cent in the same period.

It is worth noting that with one exception in the past nine years, the Company's investment performance has exceeded the All Ordinaries Index each year, and mostly by a considerable margin.

The strong investment performance has enabled your Board to increase the final dividend for the year to 4.25 cents per share, making a total dividend payment for the year of 8 cents per share, an increase of 18.5 per cent on the previous year. It is consistent with your Board's policy of providing a sustainable and increasing return to Shareholders in excess of the rate of inflation. The dividend is fully-franked and in addition to the franking credit, individual taxpayers will be able to claim a deduction dependent on the attributable amount of 11.43 cents per share in accordance with the tax treatment of Listed Investment Companies.

We were also pleased to see during the year, a continuing closer correlation between the share price and the NAV as it has been a strong desire of the board to ensure that the real value of the Company's underlying assets is reflected in the share price. Based on the superior long-term investment performance of our Manager which we are confident will continue, we believe there is even an argument for the share price to be trading at a level in excess of the NAV.

Key longer term objectives of the Board have been to increase the size and profile of the Company, expand the Shareholder base and to generate additional broker support for the Company. An opportunity arose recently to go to the market with a sizable new issue of shares. The capacity to link with a broker of the size and influence of CommSec, particularly in the retail market, was most welcome.

Your board believes that a larger and more diverse Shareholder base will deepen the market for the Company's shares and the increase in size of the Company will be in the long-term interest and benefit of our Shareholders and outweigh any short-term considerations.

I would like to thank Dr Manny Pohl and his team for their continued excellence in investment performance, which underpins our success.

I would particularly like to pay tribute to Russell McCrory who was an inaugural Director of the Company and who resigned in October last year. Russell's contribution to the success of the Company has been immeasurable.

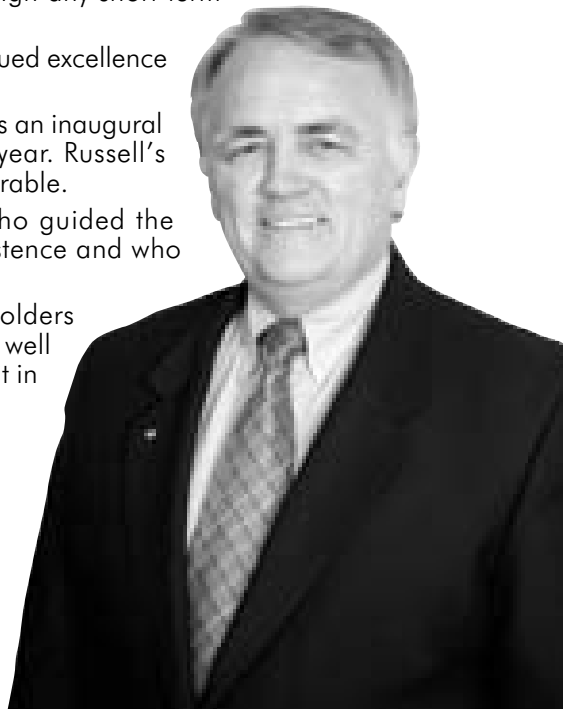
I also must pay tribute to my predecessor, Steve Wilson, who guided the Company so admirably in the important early years of its existence and who has been a tower of strength to me and to the Company.

Finally, my fellow Directors and I would like to thank Shareholders for your continuing support. Your loyalty and support has been well rewarded and we will continue to work diligently for your benefit in the years ahead.

Yours sincerely,



Henry Smerdon
Chairman



Managing Director's Report

The investment climate over the past year has once again been very positive. World equity markets in general have performed well during this financial year with the MSCI (as measured in US dollar terms) increasing by 21.4% for the twelve months to 30 June 2007. The strengthening of the Australian dollar has resulted in the MSCI increasing in Australian dollars by only 6.3% over the same twelve month period. This lift in world equity prices in domestic currency reflected the continued good growth in company earnings and positive investor sentiment.

Investors in the Australian market have also been rewarded with a healthy return over the past twelve months. The general market, as measured by the ASX All Ordinaries Index showed a 25.4% improvement as compared to the nine-year increase in the index of 15.6% (excluding dividends). Our portfolio produced a return of 35.9% over the twelve month period reflecting the growth in the businesses in which we invest. This has enabled the Board of Directors to increase the total dividend to Shareholders, by 18.5% over the previous twelve months. This substantial growth in dividend income is due to investing in quality companies identified by our three-stage investment process which filters out non-compliant companies. Our investment portfolio comprises low capital intensive growth companies and currently has a small to mid-cap bias.

The first or primary stage filters for investment grade companies are:

- ☞ Historical Sales Growth;
- ☞ Return on Equity; and
- ☞ Interest Cover.

The first filter tests whether a company is growing. Only those companies with sales that have been growing faster than the Australian Economy (as measured by Nominal Gross Domestic Product) are accepted. The principle here is that we don't want to own businesses that are stagnant or shrinking.

The second filter tests whether a company's management has been successful in obtaining excellent returns on Equity. Only companies showing an annual Return on Equity of 15% or greater are considered. To put this another way, if an investor can get a return of 5% on government bonds that are relatively risk free, we believe that 15% is the minimum that an investor in a company should receive for the extra risk of owning equity. This represents an equity premium of 10%.

The third filter tests for security of clients' funds. Only those companies whose pre-tax profits cover their annual interest bill on their borrowings by four times or greater are considered. That is, company profits have to drop by more than 75% before they are going to have trouble servicing their debt.

When these three filters are applied together to all the Australian listed companies, we are left with 80 to 100 companies to consider for investment. The common traits these companies share are that they are growth orientated with a strong business franchise, and in particular, those that we believe have a sustainable competitive advantage.

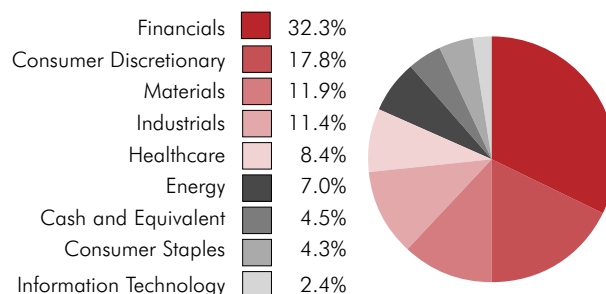
A sustainable competitive advantage is like having a moat around a company's business. It protects a business from competitors and new entrants to its market. Companies with a sustainable competitive advantage usually have workforces that are incentivised for business success. The company's suppliers are not usually in a dominant bargaining position, so the company has access to well priced and consistent inputs.

Before we actually buy a stock we ask ourselves the question. "Would we buy all of this business if we had the money?" That is, we buy shares in the business as a business owner, not as a trader of shares.

However, we will consider selling at certain times. For example:

- ☞ If there is a major change in management and we feel that there is insufficient continuity of management to be associated with the track record, we may sell.
- ☞ If there is a major takeover or merger.
- ☞ If the company loses its sustainable competitive advantage we will sell its shares.
- ☞ If the market valuation of the company exceeds certain thresholds, then we may sell the shares to achieve a lower weighting.
- ☞ If a company's cash flow deteriorates to a point where it no longer is four times the interest paid, we would seek to understand why and if the answer was unacceptable we may sell the shares.

CHART 1: DISTRIBUTION OF ASSETS AS AT 30 JUNE 2007



The overall portfolio distribution of assets is shown in Chart 1. In the portfolio there are a number of new investments, all of which comply with our investment philosophy. In keeping with my intention of providing Shareholders with information on the key investments that we make, I have included a comment on JB HiFi and Seek.

JB HI FI LIMITED

ASX Code: JBH

The company is a retailer of consumer electronics, music, dvds, car sound systems and white goods. It operates two retail brands – JB Hi-Fi and Clive Anthony's.

JBH currently has material market share in the key product categories it operates in. However, the value segment of the home entertainment market is large, fragmented and growing rapidly providing the opportunity for JBH to organically grow its revenues through rolling out new stores and increasing the average size of the existing ones.

Initially the company focused on selling competitively priced music cd's and sound equipment. However, the company has established a strong track record of integrating additional product categories into its stores as it moves towards becoming a broad retailer of consumer electronics.

Sustainable Competitive Advantage

JBH has established a strong brand that is well known for delivering value for money.

The company benefits from two primary attributes: volume rebates and low store operating costs. The volume rebates increase as the company sells more of a manufacturer's merchandise. With JBH operating close to 80 stores nationally this provides a cost advantage over the smaller, independently owned operators. JBH also maintains a low level of store operating costs. This allows the company to compete against other retailers, who have stronger buying power but a higher level of store overheads.

SEEK

ASX Code: SEK

SEEK Limited operates Australia's best known online recruitment advertising site "www.seek.com.au".

Online employment advertising has experienced strong growth over the past five years as both employers and employees come to appreciate the benefits provided by internet recruitment. Within this environment, SEEK has demonstrated its ability to develop emerging segments of the market, increase its penetration within small and medium enterprises and implement price increases.

Currently, online advertising accounts for approximately 23% of the total employment market advertising spend, compared to 31% in the more mature USA market. This suggests potential for further growth within the domestic market.

Sustainable Competitive Advantage

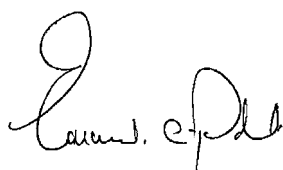
Seek has established a strong value proposition to both job seekers and employers.

Through establishing the strongest brand within the industry SEEK benefits from a virtuous circle. The site with the greatest number of job seekers (SEEK accounts for 72% of online user time) attracts the greatest number of employers and job advertisements (SEEK accounts for 56% of all online ads). Having the greatest number of job advertisements in turn attracts the greatest number of jobseekers, completing the circle. This position is easily defended and very difficult for competitors to break down.

CLOSING COMMENTS

The complete details of all the investments that were held at the end of the financial year are detailed later in the Annual Report. Suffice to say that Rio Tinto (6.5%), ANZ (5.9%) and Brambles (5.4%) were the three largest investments held at the June 2007 year-end and it is these three investments that we believe have the best risk adjusted return profiles.

Our expected return for the Australian equity portfolio is 11% (we normally use 9% for the market) per annum over the next five years. However, over shorter time period actual returns could vary markedly each year from this forecast. This volatility of returns over shorter time periods is the fundamental reason why we encourage investors to have a minimum five year time horizon when investing in Hyperion Flagship Investments Limited.



Dr Emmanuel (Manny) C Pohl
Managing Director



Directors' Report

1. DIRECTORS

The following persons were Directors of Hyperion Flagship Investments Limited from the beginning of the financial year until the date of this report, unless otherwise stated:

Henry R Smerdon, Emmanuel (Manny) C Pohl, Ignazia Grace, Justine S Hickey and Steven M Wilson.

Russell B McCrory retired on 5 October 2006.

2. INFORMATION ON DIRECTORS



Henry R Smerdon

B.Com, B.Econ, FCPA, MAICD, Fdn DFP
Non-Executive Chairman
Chairman of Nomination Committee
Member of Audit and Compliance Committee

Experience and expertise

Director since 2000. Extensive experience as a previous board member/CEO of Queensland Investment Corporation, Chairman of Q-Invest Ltd, member of various private and Government boards and as Under Treasurer of the Queensland Treasury.

Other current directorships

Chairman Brisbane Cruise Wharf Pty Ltd (appointed 2003)
Chairman of Advisory Board of Currumbin Wildlife Sanctuary (member since 2004)
Chairman of the Queensland Performing Arts Trust (appointed 2000)
Deputy Chancellor of Griffith University (appointed 1997)
Member of Public Trust Office Investment Board (appointed 1999)
Member of Motor Accident Insurance Commission CTP Advisory Committee (appointed 1999).



Dr Emmanuel (Manny) C Pohl

Pr Eng, BSc (Eng), MBA, DBA, FAICD, MSDIA, SA Fin
Managing Director
Member of Nominations Committee

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 Hyperion Asset Management Limited (appointed 1997)
Managing Director of Hyperion Holdings Limited (appointed 2004)
Director of Global Masters Fund Limited (appointed 2005)
Director of Huysamer Capital Investments (Pty) Ltd (appointed 2002)

Former directorships in last 3 years

Alternate Director of The Great Barrier Reef Research Foundation from 2003 to 2004.
Director of The Great Barrier Reef Research Foundation from 2004 to 2004
Non-executive Director of Growth Equities Corporation Limited from 2003 to 2004
Board Member of La Boite Theatre Inc from 2002 to 2004 Non-executive director of Queensland Gas Company Ltd from 2004 to 2005.
Managing Director of WHTM Capital Management Limited from 2002 to 2004.



Ignazia (Grace) Grace

B LS, ADIR, ASFA Certification
Non-Executive Director
Member of Audit and Compliance Committee

Experience and expertise

Director since 2000. Extensive director experience in the funds management industry.

Other current directorships

General Secretary of the Queensland Council of Unions (elected 2000)
Director of Sunsuper (appointed 2000)
Chair of Sunsuper Investment Committee (appointed 2007)
Director of Energex Ltd (appointed 1999)
Director of ESI Super (appointed 2005)
Director of Labour Holdings Ltd group of Companies
Proxy Trustee of Qsuper – Queensland Government Superannuation Schemes (appointed 2001)
Member of South Bank Corporation Board (appointed 1999)
Member of Jupiters Casino Community Benefit Fund (appointed 1995)
Member of the Workplace Health & Safety Board (appointed 1997)
Member of Qcomp Board (2003 - 2006).



Justine S Hickey

B Com, GAICD, SAFin, ASIP(UK)
Non-Executive Director
Chairman of Audit and Compliance Committee

Experience and expertise

Director since 2006. Extensive experience in the funds management industry.

Other current directorships

Director of Australian Ethical Investment Limited (appointed 2007)
 Member of University of Melbourne Investment Committee (appointed 2005)
 Member of the Dalton Nicol Reid Investment Committee (appointed 2005)
 Director of Youth Enterprise Trust (appointed 2005)
 Chairman of YET Foundation (appointed 2006).



Steven M Wilson

B.Com. LLB (UQ), Hon PHD (QUT), FAICD, FAIM, SF Fin, MSDIA
Non-executive Director
Member of Nominations Committee

Experience and expertise

Director since 1997. Previous Chairman from inception of the Company in 1997 until November 2006. Has extensive experience in investment banking and funds management industries.

Other current directorships

Executive Chairman of Wilson HTM Investment Group Ltd (appointed 2003)
 Chairman of South Bank Corporation (appointed 1996)
 Chairman of Wilson HTM Investment Management Pty Ltd (appointed 2005)
 Director of Pinnacle Investment Management Limited (appointed 2004)
 Director of The Centre for Independent Studies (appointed 2004)
 Director of Queensland Rugby Union Ltd (appointed 2006)
 Councillor of The Australia Business Arts Foundation (appointed 2004)
 Trustee for University of Queensland Rugby Union Foundation (appointed 2004).

Former directorships in last 3 years

Director of Great Barrier Reef Research Foundation from 2002 to 2004.
 Director of Hyperion Asset Management Limited from 1997 until 2006
 Director of Hyperion Holdings Limited from 2004 until 2006.

Director who retired during the year:



Russell B McCrory

FAICD, MSDIA
Resigned as a Non-Executive Director on 5 October 2006.

Experience and expertise

Director since 1998. Extensive experience in the stock-broking industry.

Other current directorships

Director of Wilson HTM Charities Ltd (appointed 2000)

Former directorships in last 3 years

Director of Securities & Derivatives Industry Association from 1998 to 2005.

3. PRINCIPAL ACTIVITIES

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

4. REVIEW OF OPERATIONS

Over the past twelve months the equity market has rewarded investors with a healthy return.

This is reflected in:

- ☉ The portfolio value increasing by 21.9% resulting in a \$2,471,000 increase in the asset revaluation reserve after tax.
- ☉ Dividends received by the Company are down 5% due to the number of special dividends received in the 2005/2006 year which were not repeated in the current year.
- ☉ Total dividend payments for the year increased by 18.5% to 8.00 cents per share.

The Directors are committed to increasing the value of the Company and to maintaining the alignment between the market price and the Net Tangible Assets of the Company.

In keeping with this commitment, the following announcements have been made:

- ☉ September 2006 – on-market buy-back notification
- ☉ December 2006 – on-market buy-back notification
- ☉ March 2007 – on-market buy-back notifications
- ☉ May 2007 – on-market buy-back of shares completed
- ☉ June 2007 – re-instatement of on-market buy-back of shares for the next 12 months
- ☉ June 2007 – on market buy-back notification

The share price has increased by 22.5% from \$1.69 at 30 June 2006 to \$2.07 at 30 June 2007.

Subject to the above Directors do not expect any significant developments to occur in the operations of the Company, which will adversely affect the results in subsequent years. Any general decline in equity markets may have an adverse effect on results in future years.

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the entity during the financial year were as follows:

An increase in contributed equity of \$316,034 (from \$18,518,461 to \$18,834,495) as a result of:

- ☉ Issue of 218,480 fully paid ordinary shares under the Dividend Reinvestment Plan. (108,173 @ \$1.65 and 110,307 @ \$2.00)
- ☉ On market buy-back of fully paid ordinary shares as follows:
 - 660 shares @ \$1.70 on 28 September 2006
 - 3,351 shares @ \$1.92 on 18 December 2006
 - 30,000 shares @ \$1.9645 on 6 March 2007
 - 490 shares @ \$2.00 on 14 March 2007
 - 1,000 shares @ \$2.00 on 19 March 2007
 - 5,643 shares @ \$2.00 on 13 April 2007
 - 800 shares @ \$2.00 on 26 June 2007

6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 9 July 2007 the Directors announced a capital raising of up to \$30m by way of a general offer to the existing Shareholders and the public. The raising was approved by Shareholders at a general meeting held on 9 August 2007. The board has subsequently announced on 16 August 2007 the suspension of the capital raising to a date deemed more appropriate and when more settled market conditions have returned.

Announced in conjunction with the capital raising on 9 July 2007 was the suspension of the on-market buyback which will continue until the capital raising has concluded.

Subject to the above the Directors are not aware of any matter or circumstance not otherwise dealt with in the Director's Report or financial report which has arisen since the end of the year that has significantly 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.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no planned changes to principal activities.

8. 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.

9. DIVIDENDS PAID

Type	Cents per share	Total amount \$'000's	Date of payment
Dividends paid to members during the financial year were as follows:			
Final Interim	3.50¢ 3.75¢ 7.25¢	593 640 1,233	September 2006 March 2007
Dividends paid by the Company during the preceding year were:			
Final Interim	3.00¢ 3.25¢ 6.25¢	419 548 967	September 2005 March 2006

All the dividends paid or declared by the Company and referred to above were 100% franked.

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final dividend of \$728,017 (4.25 cents per share) to be paid on 7 September 2007. This dividend also has attached a LIC attributable amount of 6.07 cents per share.

An example of the benefit received by an individual Shareholder from the dividend is as follows:

For a real person Shareholder the total dividend amount received for 2006/2007 will be:

	Interim Payment March 07 Cents per share	Final Payment Sept 07 Cents per share	Total Cents per share
Dividend Payment	3.750	4.250	8.000
Imputation Credits	1.607	1.821	3.428
TOTAL ASSESSABLE INCOME	5.357	6.071	11.428
LIC capital gain deduction (based on attributable amount)	2.680	3.035	5.715
TOTAL TAXABLE INCOME	2.677	3.036	5.713

The total cash amount received by an individual Shareholder will be the dividend payment received plus a tax refund which is dependent on the marginal tax rate of the individual.

For example:

If an individual's marginal tax rate is 45% then the following benefits are obtained.

Dividend Payment	3.750	4.250	8.000
Tax refund	0.402	0.455	0.857
TOTAL CASH AMOUNT	4.152	4.705	8.857

10. EARNINGS PER SHARE

	2007 Cents	2006 Cents
Basic earnings per share	24.6	15.68
Diluted earnings per share	24.6	15.68

11. COMPANY SECRETARY

Ian W Harrison BBus (Acc), FCPA; CSA (Affiliate)

Company Secretary and Chief Financial Officer since inception of the Company in 1997.

Ian has 28 years experience in the accounting and finance industries. He is the Company Secretary for Hyperion Asset Management Limited and Wilson HTM Investment Group Ltd and associated entities.

12. MEETINGS OF DIRECTORS

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

Director	Board		Audit Committee		Nomination Committee	
	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend
H R Smerdon	8	7	2	1	1	1
E C Pohl	8	8	–	–	1	1
S M Wilson	8	8	–	–	1	1
I Grace	8	6	2	2	–	–
J S Hickey	5	5	2	2	–	–
R B McCrory (resigned)	3	3	–	–	–	–

13. REMUNERATION REPORT

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) Equity Holdings
- (F) General Transactions
- (G) Loans

(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 has delegated the responsibility for determining the remuneration of Directors to the Chairman and Managing Director. The remuneration is reviewed annually.

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

The Director fees paid to Manny Pohl, Steven Wilson, and Russell McCrory (while a Director) are paid to their employer in accordance with their employer policies.

There is no performance based remuneration for Directors.

(B) Details of remuneration

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

DETAILS OF REMUNERATION

Director	Year	Primary			Post-Employment	Equity		Total \$
		Fees \$	Performance Fees \$	Non-monetary benefits \$	Super \$	Retirement Benefits \$	Options \$	
H R Smerdon Non-executive Chairman	2007	23,659	–	–	–	–	–	23,659
	2006	12,000	–	–	–	–	–	12,000
E C Pohl Managing Director	2007	12,000	–	–	–	–	–	12,000
	2006	12,000	–	–	–	–	–	12,000
S M Wilson Non-executive Director	2007	18,408	–	–	–	–	–	18,408
	2006	30,000	–	–	–	–	–	30,000
I Grace Non-executive Director	2007	12,000	–	–	–	–	–	12,000
	2006	12,000	–	–	–	–	–	12,000
J S Hickey Non-executive Director	2007	8,132	–	–	731	–	–	8,863
	2006	–	–	–	–	–	–	–
R B McCrory Non-executive Director	2007	3,164	–	–	–	–	–	3,164
	2006	12,000	–	–	–	–	–	12,000
G G Huysamer Non-executive Director	2007	–	–	–	–	–	–	–
	2006	4,304	–	–	–	–	–	4,304
Total Directors Remuneration	2007	77,363	–	–	731	–	–	78,094
	2006	82,304	–	–	–	–	–	82,304

The Company pays a premium for Directors and Officers Liability insurance to which the Directors receive the benefit. This insurance forms part of the definition of Directors' remuneration, but due to impracticality, the insurance premium has not been allocated to each Director.

(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, Company Secretary, S Wilson and R McCrory are employed by entities associated with the Company.

(D) Share-based compensation

No share-based compensation exists.

(E) Equity Holdings

As at the date of this report, the interest of the Directors in shares of the Company are as follows:

Director	Shares Held
E C Pohl	3,536,510 (i)
S M Wilson	1,820,685 (ii)
H R Smerdon	20,839
I Grace	15,090
J Hickey	13,000

(i) E C Pohl has a relevant interest in shares in the Company over which he holds a Power of Attorney arrangement with a number of clients.

(ii) S M Wilson has a relevant interest in shares held beneficially by members of the Wilson family.

(F) General Transactions

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

(G) Loans

There are no loans issued to any of the Directors (30 June 2006 – Nil).

14. OPTIONS

No options have been issued during or since the financial year (30 June 2006 – Nil).

15. INSURANCE OF OFFICERS AND/OR AUDITORS

During the financial year the Company paid a premium to insure the Directors and officers of the Company. The insurance policy does not allow the premium to be disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of the information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between the amounts relating to the insurance against legal costs and those relating to other liabilities.

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

16. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

17. 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.

Details of the amounts paid or payable to the auditor (BDO Kendalls) for audit and non-audit services provided during the year are set out in Note 18 to the Financial Statements.

The Audit and Compliance Committee has considered the position and is satisfied that the provision of any non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The 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:

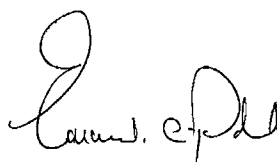
- All non-audit services are reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing 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 15 of the Directors' Report.

18. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 issued by the Australian Securities and Investments Commission. 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
Managing Director

BRISBANE

3 September 2007

Auditors' Independence Declaration



BDO Kendalls (QLD)
Level 18, 300 Queen Street
Brisbane QLD 4000
GPO Box 457
BRISBANE QLD 4001
Phone 61 7 3237 5999
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

ABN 70 202 702 402

3 September 2007

Mr H Smerdon
Chairman
Hyperion Flagship Investments Limited
Level 38
Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Dear Henry,

AUDITORS' INDEPENDENCE DECLARATION

In relation to our audit of the Financial Report of Hyperion Flagship Investments Limited for the year ended 30 June 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 faithfully,

BDO Kendalls (QLD)

A handwritten signature in black ink, appearing to read 'Paul Gallagher'.

Paul Gallagher
Partner

This statement outlines the main corporate governance practices that were in place throughout the financial year unless otherwise stated.

The ASX Listing Rules require listed companies to include in their annual report a statement detailing the extent to which they have followed the 28 ASX best practice recommendations in their reporting period. Listed companies must identify the recommendations that have not been followed and provide reasons for the Company's action.

A checklist summarising the ASX recommendations and compliance is on pages 18 and 19.

1. BOARD OF DIRECTORS

The board is responsible for the overall corporate governance of the entity and its overriding objective is to protect and increase Shareholder value. The board guides and monitors the business to ensure that the Company is properly managed in the best interest of Shareholders. The board is accountable to its Shareholders.

A charter setting out the board's role and responsibilities, composition etc has been established.

The board comprises four non-executive Directors (including the Chairman) and one executive Director (being the Managing Director). All Directors have a personal financial interest in the Company.

For Corporate Governance purposes there are three independent Directors and two non-independent Directors. All Directors review their compliance with the ASX definition of independence.

The Directors associated with the Manager are:

- ☉ Manny Pohl – The Managing Director and a substantial shareholder of the Manager. Manny is also a shareholder of Wilson HTM Investment Group Ltd.
- ☉ Steven Wilson – A substantial shareholder in Wilson HTM Investment Group Ltd.

Manny Pohl and Steven Wilson are substantial Shareholders of the Company.

Wilson HTM Investment Group Ltd owns 42.75% of the Manager.

The names of the current directors are set out below:

Mr Henry R Smerdon

Chairman

Member of Audit and Compliance Committee

Chair of the Nominations Committee

Mr Smerdon is a Company Director and has been a Director since 2000.

Dr Emmanuel (Manny) C Pohl

Managing Director

Member of the Nominations Committee

Dr Pohl is Managing Director of Hyperion Asset Management Limited. He has extensive experience in the investment banking and funds management industries in Australia and South Africa. Dr Pohl has been the Managing Director of the Company since the Company was established in 1997.

Ms Justine S Hickey

Chair of the Audit and Compliance Committee

Ms Hickey is a Company Director and has been a Director since 2006. She has extensive experience in the funds management industry.

Ms Ignazia (Grace) Grace

Member of the Audit and Compliance Committee

Ms Grace is the General Secretary of the Queensland Council of Unions and a member of a number of Government boards. Ms Grace has been a Director since 2000.

Steven M Wilson

Non-Executive Director

Member of Nominations Committee

Mr Wilson is Executive Chairman of the Wilson HTM Investment Group Ltd and Chairman of Southbank Corporation. He has extensive experience in the investment banking and funds management industries. Mr Wilson retired as Chairman of the Company in 2006 and had been the Chairman since the Company's inception in 1997.

The Company's board reviews board effectiveness and membership on an ongoing basis and retains flexible criteria for nominations to fill board vacancies in the light of the Company's current circumstances and the skills, knowledge and experience of the current board members.

As stated in last year's Annual Report an extensive review of the operations of the board was undertaken in consultation with an external consultant during the 2005/2006 year.

Following the review the board agreed:

- ☉ To undertake a formal yearly review of the investment manager including the performance of the investment portfolio and the services provided by the Manager. This review is to be undertaken by the Audit and Compliance Committee.
- ☉ That the composition of the board be unchanged to consist of five Directors.
- ☉ That a majority of the board be independent.
- ☉ That it is preferred that the Chairman be selected from among the independent Directors, however, the board will select the most appropriate person for the role at the time.
- ☉ Confirmed that the Audit Committee is to comprise only independent Directors.

During the 2006/2007 year the board implemented the following:

- ☉ Restructure of the board so that a majority is independent.
- ☉ Appointment of an independent Chairman.
- ☉ Audit and Compliance Committee comprises only independent Directors.

A formal review of the performance of the board and Audit and Compliance Committee is undertaken yearly. This review is undertaken in conjunction with an external consultant.

The Company's constitution specifies that all Directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

There are no set terms of office or retirement ages for individual Directors.

Details of the directors' qualifications and experience are set out in the Directors' Report on pages 10 and 11.

2. INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to seek independent professional advice in relation to the execution of the board's responsibilities at the Company's expense. Prior approval of the Chairman, which will not be unreasonably withheld, is required.

3. DEALINGS IN THE COMPANY'S SHARES

The constitution permits Directors to acquire shares in the Company. The Company has established a policy that requires that all Directors and employees are required to obtain approval from the Chairman in respect to any dealings. The Chairman requires prior approval of the Chairman of the Audit and Compliance Committee in advance of any proposed dealing in the Company shares.

Following this approval, the Director or employee is able to acquire securities EXCEPT in the period of five days before, on the day of, and the day after:

- ☞ Notification of financial information to the ASX such as NAV, profit information or announcements of share issues or capital raisings;
- ☞ Any general meeting of Shareholders;
- ☞ Release of any report to Shareholders.

4. COMMITTEES

Due to the size and nature of the operations of the Company, the board as a whole carries out the roles often assigned to committees. In relation to remuneration, the Chairman and Managing Director determine Director fees and as there are no executives employed there are no other remuneration items to be considered. All executive functions are provided by Hyperion Asset Management Limited the cost of which is included in the performance fee. Details of the performance Fee are set out in note 22 on page 37.

☞ Audit and Compliance Committee

The board has established an Audit and Compliance Committee. The board has agreed that the committee is to consist solely of independent Directors. The committee consists of the following independent Directors:

J S Hickey (Chair)
H R Smerdon
G Grace

A charter, setting out the committee's role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate has been established. Included in its role is an ongoing review of the performance of the Manager and the service it provides.

All matters determined by the committee are submitted to the full board as recommendations for board decision.

Minutes of the committee meetings are tabled at the subsequent board meeting.

☞ Nominations Committee

The board has established a nominations committee. The committee consists of the following Directors:

H R Smerdon (Chairman)
S M Wilson
E C Pohl

All matters determined by the committee are submitted to the full board as recommendations for board decision.

Minutes of the committee meetings are tabled at the subsequent board meeting.

5. REMUNERATION

Directors

The total quantum of Directors' fees payable by the Company has been determined by Shareholders in general meeting.

The board has delegated the responsibility for determining the remuneration of individual Directors to the Chairman and Managing Director.

Executives

The only executive of the Company is the Managing Director. During the year the Managing Director did not receive any remuneration from the Company as an executive, but did receive remuneration as a Director. The Managing Director is employed and remunerated by the Manager.

6. ETHICAL STANDARDS

The board supports the need for Directors and employees to observe the highest standards of behaviour and business ethics. All Directors, managers and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Company.

7. COMPLIANCE AND CONTINUOUS DISCLOSURE

The Company is committed to maintaining the highest standard of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company keeps the market advised of all information required to be disclosed under the rules which it believes would have a material affect on the price or value of the Company's securities.

The Company aims to keep Shareholders informed of the Company's performance and all major developments in an ongoing manner. Information is communicated to Shareholders through:

- ☞ The annual report, which is distributed to all Shareholders (unless specifically requested otherwise).
- ☞ The interim financial report contains summarised financial information and review of the operations of the entity during the period. The report is reviewed by the auditors and is prepared in accordance with the requirements of the applicable accounting standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the ASX.
- ☞ Quarterly Shareholder newsletters.
- ☞ Other correspondence regarding matters impacting on Shareholders, as required.

All documents that are released publicly are made available on the Company's website.

Shareholders are also encouraged to participate in the annual general meeting to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to Shareholders as single resolutions.

The Shareholders are responsible for voting on the appointment and aggregate remuneration of Directors, any changes to the Company's constitution and changes to the entity which may impact on share ownership rights.

8. RISK MANAGEMENT

The Company seeks to reduce investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

Other risk management issues, for example disaster recovery, credit and counter-party risk, are considered by the Audit and Compliance Committee.

The Board receives regular reports about the financial condition and operational results of the Company.

The Managing Director and Chief Financial Officer are required to provide formal statements to the Board each financial year that in all material respects:

- ☞ The Company's financial statements present a true and fair view of the Company's financial condition and operational results, and
- ☞ The risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

9. EXTERNAL AUDITORS

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO Kendalls were appointed as the external auditors in 1998.

The Company's external auditor attends the annual general meeting and is available to answer Shareholder questions.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in notes 4 and 18 to the financial statements.

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS		
ASX Principle	Reference	Compliance
Principle 1: Lay solid foundations for management and oversight		
1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	1	Comply
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	1	Comply
2.2 The chairperson should be an independent director.	1	Comply
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	1	Comply
2.4 The board should establish a nomination committee.	4	Comply
2.5 Provide the information indicated in Guide to reporting on Principle 2.	1 and 2 and Directors' Report	Comply
Principle 3: Promote ethical and responsible decision-making		
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executive as to:		
3.1.1 the practices necessary to maintain confidence in the company's integrity	1	Comply
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	1	Comply
3.2 Disclose the policy concerning trading in company securities by directors, officers and employees.	3	Comply
3.3 Provide the information indicated in Guide to reporting on Principle 3.	1	Comply
Principle 4: Safeguard integrity in financial reporting		
4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	8	Comply
4.2 The board should establish an audit committee.	4	Comply
4.3 Structure the audit committee so that it consists of:	4	Comply
☞ only non-executive directors.		
☞ a majority of independent directors.		
☞ an independent chairperson, who is not chairperson of the board.		
☞ at least three members.		
4.4 The audit committee should have a formal charter.	4	Comply
4.5 Provide the information indicated in Guide to reporting on Principle 4.	4 and Directors' Report	Comply

Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	7	Comply
5.2	Provide the information indicated in Guide to reporting on Principle 5.	7	Comply
Principle 6: Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	7	Comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor’s report.	9	Comply
Principle 7: Recognise and manage risk			
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	8	Comply
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:		
	7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.	8	Comply
	7.2.2 the company’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	8	Comply
7.3	Provide the information indicated in Guide to reporting on Principle 7.	8	Comply
Principle 8: Encourage enhanced performance			
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	1	Comply
Principle 9: Remunerate fairly and responsibly			
9.1	Provide disclosure in relation to the company’s remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	5	Comply
9.2	The board should establish a remuneration committee.	4	Non-comply
9.3	Clearly distinguish the structure of non-executive directors’ remuneration from that of executives.	5	Comply
9.4	Ensure the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	5 and Directors’ Report	N/A
9.5	Provide the information indicated in Guide to reporting on Principle 9.	4 and 5	Comply
Principle 10: Recognise the legitimate interests of stakeholders			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations.	1	Comply

Note 1: Reference refers to the relevant sections of this Corporate Governance Statement or to the Directors' Report.



AUSTRALIAN STOCK EXCHANGE

	OFFER	LAST	VOL	STOCK
10	5.28	5.05	1T	CC AMATIL
95	2.00	1.97	4HT	CENT. PRG
48	-	1.50	4HT	CENT. PRG
33	1.34	1.33	0	CENT. PRG
25	10.40	10.25	0	CENT. PRG
28	4.31	4.28	0	CENT. PRG
30	2.31	2.30	0	CENT. PRG
32	4.36	4.32	0	CENT. PRG
00	22.00	21.00	0	CENT. PRG
88	2.90	2.92	0	CENT. PRG

0 AAA 2.20 2745

CONTENTS OF FINANCIAL REPORT:

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— Statement of Changes in Equity	24
— Cash Flow Statement	25
— Notes to the Financial Statements	26
— Directors' Declaration	38
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Shareholder Information	40

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

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

Hyperion Flagship Investments Limited
Level 38, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

The Financial Report was authorised for issue by the directors on 22 August 2007.

A description of the nature of the entity's operations and its principal activities is included in the Managing Director's Report on page 8.

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.hyperionfi.com.au

Financial Report

HYPERION FLAGSHIP INVESTMENTS LIMITED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	30 Jun 2007 \$'000	30 Jun 2006 \$'000
Revenue	3	7,079	4,441
Performance fees		(1,223)	(976)
Other expenses	4	(258)	(282)
Profit before income tax		5,598	3,183
Income tax expense	5	(1,401)	(607)
Profit attributable to members of Hyperion Flagship Investments Limited		4,197	2,576
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
		cents	cents
Basic earnings per share	21	24.60	15.67
Diluted earnings per share	21	24.60	15.67

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
BALANCE SHEET
 FOR THE YEAR ENDED 30 JUNE 2007

	Note	30 Jun 2007 \$'000	30 Jun 2006 \$'000
ASSETS			
Cash and cash equivalents	6	911	219
Trade and other receivables	7	94	75
Available for sale financial assets	8	37,614	30,846
Deferred tax assets	10	45	57
Held to maturity investments	9	784	371
Other Assets		20	20
Total assets		39,468	31,588
LIABILITIES			
Trade and other Payables	11	1,372	1,097
Current tax liabilities	12	1,389	595
Deferred tax liabilities	13	3,823	2,764
Total liabilities		6,584	4,456
Net assets		32,884	27,132
EQUITY			
Issued Capital	14	18,834	18,518
Reserves	15(a)	8,921	6,449
Retained earnings	15(b)	5,129	2,165
Total equity		32,884	27,132
NAV (after tax on realised gains only)		\$2.14	\$1.76
NAV (after tax on realised and unrealised gains)		\$1.92	\$1.60

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

Financial Report

HYPERION FLAGSHIP INVESTMENTS LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	TOTAL \$'000
Balance at 1 July 2005		15,062	556	3,924	19,542
Shares Issued during year	14(b)	3,697			3,697
Payment for Share Issue Costs (net of tax)		(147)			(147)
Shares Bought back on market		(94)			(94)
Profit attributable to members			2,576		2,576
Revaluation increment (net of tax)				2,525	2,525
Sub-total		18,518	3,132	6,449	28,099
Dividends paid or provided for	16		(967)		(967)
Balance at 30 June 2006		18,518	2,165	6,449	27,132

	Note	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	TOTAL \$'000
Balance at 1 July 2006		18,518	2,165	6,449	27,132
Shares Issued during year	14 (b)	399			399
Payment for Share Issue Costs (net of tax)		(0)			(0)
Shares Bought back on market		(83)			(83)
Profit attributable to members			4,197		4,197
Revaluation increment (net of tax)				2,472	2,472
Sub-total		18,834	6,362	8,921	34,117
Dividends paid or provided for	16		(1,233)		(1,233)
Unaudited Balance at 30 June 2007		18,834	5,129	8,921	32,884

The above statement of changes in equity should be read in conjunction with the notes to the financial statements.

HYPERION FLAGSHIP INVESTMENTS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	30 Jun 2007 \$'000	30 Jun 2006 \$'000
Cash flows from operating activities			
Dividends received		1,172	1,237
Interest received		52	48
Sub-underwriting fees received		–	2
Income taxes paid		(596)	(226)
Other payments		(1,224)	(963)
Net cash (outflow) inflow from operating activities	20	(596)	98
Cash flows from investing activities			
Proceeds from sale of fixed assets		12,650	9,834
Payment for fixed assets		(10,032)	(12,766)
Payment for/(proceeds) bank bills		(413)	263
Net cash (outflow) inflow from investing activities		2,205	(2,669)
Cash flows from financing activities			
Dividends paid to Company's Shareholders	16	(835)	(627)
Proceeds from share issues		–	3,356
Buy-Back of shares		(82)	(63)
Share Issue costs		–	(210)
Net cash inflow (outflow) from financing activities		(917)	2,456
Net increase (decrease) in cash and cash equivalents		692	(115)
Cash and cash equivalents at the beginning of the financial year		219	334
Cash and cash equivalents at end of year	6	911	219

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Statement of Compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

These financial statements have been prepared under the historical cost convention, except as modified by the revaluation of available for sale financial assets.

(B) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Balance Sheet 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 Balance Sheet in favour of the general term "assets".

(C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax (GST). Amounts disclosed as revenue are net of rebates and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Dividend revenue

Dividend income is recognised as revenue when the Dividend is received by the Company.

(ii) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(D) INCOME TAX

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the Australian income tax rate adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, that at the time did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(E) FINANCIAL INSTRUMENTS

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Available for sale financial assets

Investments are brought to account at cost or at fair value being Directors' Valuation. The carrying amount of investments recognised at fair value is assessed by Directors regularly to ensure that the carrying value is not materially different from its fair value. The carrying amount of investments is reviewed annually by Directors to ensure that it is not in excess of the recoverable amount of these investments.

When other financial assets are sold or impaired, the accumulated fair value adjustments are transferred from the asset revaluation reserve to the Income Statement as gains and losses.

Unrealised gains and losses arising from changes in the fair value of these assets are taken directly to equity in the asset revaluation reserve.

Financial Risk

The company's activities expose it to a variety of financial risks; market risk (including price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

☞ Market risk

(i) Price risk

The company is exposed to equity securities price risk. This arises from investments held by the group and classified on the balance sheet at fair value through profit or loss or equity. The group is not exposed to commodity price risk.

☞ Credit risk

The company has no significant concentrations of credit risk.

☞ Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close-out market positions.

☞ Cash flow and interest rate risk

The company's earnings are affected by movements in market interest rates due to funds held in deposit accounts and bank bills. However, the company's income and operating cash flows are not materially exposed to such changes in market interest rates.

(F) CASH AND CASH EQUIVALENTS

For cash flow statement purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(G) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 30 days from the

date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. 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 effective interest rate. The amount of the provision is recognised in the Income Statement.

(H) HELD TO MATURITY INSTRUMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

(i) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask 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.

(I) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(J) ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(K) 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 financial year but not distributed at balance date.

(L) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components

of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(M) ROUNDING OF AMOUNTS

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

(N) IMPAIRMENT

At each reporting date, the Company assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial assets, a prolonged decline in the value of the asset is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(O) NEW ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 7 Financial Instruments: Disclosures and AASB 2005 10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

(P) COMPARATIVES

Where necessary, comparatives have been adjusted to conform with changes in presentation and disclosure.

(Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The Directors have assessed available for sale financial assets for fair value and impairment. No impairments have been identified and the Directors are satisfied that available for sale financial assets continue to be measured at their fair value.

2. SEGMENT INFORMATION

DESCRIPTION OF SEGMENTS

(A) BUSINESS SEGMENTS

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.

(B) GEOGRAPHICAL SEGMENTS

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

Financial Report

HYPERION FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Note	30 Jun 2007 \$'000	30 Jun 2006 \$'000
3. REVENUE			
Realised Gains/(Losses)		5,856	3,154
Interest		51	48
Dividends		1,172	1,237
Other		–	2
Total		7,079	4,441
4. EXPENSES			
Profit before income tax includes the following specific expenses:			
ASX fees		26	31
Audit fees		24	19
Directors fees		78	82
Insurance		27	26
Share registry		14	15
Other		89	109
Total		258	282
5. INCOME TAX EXPENSE			
(a) Income tax expense			
Current tax		1,388	595
Deferred tax		12	12
Under / (over) provided in prior years		1	–
Total		1,401	607
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	10	12	12
(Decrease) increase in deferred tax liabilities	13	–	–
Total		12	12
(b) Reconciliation of income tax expense to prima facie tax payable			
Profit / (loss) before income tax expense		5,598	3,183
Tax at the Australian tax rate of 30% (2006 – 30%)		1,679	955
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Realised capital gains		–	18
Dividend franking credits		(279)	(366)
Total		1,400	607
Under (over) provision in prior years		1	–
Income tax expense (benefit)		1,401	607
Total income tax expense		1,401	607

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

	30 Jun 2007 \$'000	30 Jun 2006 \$'000
6. CASH AND CASH EQUIVALENTS		
Bank balances	37	26
Deposits at call	874	193
Total	911	219
(a) Cash at bank and on hand		
These are non interest bearing.		
(b) Deposits at call		
The deposits were bearing floating interest rates averaging 5.23% (2006 – 4.73%).		
These deposits had an average maturity of 30 days.		
(c) Fair value		
The carrying amount for cash and cash equivalents equals the fair value.		
7. TRADE AND OTHER RECEIVABLES		
Net other receivables		
GST receivable	94	75
Other receivables	–	–
Total	94	75
8. AVAILABLE FOR SALE FINANCIAL ASSETS		
Listed Investments, at fair value		
At beginning of year	30,846	21,241
Additions	19,418	19,853
Disposals (sale and redemption)	(12,650)	(10,248)
At end of year	37,614	30,846
Australian listed equity securities	37,614	30,846
Total	37,614	30,846

If investments had been sold at balance date a net capital gains tax liability of not more than \$3,823,227 (2006: \$2,764,000) would have arisen. However, Directors do not intend to dispose of this portfolio and therefore do not expect the tax associated with such disposal will be incurred.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

	Note	30 Jun 2007 \$'000	30 Jun 2006 \$'000
9. HELD TO MATURITY INVESTMENTS			
Bank Bills		784	371
Total		784	371
10. DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
<i>Amounts recognised in profit or loss</i>			
Amortisation of share issue expense		(25)	(12)
Accruals		7	6
		(18)	(6)
<i>Amounts recognised directly in equity</i>			
Share issue expenses	14(b)	63	63
Net deferred tax assets		45	57
Reconciliations			
(i) Gross Movements:			
The overall movement in deferred tax asset accounts is as follows:			
Opening balance		57	6
(Credited)/charged to the income statement		(12)	(12)
(Credited)/charged to equity		–	63
Closing balance at 30 June		45	57
(ii) The movement in deferred tax assets for each temporary difference during the year is as follows:			
<i>Share issue expenses</i>			
Opening balance		51	–
(Charged)/credited directly to the income statement		(12)	(12)
(Charged)/credited directly to the equity		–	63
Closing balance		38	51
<i>Accruals</i>			
Opening balance		6	6
(Charged)/credited directly to the income statement		1	–
Closing Balance		7	6

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

	Note	30 Jun 2007 \$'000	30 Jun 2006 \$'000
11. TRADE AND OTHER PAYABLES			
Accrued expenses		27	23
Performance fee payable		1,345	1,074
Total		1,372	1,097
12. CURRENT TAX LIABILITIES			
Income tax		1,389	595
Total		1,389	595
13. DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
<i>Amounts recognised directly in equity</i>			
Tax on Unrealised gain on investments		3,823	2,764
Net deferred tax liabilities		3,823	2,764
Reconciliations			
(i) Gross Movements:			
The overall movement in the deferred tax liability account is as follows:			
Opening balance		2,764	1,682
Charged/(credited) to equity		1,059	1,082
Closing balance		3,823	2,764
(ii) The movement in deferred tax liability for each temporary difference during the year is as follows:			
<i>Unrealised gain on investments</i>			
Opening balance		2,764	1,682
Charged/(credited) directly to the equity		1,059	1,082
Closing balance		3,823	2,764

Financial Report

HYPERION FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 Jun 2007 Shares	30 Jun 2006 Shares	30 Jun 2007 \$'000	30 Jun 2006 \$'000
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14. ISSUED CAPITAL

(a) Issued Capital

Ordinary shares

Fully paid

Total Issued Capital

17,129,810	16,953,274	18,834	18,518
17,129,810	16,953,274	18,834	18,518

(b) Movements in ordinary share capital:

Description	Date	Number of Shares	Issue Price	\$'000
Balance	1 July 2005	13,982,477	–	15,062
Rights issue	26 August 2005	2,796,496	\$1.20	3,356
Dividends reinvestment plan issue	16 September 2005	117,276	\$1.27	149
Share Buy-Back	9 December 2005	(25,000)	\$1.45	(36)
Share Buy-Back	13 January 2006	(11,322)	\$1.45	(16)
Share Buy-Back	18 January 2006	(10,000)	\$1.46	(15)
Share Buy-Back	16 February 2006	(8,815)	\$1.55	(14)
Share Buy-Back	17 February 2006	(3,000)	\$1.55	(5)
Share Buy-Back	23 March 2006	(5,000)	\$1.65	(8)
Dividends reinvestment plan issue	31 March 2006	120,162	\$1.60	192
		16,953,274		18,665
Less: Transaction costs arising on share issue				(210)
Deferred tax credit recognised directly in equity				63
Balance	30 June 2006	16,953,274		18,518
Dividends reinvestment plan issue	8 September 2006	108,173	\$1.65	177
Share Buy-Back	28 September 2006	(660)	\$1.70	(1)
Share Buy-Back	18 December 2006	(3,351)	\$1.92	(5)
Share Buy-Back	6 March 2007	(30,000)	\$1.96	(59)
Share Buy-Back	14 March 2007	(490)	\$2.00	(1)
Dividend reinvestment plan issue	16 March 2007	110,307	\$2.00	220
Share Buy-Back	19 March 2007	(1,000)	\$2.00	(2)
Share Buy-Back	13 April 2007	(5,643)	\$2.00	(11)
Share Buy-Back	27 June 2007	(800)	\$2.07	(2)
Balance	30 June 2007	17,129,810		18,834

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	30 Jun 2007 \$'000	30 Jun 2006 \$'000
15. RESERVES AND RETAINED EARNINGS		
a) Reserves		
Asset revaluation reserve	8,921	6,449
Total	8,921	6,449
Movements: Asset revaluation reserve		
Balance 1 July	6,449	3,924
Revaluation of long-term investments (net of tax)	7,949	6,157
Realised profits	(5,477)	(3,632)
Balance 30 June	8,921	6,449
(b) Retained earnings		
Movements in retained earnings were as follows:		
Opening retained earnings 1 July	2,165	556
Profit for the year	4,197	2,576
Dividends	(1,233)	(967)
Balance 30 June	5,129	2,165
(c) Nature and purpose of reserves		
<i>(i) Asset Revaluation Reserve</i>		
The reserve is used to record increments and decrements or the revaluation of available for sale financial assets.		
16. DIVIDENDS		
(a) Dividends paid		
Final dividend of 3.5 cents (2006 3.0 cents) per fully paid share paid on 8 September 2006 (2006 16 September 2005)		
Fully franked based on tax paid @ 30% 3.5 cents per share	593	
Fully franked based on tax paid @ 30% 3.0 cents per share		419
Interim dividend of 3.75 cents (2006 3.25 cents) per fully paid share paid on 16 March 2007 (2006 31 March 2006)		
Fully franked based on tax paid @ 30% 3.75 cents per share	640	
Fully franked based on tax paid @ 30% 3.25 cents per share		548
Total dividends provided for or paid	1,233	967
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2007 and 2006 were as follows:		
Paid in cash	835	626
Satisfied by issue of shares	398	341
	1,233	967

Financial Report

HYPERION FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 Jun 2007 \$'000	30 Jun 2006 \$'000
16. DIVIDENDS (continued)		
(b) Listed Investment Company capital gain account		
Balance of the Listed Investment Company (LIC) capital gain account	1,695	2,973
<p>This figure does not include any eligible gains arising during the 2006/2007 year. The Company is currently considering this issue taking into account the Australian Taxation Office's Taxation Ruling (TR) 2005/23 dealing with LIC gains.</p> <p>Distributed LIC capital gains may entitle certain Shareholders to a special deduction in their tax return, as set out in the statement.</p> <p>LIC capital gains available for distribution are dependent upon:</p> <p>(i) the disposal of investment portfolio holdings which qualify for LIC capital gains or</p> <p>(ii) the receipt of LIC distributions from LIC securities held in the portfolio</p>		
(c) Franked dividends		
<p>The franked portions of the final dividends recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2007.</p> <p>Balance as at 30 June 2007 on the franking account after allowing for tax payable in respect of the current year's profits, the receipt of dividends recognised as receivables and the payment of dividends recognised as a liability at the reporting date.</p>		
	2,564	1,304
(d) Dividends not recognised at year end		
<p>In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 4.25 cents per fully paid ordinary share, (2006 – 3.5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 14 September 2007 out of retained profits at 30 June 2007, but not recognised as a liability at year end, is</p>		
	728	593

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

	30 Jun 2007 \$	30 Jun 2006 \$
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17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors of Hyperion Flagship Investments Limited during the financial year:

(i) Chairman

Henry R Smerdon

(ii) Directors

Emmanuel C Pohl, Managing Director

Ignazia Grace

Justine S Hickey (appointed 5 October 2006)

Steven M Wilson

Russell B McCrory (resigned 5 October 2006)

(b) Other key management personnel

The Company's Secretary (Ian Harrison) is employed by Wilson HTM Investment Group and does not receive any form of direct remuneration from the company. Instead Wilson HTM Investment Group receives fees from Hyperion Asset Management Limited designed to cover the cost of provision of that service. Hyperion Asset Management Limited as the Manager receives a performance fee from the company as detailed in note 22. The company has no other staff and therefore has no specified executives.

(c) Key management personnel compensation

The company has taken advantage of the relief provided by Corporation Regulations 2001 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A – C of the remuneration report.

18. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor, its related practices and non related audit firms:

(a) Assurance services

Audit services

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

23,380	16,500
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Total remuneration for audit services

23,380	16,500
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(b) Advisory services

Other advisory services

0	1,210
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Total remuneration for advisory services

0	1,210
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Total remuneration of auditors

23,380	17,710
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HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

	30 Jun 2007 \$'000	30 Jun 2006 \$'000
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19 RELATED PARTY TRANSACTIONS

(a) Directors

The names of persons who were Directors of the company at any time during the financial year are as follows: H R Smerdon, E C Pohl, I Grace, J S Hickey, R B McCrory, and S M Wilson. All of these persons were also Directors during the year ended 30 June 2006 except J S Hickey who was appointed a Director on 5 October 2006. R B McCrory held office as a Director from the start of the year until his resignation on 5 October 2006.

On 8 November 2006 S M Wilson retired as Chairman and was replaced by H R Smerdon.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 17.

(c) Transactions with related parties

The following transactions occurred with related parties:

Expenses paid or payable by the company to:

Wilson HTM Ltd for broking expenses	84	85
Hyperion Asset Management Limited for performance fees (excluding GST)	1,223	976
Amounts remaining payable at balance date (excluding GST)	1,223	976

S M Wilson is interested in the above transactions as a Director and substantial shareholder of Wilson HTM Investment Group Ltd.

E C Pohl is interested in the above transactions as a shareholder, Director and employee of Hyperion Asset Management Limited and as a shareholder of Wilson HTM Investment Group Ltd.

H R Smerdon, Ms I Grace and Ms J S Hickey are interested in the above transactions as shareholders of Wilson HTM Investment Group Ltd.

Wilson HTM Ltd is a wholly owned subsidiary of Wilson HTM Investment Group Ltd. Hyperion Asset Management Limited is indirectly owned 42.75% by Wilson HTM Investment Group Ltd.

20 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Profit/(Loss) after income tax expense	4,197	2,576
Less Non-Cash flows		
Realised loss/(Profit) on financial Assets	(5,856)	(3,154)
Income Tax Benefit from current year	–	–
Changes in Assets/Liabilities		
Decrease / (increase) in trade and other receivables	(19)	(19)
Decrease / (increase) in other assets	–	(2)
(Increase) / decrease in deferred tax assets	12	(51)
Increase / (decrease) in trade and other payables	275	(702)
Increase (decrease) in current tax liabilities	795	368
Increase/(decrease) in deferred liabilities	–	1,082
Net cash (outflow) inflow from operating activities	(596)	98

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

	30 Jun 2007 \$'000	30 Jun 2006 \$'000
21. EARNINGS PER SHARE		
(a) Basic and diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	4,197	2,576
	Cents	Cents
(b) Basic and Diluted earnings per share	24.60	15.67
	Number	Number
(c) Weighted average number of ordinary shares used in the calculation of earnings per share	17,059,564	16,435,166

22 MANAGEMENT AGREEMENT

In accordance with a management agreement dated 14 March 2006, the Company has agreed to engage the Manager (Hyperion Asset Management Limited) from 1 July 2005 to provide primary and secondary management services, including:

- (i) managing the investment of the Company's portfolio (including keeping it under review);
- (ii) ensuring investments by the Company are only made in authorised investments;
- (iii) complying with the investment policy of the Company;
- (iv) identifying, evaluating and implementing the acquisition and disposal of authorised investments; and
- (v) the provision of accounting, human resources, corporate and information technology services support.

The agreement has a term of five years from 1 July 2005.

Under the agreement the Manager will receive a performance fee, payable annually in arrears, equal to 15% of the amount by which the Company's net performance before tax (that is, after all costs and outlays but before the calculation of the performance fee) exceeds the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year. If the Company's net performance in the year is less than the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year, then no performance fee will be payable.

Under the terms of this agreement a performance fee of \$1,222,921 (excl GST) was paid or payable during the year ended 30 June 2007 (2006 \$976,427). While no specific costing of the services provided by Hyperion in accordance with (v) above is obtainable, the Company has determined that to obtain these services from another third party would have a value in excess of \$165,000.

23 SUBSEQUENT EVENTS

No events have arisen, subsequent to balance date that would require amendment of, or disclosure of, in the financial statements the announcement on 9 July 2007 of a capital raising of up to \$30m. This capital raising was approved by Shareholders on Thursday 9 August 2007. The board suspended the capital raising on Thursday 16 August 2007 to a date deemed more appropriate and when more settled market conditions have returned.

24 CONTINGENT ASSETS AND LIABILITIES

The Company has no known contingent assets or liabilities.

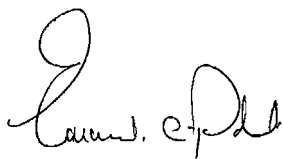
Directors' Declaration

In the Directors' opinion:

- (a) the Financial Statements and Notes set out on pages 21 to 37 are in accordance with the Corporations Act 2001, including:
 - (i) comply with Australian Accounting Standards (including Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position as at 30 June 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
- (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 audited remuneration disclosures set out on pages 13 and 14 of the Directors' Report comply with Australian Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 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.



Dr Emmanuel (Manny) C Pohl
Managing Director

Brisbane
3 September 2007

Independent Audit Report

TO THE MEMBERS OF HYPERION FLAGSHIP INVESTMENTS LIMITED

REPORT ON THE FINANCIAL REPORT AND AASB 124 REMUNERATION DISCLOSURES CONTAINED IN THE DIRECTORS' REPORT

We have audited the Financial Report of Hyperion Flagship Investments Limited, which comprises the Balance Sheet as at 30 June 2007, the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a Summary of Significant Accounting Policies, Other Explanatory Notes and the Directors' Declaration of the Company.

We have also audited the remuneration disclosures contained in the Directors' Report. As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of Directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration Report" in the Directors' Report and not in the Financial Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT AND THE AASB 124 REMUNERATION DISCLOSURES CONTAINED IN THE DIRECTORS' REPORT

The Directors of the Company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian Accounting Standards ensures that the Financial Report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Report and the remuneration disclosures contained in the Directors' Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report and the remuneration disclosures contained in the Directors' Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Report and the remuneration disclosures contained in the Directors' Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Hyperion Flagship Investments Limited on 3 September 2007, would be in the same terms if provided to the Directors as at the date of this Auditor's Report.

AUDITOR'S OPINION ON THE FINANCIAL REPORT

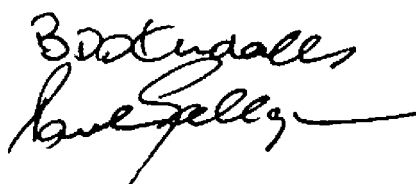
In our opinion the Financial Report of Hyperion Flagship Investments Limited is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Company's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

AUDITOR'S OPINION ON THE AASB 124 REMUNERATION DISCLOSURES CONTAINED IN THE DIRECTORS' REPORT

In our opinion the remuneration disclosures that are contained in the Directors' Report comply with Accounting Standard AASB 124.

BDO Kendalls (QLD)



P A Gallagher
Partner

Brisbane
3 September 2007

Shareholder Information

The Shareholder information set out below was applicable as at 29 August 2007.

1. DISTRIBUTION OF EQUITIES SECURITIES

Distributions	No. of shareholders
1 to 1,000	47
1,001 to 5,000	116
5,001 to 10,000	79
10,001 to 100,000	176
100,001 and over	24
Total	442
Holdings of less than a marketable parcel	12

2. TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary shares	%
Farallon Capital Pty Ltd <Nunn Investment Trust a/c>	2,306,311	13.46
Pohl Pty Ltd <Gap Investments Unit a/c>	2,005,641	11.71
D E & L J Barclay <Don Barclay Super Fund a/c>	1,572,840	9.28
Earlston Nominees Pty Ltd <Steven Wilson Investment a/c>	1,239,000	7.23
Mary Van Lieshout	615,408	3.59
Willben Pty Ltd <Willben Super Fund a/c>	581,685	3.40
Polka Management Services Pty Ltd <Pat Corrigan Super Fund a/c>	456,056	2.66
Citadel Bank and Trust Inc <The Fragrance a/c>	370,825	2.16
HSBC Custody Nominees (Australia) Limited	353,075	2.06
Accessories Com Pty Ltd <TRS Securities S/Fund a/c>	330,769	1.93
ANZ Nominees Pty Ltd <Cash Income a/c>	327,440	1.91
Bruce Robert & Erika Haberfield	307,520	1.00
Edwin H & Enid O Buckland <Buckland Super Fund a/c>	279,730	1.63
Hank Van Lieshout	240,000	1.40
Mayfield Trustees Pty Ltd <The Ascot Settlement a/c>	201,858	1.18
Quantum Electronics Pty Ltd <Super a/c>	179,603	1.05
Gregory John Burton	122,000	0.71
John Henry Eckard	117,080	0.68
Badgworthy Pty Ltd	108,898	0.64
Powers Pty Ltd	108,688	0.63
Total	11,824,427	68.31

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	No. of shares	% of total
Hyperion Asset Management Limited	3,543,835 ¹	20.69
E C Pohl	3,543,835 ¹	20.69
Farallon Capital Pty Ltd <Nunn Investment Trust>	2,306,311	13.46
S M Wilson	1,818,102	10.61
D E & L J Barclay <Don Barclay Super Fund>	1,572,840	9.18
Wilson HTM Investment Group Ltd	1,169,085 ²	6.82

Note 1: E C Pohl has a relevant interest in 2,981,815 shares because he has the power to exercise or control the exercise of the right to dispose of and/or the right to exercise or control the exercise of the votes attached to those shares in the Company. In addition, as a result of the operation of section 610 of the Corporations Act, E C Pohl has voting power in the 562,020 shares held by Hyperion Asset Management Limited because he is associated with Hyperion Asset Management Limited.

Note 2: Wilson HTM Ltd (a wholly owned subsidiary of Wilson HTM Investment Group Ltd) has a relevant interest in 1,059,360 (6.18%) shares in the Company because of the operation of section 608(3) of the Corporations Act. Wilson HTM Investment Group Ltd is deemed to have a relevant interest in 562,020 shares (3.28%) in which Hyperion Asset Management Limited has a relevant interest. Despite this deemed relevant interest, under contractual arrangements with Hyperion Asset management Limited, Wilson HTM Investment Group Ltd does not have the power to exercise or control the exercise of the right to vote attached to the shares in the Company in which Hyperion Asset Management Limited holds a relevant interest.

4. VOTING RIGHTS

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

Investments

1. HOLDINGS OF SECURITIES AS AT 30 JUNE 2007

Individual investments at 30 June 2007 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.

Company		Shares	Market Value \$'000	%
ALL	Aristocrat Leisure	83,000	1,192.7	3.03
AMP	AMP Limited	100,000	1,012.0	2.58
ANZ	ANZ Banking Group Ltd	80,200	2,325.0	5.91
BBG	Billabong International Ltd	80,000	1,436.0	3.65
BHP	BHP Billiton Ltd	60,000	2,101.8	5.35
BKL	Blackmores Limited	40,000	822.4	2.09
BNB	Babcock & Brown Ltd	30,000	962.4	2.45
BXB	Brambles Limited	175,000	2,131.5	5.42
CAB	Cabcharge Australia Ltd	70,000	868.7	2.21
CBA	Commonwealth Bank of Australia	26,300	1,453.1	3.70
COH	Cochlear Limited	30,000	1,830.0	4.66
COU	Count Financial Ltd	285,500	913.6	2.32
FAN	Fantastic Holdings Ltd	250,000	1,072.5	2.73
IRE	Iress Market Technology Limited	103,700	958.2	2.44
JBH	JB Hi-Fi Limited	149,000	1,612.2	4.10
MBL	Macquarie Bank Ltd	20,000	1,700.0	4.32
MOC	Mortgage Choice Ltd	273,826	865.2	2.20
NCK	Nick Scali Limited	90,000	238.5	0.61
PPT	Perpetual Ltd	17,650	1,385.7	3.53
PRY	Primary Health Care Limited	30,000	381.0	0.97
PTM	Platinum Asset Management Limited	108,958	808.5	2.06
QGC	Queensland Gas Corporation Ltd	250,000	700.0	1.78
RIO	Rio Tinto Ltd	26,000	2,568.5	6.53
SAQ	Sydney Attractions	30,000	178.5	0.45
SEK	Seek Limited	200,000	1,476.0	3.75
VGH	Vision Group Holdings Limited	100,000	285.0	0.73
WBC	Westpac Banking Corporation Ltd	50,000	1,283.0	3.26
WOW	Woolworths Ltd	63,000	1,701.0	4.33
WPL	Woodside Petroleum Limited	45,000	2,058.8	5.24
WTF	Wotif.com Holdings Limited	230,000	1,292.6	3.29
			37,614.4	95.69
Options			0.0	0.0
Cash			1,694.2	4.31
Total			39,308.6	100.00

2. TRANSACTIONS AND BROKERAGE

There were 81 (2006: 128) transactions in securities during the year on which brokerage of \$87,553 (2006: \$85,100) was paid.

HYPERION FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913
REGISTERED IN QUEENSLAND ON
23 SEPTEMBER 1997.

BOARD OF DIRECTORS

Henry Robert Smerdon
Chairman

Dr Emmanuel ('Manny') Clive Pohl
Managing Director

Ignazia ('Grace') Grace
Non-Executive Director

Justine Standish Hickey
Non-Executive Director

Steven Monteith Wilson
Non-Executive Director

SECRETARY

Ian William Harrison

PRINCIPLE PLACE OF BUSINESS

Level 38, Riparian Plaza
71 Eagle Street,
Brisbane QLD 4000

MANAGER

Hyperion Asset Management Limited
Level 38, Riparian Plaza
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Brisbane QLD 4000
Tel: (07) 3212 1318
Toll free: 1300 550 293
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SOLICITORS

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Solicitors
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Fax: (07) 3229 9949

AUDITORS

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Tel: (07) 3233 8888
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REGISTERED OFFICE

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