HYPERION FLAGSHIP INVESTMENTS

ANNUAL REPORT 2008

Portfolios that perform

Hyperion Flagship Investments Limited

ABN 99 080 135 913


AUSTRALIAN STOCK EXCHANGE
OFFER
LAST
VOL
STOCK

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FINANCIAL CALENDAR
FINANCIAL YEAR END
30 June 2008

BOOKS CLOSE
1 September 2008

DIVIDEND PAYMENT
19 September 2008

NOTICE OF ANNUAL GENERAL MEETING
The Annual General Meeting of Hyperion Flagship Investments Limited

WILL BE HELD AT
The office of
Wilson HTM Investment Group Ltd
Level 38
71 Eagle Street
Brisbane Qld 4000

TIME
5.00 pm

DATE
Wenesday 12 November 2008

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

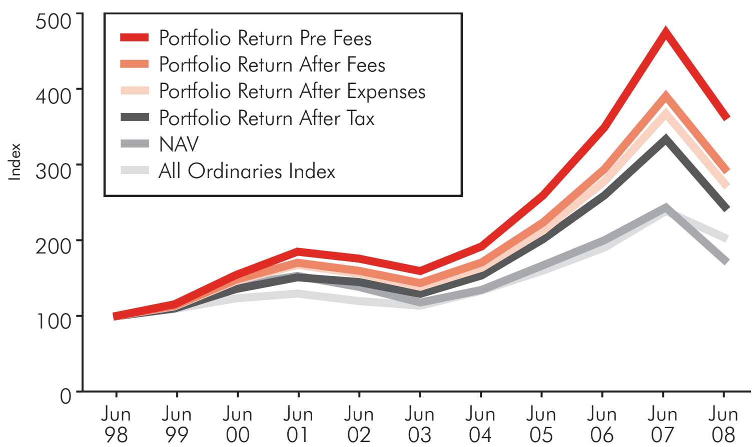
HYPERION FLAGSHIP INVESTMENTS LIMITED DIRECTORS (from left to right)
Justine Hickey, Steven Wilson, Henry Smerdon, Manny Pohl and Sophie Mitchell

Highlights for the year ending June 2008

- The portfolio before fees and tax decreased by 24.1% versus 15.5% for the All Ordinaries Index.
- Dividend and interest income increased by 40%.
- Net Asset Value per share decreased by 31.3% from $2.14 at 30 June 2007 to $1.47 at 30 June 2008.
- The annual dividend of 8.5 cents was an increase of 6.25%, exceeding the rate of inflation again, as it has done every year since inception.
- The annual dividend was fully franked and also had attached an LIC attributable amount of 12.14 cents.
- Capital Raising of 10.12M shares @ $1.92 to raise $19.43M in October 2007.
- On-Market Buyback – bought 0.29M shares at an average price of $1.66 ($477,000).

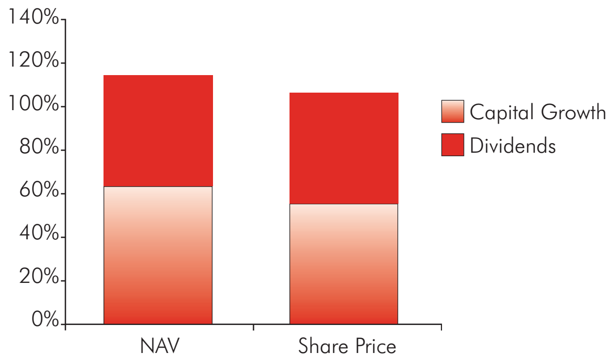
Relative Performance History

INVESTMENT PERFORMANCE



Total returns since inception to June 2008

RETURN SINCE INCEPTION (NET OF TAX)



Hyperion Flagship Investments Performance vs. the All Ordinaries Index

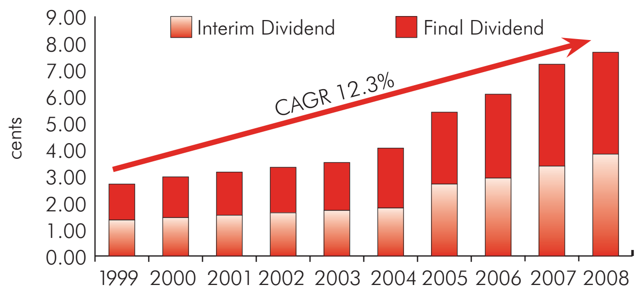
ANNUAL PERCENTAGE GAIN				
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NAV**	All Ordinaries Index
June 1999	16.4%	14.4%	12.9%	10.1%
June 2000	33.6%	31.3%	25.5%	12.9%
June 2001	20.0%	15.2%	8.9%	5.1%
June 2002	-5.0%	-6.3%	-9.5%	-7.6%
June 2003	-9.4%	-10.2%	-13.3%	-5.2%
June 2004	20.5%	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%
June 2008	-24.1%	-25.6%	-29.9%	-15.5%
Overall Gain	263.7%	193.2%	72.2%	103.5%

*Fees include Performance Fees and Under-writing Fees.

** The NAV in years prior to 2008 have been adjusted to exclude the final dividend.

Dividends per share

COMPOUND ANNUAL GROWTH RATE 12.3%



Five Major Investments June 2008

MAJOR INVESTMENTS	Jun 08	Jun 07
Brambles	7.6%	5.4%
Rio Tinto	7.5%	6.5%
BHP Billiton	7.4%	5.3%
Woodside Petroleum	7.0%	5.2%
Commonwealth Bank	5.8%	3.7%
TOTAL	35.3%	26.1%

Hyperion Overview

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, 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 tax advantages of Listed Investment Company Capital Gains.
- 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 Hyperion Asset Management Limited.

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 22.0% interest in the Manager.

Chairman's Report

Dear Investor,

I am pleased to present the Eleventh Annual Report of the Company for the year ended 30 June 2008.

It has been a difficult and challenging year for the Company and our Manager, Hyperion Asset Management Limited. World share markets have experienced considerable volatility, in part because of the negative impacts of problems in the sub-prime mortgage market in the USA. This volatility has been particularly evident in the Australian context, where the All Ordinaries Index has fallen more than 20% since 30 June 2007.

The decline in the market has been reflected in the investment performance. The return on the investment portfolio after fees was -25.6% for the year. The All Ordinaries Accumulation Index (pre-tax and no fees) decreased by 15.5% for the same period.

Our performance for the year, while disappointing in an absolute sense, is consistent with our expectations given the investment style of our Manager. Our portfolio has been underweight resource stocks (which have had, until recently, a significant upward movement in price) because they generally do not meet the strict investment criteria set by the Manager for inclusion in the portfolio. With financials negatively viewed because of the sub-prime mortgage market problems and with growth companies (which are the core of the portfolio), marked down by the market, our portfolio has not performed as well as the broader market.

It is the Board's belief that the Manager's investment style is correct for a longer term investor such as our Company and we would be concerned if the Manager unduly reacted to short term market conditions. The Manager has a five year investment horizon which we fully support.

However, for the many new Shareholders who subscribed to our new issue last year at $1.92 and who have since seen the market price decline significantly, the Board is extremely mindful of your situation. Let me say that your Board remains convinced that in the longer term, you will be rewarded for your patience.

The share buy-back scheme implemented by the Board has been successful in providing on-market support for the share price but clearly cannot take away the impact of broader market influences.

While the value of the portfolio has declined, the dividend inflow has grown strongly as a result of the increase in the investible funds following the new issue. As a result, the Board has been able to maintain the final dividend of 4.25 cents per share, making a total dividend payout of 8.5 cents per share for the 2007-08 financial year; an increase of 0.5 cents on the amount paid in respect of the previous financial year.

This is consistent with the Board's policy of providing a sustainable and increasing return to Shareholders in excess of the rate of inflation.

As in the past, the dividend is fully-franked and in addition to the franking credit, individual taxpayers may be able to claim a deduction dependent on the capital gain attributable amount of 3.035 cents per share (6.07 cents for the full year) in accordance with the tax treatment of Listed Investment Companies.

While the final dividend payment will occur in accordance with the past practice in regard to timing, the Board is looking at more closely aligning the dividend payout with the dividend inflow. We want the portfolio to be as fully invested as possible at all times but also we don't want to have to prematurely realize investments to ensure sufficient cash is available when required for the dividend. This may result in a slightly later payment date for dividends in future years but will not impact the payment amount.

I would like to thank Dr Manny Pohl and his team for their commitment and professionalism in very trying market conditions. They are an outstanding team and well-regarded by clients and asset consultants alike.

I would also like to pay tribute to Grace Grace who retired from the Board following her election to State Parliament. Grace was a Director since listing and made an outstanding contribution to the Company during her seven years as a Board member.

The Board appointed Sophie Mitchell as a Director in June. Sophie is a strong, well regarded investment professional with many years experience in the industry, primarily as a member of the ABN Amro Morgans team in Brisbane. I am sure Sophie will make a significant contribution to the success of our Company.

Finally, I and my fellow Directors would like to thank all Shareholders for their continuing support. It has been a difficult year and we are pleased that so many of our new Shareholders have taken the longer term view and continue to put their faith in us and our Manager. I can assure you that we will continue to work diligently for your benefit.

Yours sincerely,

Henry R Smerdon
Chairman

Managing Director's Report

The investment climate over the past year has been extremely depressed. World equity markets are reflecting not only the collateral damage of the sub-prime crisis and the depressed state of the US housing market but also a global economy severely affected by lack of financial liquidity and rising energy and food prices. The MSCI (as measured in US dollar terms) declined by 12.5% for the twelve months to 30 June 2008. In Australian dollar terms the MSCI declined by 22.5% over the same period, reflecting the substantial strengthening of the Australian dollar.

Investors in the Australian market have also been negatively affected with the ASX All Ordinaries Index declining by 15.5%, while our portfolio under-performed the Australian market by a further 8.6% for the twelve months to June 2008. This is our worst period of investment performance relative to the market and is due to our under-weight position in resources, the largest sector of the market. Hyperion is under-weight mining companies due to their lack of a competitive advantage (other than through size as is the case with Rio Tinto and BHP Billiton), the high risk nature of the mining business and the volatility of revenues. Over the past twelve months Shareholders have regrettably seen a decline in the NAV per share of 29.9%. The difference in the performance as compared to the portfolio return is primarily due to the dilutive effect of the large placement undertaken in October 2007 at a 7.25% discount to the NAV.

During the past 12 months, high quality companies have been marked down along with the poor quality companies. In a complete reversal of the ebullience of the previous year, whole sectors have been sold off indiscriminately while the market has turned a blind eye to the potential downside for many single-commodity mining companies and has pushed their prices higher. Our portfolio construction focus on high quality growth businesses means that the average price earnings ratio of our companies through time is normally well above the market average price earnings ratio. In times of uncertainty, higher PE companies tend to be sold down more heavily than lower priced companies. The recent credit market and stock market turmoil has resulted in debt and equity risk premiums moving to multi-decade highs. Once credit markets and equity markets stabilise, risk premiums will decline to more sustainable levels and the average price earnings ratio of the stock market will expand and push stock prices higher. When this happens our portfolios will receive a boost from the re-establishment of the price earnings premium that high quality growth businesses normally enjoy. Our investment portfolio comprises quality, low capital intensive growth companies and currently has a small to mid-cap bias identified through our three stage process.

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.

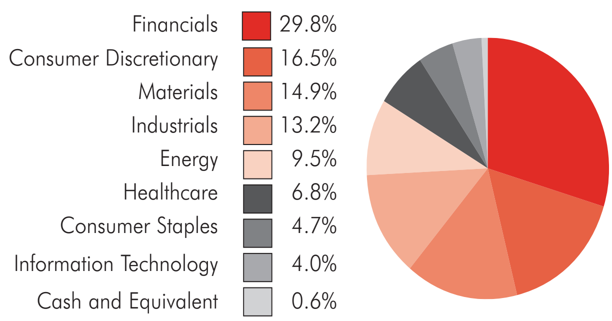
A sustainable competitive advantage is like having a moat around a company's business. It protects a business from competitors and new entrants to its market. Companies with a sustainable competitive advantage usually have workforces that are incentivised for business success. The company's suppliers 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 acquisition 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 2008



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 previous years I have always included a comment on a few of the companies that are held in the portfolio. However, this year I have decided to rather comment on the current market and the outlook for the portfolio as a whole.

A VALUATION PERSPECTIVE

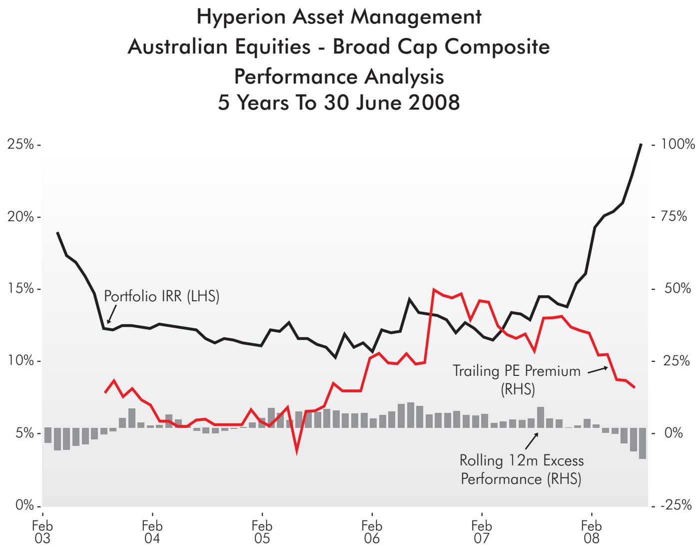
In our process we calculate a five year internal rate of return (IRR) for each stock we consider for inclusion in the portfolio. This IRR calculation is a key factor in our portfolio construction process. As a result of combining all the IRR's of the stock in the portfolio we can calculate an overall IRR or expected total return for the portfolio. Chart 2 shows how the portfolio IRR has changed over the past five years.

The two most important points to make regarding the Chart 2 is that:

(1) the portfolio's IRR is the highest it has ever been, indicating that future absolute returns should be very attractive; and

(2) historically there has been a strong inverse relationship between the portfolio IRR and the historical twelve month excess returns from the portfolio. That is, when the portfolio IRR is elevated, the most recently reported excess returns will be negative but then turn positive as the IRR declines towards more sustainable levels.

CHART 2: PORTFOLIO IRR AND EXCESS RETURN



The portfolio irr is currently sitting around 25% and this is what we expect the portfolio will return over the next five years on a per annum basis. The last time the IRR was extremely elevated was in 2003. The subsequent investment performance from the March 2003 low point was strong in both absolute and relative terms over several years. The fact that the IRR is currently higher than it was back at the bottom of the last major stock market downturn suggests that the absolute and relative performance of the portfolio should be quite strong over the next few years.

Our investment horizon of five years is longer than most investors and we believe there is significant capital appreciation potential for the portfolio once risk premiums decline more in line with long-term historical averages.

TABLE 1: CURRENT PORTFOLIO VALUATIONS V HISTORICAL AVERAGE

	Current Portfolio Valuations	5 year Historical Average	Capital Upside Differential
Forecast 5 Year IRR	25.0%	12.6%	51.0%
Dividend Yield	5.8%	3.0%	48.0%
Trailing PE	14.0%	19.7%	41.0%

In the Table 1 we have attempted to quantify the portfolio's upside potential based on three key valuation measures for the portfolio.

For example, all other things being equal, if the portfolio IRR was to move from 25% currently to its average over the past five years the portfolio's capital value is estimated to increase by approximately 51%. Dividend yield and trailing PE factors also indicate significant capital appreciation potential if these valuation measures regress back to their respective five year means.

The forward PE of the portfolio is currently at 12.8x versus 12.5x for the market. That is, no material premium exists for quality high growth stocks in the current market. This premium has historically averaged around 20% and is expected to revert to longer term averages in due course.

Once the market settles down, we believe that it will start differentiating between companies reliant on the economy for growth and those that have organic growth options. This should benefit our portfolio (eg Harvey Norman versus JB Hi-Fi both down 50% but they have different growth models).

AN EARNINGS PERSPECTIVE

Given we are a growth investor our best performing economic environment is one where the economy is strengthening rather than weakening as it is at the moment. There is not much we can do about this other than make sure that our forecasts have accommodated the earnings downturn.

However, if the domestic and global economies should remain under pressure over the next twelve months and with inflation increasing our companies will be affected, but less so than the average company, due to the following reasons:

- **The companies in our portfolio enjoy low debt levels**. As a result of our upfront interest cover requirement, the interest cover on the portfolio is >20 times. We do have some indirect exposure to higher geared vehicles via Macquarie Group and Babcock & Brown, however, together these two holdings represent less than 7% of the portfolio. This positions us well in a rising interest rate environment.
- **The portfolios are protected to some extent from inflation nasties.** Quality companies possessing competitive advantages in a portfolio are in a better position than the average company to pass on cost increases. In addition, our businesses are not capital intensive, so won't be as affected by having to pay increasing prices to replace capital items.
- **We have material exposure to relatively immature businesses** that aren't reliant solely on the economy for growth (eg JB Hi-Fi, Seek, Wotif.com, The Reject Shop, Billabong). They are able in most cases to supplement their growth through gains in market share.
- **The companies we own possess organic growth models**. Due to the combination of high Return on Equity and organic growth models, our businesses aren't reliant on cheap debt or equity to fund growth (except for the investment banks again).

- **A large percentage of the portfolios' exposure to the consumer discretionary sector is at the value end** (eg The Reject Shop, Fantastic, JB Hi-Fi, Wotif.com and Seek). When times get tough this component of the market often gains share.
- **Non-cyclical** exposure is high (eg Woolworths, Aristocrat, Brambles, Cochlear).Notwithstanding the previous comments, our investment process ensures that the earnings outlook for each investment is reviewed regularly and the investment justification tested.

CLOSING COMMENTS

The portfolio return profile is more attractive than any other time since inception and as such our future prospects are very strong. 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 Brambles (7.6%), Rio Tinto (7.5%) and BHP Billiton (7.4%) were the three largest investments held at the June 2008 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 25% (we normally use 9% for the market) per annum over the next five years. However, over a 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

This report, in relation to the financial year ended 30 June 2008 is presented by the Directors.

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:

H Smerdon, E Pohl, J Hickey, S Wilson, S Mitchell (appointed 11 June 2008)

I Grace retired on 15th October 2007.

2. INFORMATION ON DIRECTORS

Henry R Smerdon
B.Com, B.Econ, FCPA, MAICD, Fdn DFP
Non-Executive Chairman
Member of Audit and Compliance Committee
Chairman of Nominations 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.

Current directorships

Chairman of 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 to Trust 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, B.Sc (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

Non-executive director of Queensland Gas Company Ltd from 2004 to 2005.

Justine S Hickey
B.Com, GAICD, SA Fin, ASIP(UK)
Non-Executive Director
Chair of Audit and Compliance Committee

Experience and expertise

Director since 2006.

Extensive experience in the funds management industry.

Other current directorships

Member of University of Melbourne Investment Committee (appointed 2005).

Member of the Dalton Nicol Reid Investment Committee (appointed 2005).

Director of Australian Ethical Investment Limited (appointed 2007).

Director of Youth Enterprise Trust (appointed 2005).

Chairman of YET Foundation (appointed 2006).

Director of Rio Tinto Staff Fund Pty Ltd (appointed 2008).

Sophie A Mitchell
B.Econ, GAICD, F Fin
Non-Executive Director
Member of Audit and Compliance Committee

Experience and expertise

Appointed a non-executive Director on 11 June 2008.

Management and industry experience as an Executive Director of ABN AMRO Morgans, former portfolio manager Seymour Funds Management (2007), and Head of Research ABN AMRO Morgans (1996-2007).

Other current directorships

Chairman of Expressions Dance Company (appointed Director 2002 and Chairman 2008).

Director Corporate and Special Projects ABN AMRO Morgans (appointed 2008).

Director AAM Foundation (appointed 2006).

Queensland Regional Councillor, FINSIA (appointed 2000).

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

Previous Chairman from inception of the Company in 1997 until 8 November 2006 when stepped down but continuing as a Director.

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).

Director of the National Trust St John's Cathedral Completion Fund, (appointed 1997).

Trustee for University of Queensland Rugby Union Foundation (appointed 2004).

Former directorships in last 3 years

Director of Hyperion Asset Management Limited from 1997 until 2006.

Director of Hyperion Holdings Limited from 2004 until 2006.

Ignazia (Grace) Grace
B.LS, ADIR, ASFA Certification
Non-Executive Director
Member of Audit and Compliance Committee

Experience and expertise

Director since 2000. Resigned on 15 October 2007.

Extensive director experience in the funds management industry.

Other directorships at retirement date

General Secretary of the Queensland Council of Unions (appointed 2000).

Director of Sunsuper (appointed Chair 2005 – Director 2000).

Director of Energex Ltd (appointed 1999).

Director of ESI Super (appointed 2005).

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 (appointed 2003).

3. PRINCIPAL ACTIVITIES

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

4. REVIEW OF OPERATIONS

Over the past twelve months equity markets have fluctuated reaching their peak on 1 November 2007 and then decreasing to 30 June 2008.

During the year:

- Interest received was up 117%
- Dividends received by the Company up 36%
- The portfolio value decreased by 24.1%
- Total dividends declared in respect to the year to Shareholders increased by 6.25% to 8.5 cents per share

The share price has decreased by 32.4% from $2.07 at 30 June 2007 to $1.40 at 30 June 2008.

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.

The 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 continuing 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:

- 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 on 9 August 2007. Announced in conjunction with the raising was the suspension of the on-market buyback until the capital raising was completed. The capital raising was finalised in October 2007 with 10,120,626 shares being issued at a price of $1.92 per share.
- The value of the portfolio has reduced by 24.09% following the decline in the equity markets.
- The buyback recommenced after completion of the capital raising. The on-market buyback programme ceased on 4 June 2008 and resulted in 287,161 shares ($477,000) being bought back. The programme was reinstated effective from 7 July 2008.

6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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	4.25	728	September 2007
Interim	4.25	1,158	March 2008
	8.50	**1,886**	
Dividends paid by the Company during the preceding year were:			
Final	3.50	593	September 2006
Interim	3.75	640	March 2007
	7.25	**1,233**	

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 $1,158,000 (4.25 cents per share) to be paid on 19 September 2008.

The dividend also has attached an LIC attributable amount.

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

For an individual Shareholder the total dividend amount per share received for 2007/2008 will be:

	Interim Payment March 08 Cents per share	Final Payment Sept 08 Cents per share	Total Cents per share
Dividend Payment	4.250	4.250	8.500
Imputation Credits	1.821	1.821	3.642
TOTAL ASSESSABLE INCOME	**6.071**	**6.071**	**12.142**
LIC capital gain deduction (based on attributable amount)	3.035	3.035	6.070
TOTAL TAXABLE INCOME	**3.036**	**3.036**	**6.072**

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	4.250	4.250	8.500
Tax refund	0.455	0.455	0.910
TOTAL CASH AMOUNT	**4.705**	**4.705**	**9.410**

10. EARNINGS PER SHARE

	2008 Cents	2007 Cents
Basic earnings per share	**12.98**	24.60
Diluted earnings per share	**12.98**	24.60

11. COMPANY SECRETARY

Ian W Harrison B.Bus (Acc), FCPA, CSA (Affiliate)

Company Secretary since inception of the Company in 1997.

Ian has 29 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 number of Directors' meetings attended by each of the Directors of the Company during the financial year are:

	Board		Audit Committee		Nominations Committee	
Director	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend
H R Smerdon	9	9	2	2	1	1
E C Pohl	9	9	-	-	1	1
S M Wilson	9	9	-	-	1	1
J S Hickey	9	9	2	2	-	-
S A Mitchell	-	-	-	-	-	-
I Grace (resigned)	5	4	2	1	-	-

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 and Steven Wilson 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.

DETAILS OF REMUNERATION

	Year	Primary			Post-Employment	Equity		
Director		Fees $	Performance Fees $	Non-monetary benefits $	Super $	Retirement Benefits $	Options $	Total $
H R Smerdon *Non-executive Chairman*	2008	30,000	-	-	-	-	-	30,000
	2007	23,659	-	-	-	-	-	23,659
E C Pohl *Managing Director*	2008	12,000	-	-	-	-	-	12,000
	2007	12,000	-	-	-	-	-	12,000
S M Wilson *Non-executive Director*	2008	12,000	-	-	-	-	-	12,000
	2007	18,408	-	-	-	-	-	18,408
J S Hickey *Non-executive Director*	2008	12,000	-	-	-	-	-	12,000
	2007	8,863	-	-	-	-	-	8,863
I Grace *Non-executive Director*	2008	3,485	-	-	-	-	-	3,485
	2007	12,000	-	-	-	-	-	12,000
R B McCrory *Non-executive Director*	2008	-	-	-	-	-	-	-
	2007	3,164	-	-	-	-	-	3,164
S A Mitchell *Non-executive Director*	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
Total Directors Rumuneration	2008	69,485	-	-	-	-	-	69,485
	2007	78,094	-	-	-	-	-	78,094

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, S M Wilson and the Company Secretary 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	6,182,429 (i)
S M Wilson	2,385,000 (ii)
J S Hickey	49,000
H R Smerdon	42,922
S A Mitchell	10,000

(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 over which he has investment control.

(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 2007 – Nil).

14. OPTIONS

No options have been issued during or since the financial year (30 June 2007 – 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 2001 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 2001.

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 below in Note 19 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 APES110, 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 17 of the Directors' Report.

The Company did not use the services of BDO Kendalls for any non-audit purposes during the year.

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.

Emmanuel. C Pohl

Dr Emmanuel (Manny) C Pohl
Managing Director

BRISBANE
19 September 2008

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

19 September 2008

Mr H Smerdon
Chairman
Hyperion Flagship Investments Limited
Level 22
307 Queen 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 2008, 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)

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 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 22 and 23.

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). Following the resignation of Grace Grace as a Director in October 2007 there were three non-executive Directors until the appointment of Sophie Mitchell in June 2008. All Directors have a personal financial interest in the Company.

For Corporate Governance purposes there are three independent Directors and two non-independent Directors (Manny Pohl and Steven Wilson). 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
Non-Executive Director
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.

Sophie A Mitchell
Non-Executive Director
Member of the Audit and Compliance Committee
Ms Mitchell has industry experience as an Executive Director of ABN AMRO Morgans, former portfolio manager Seymour Funds Management, and Head of Research ABN AMRO Morgans. Ms Mitchell was appointed a Director in 2008.

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 was Chairman of the Company since the Company's inception in 1997, retiring as Chairman in 2006.

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.

At the time 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.

During the 2007/2008 year there were no changes to the above. In accordance with the original decision a review of the investment manager was undertaken.

A formal review of the performance of the Board and Audit and Compliance Committee is normally undertaken yearly. No review was undertaken during the 2007/2008 year as the Board had decided this would not happen until the replacement for Grace Grace had been obtained.

The Board has determined the responsibilities of the Chairman and the Managing Director. A summary of these responsibilities are:

Chairman

The responsibilities of the Chairman are:

- The overall leadership of the Board.
- Communication with Shareholders.

- Keeping Directors informed with accurate, timely and relevant information.
- Evaluating the performance of the Board and individual Directors, including the Managing Director.
- Managing the business of the Board.
- Ensuring the effective operation of Board Committees.
- Ensuring appropriate standards for corporate governance are in place and complied with.
- Ensuring effective communication with the Managing Director.

In particular, the Chairman will:

- Be responsible for the efficient organization and conduct of Board business, including chairing meetings, briefing Directors on issues relevant to the Board, establishing appropriate agendas for meetings.
- Facilitate the effective contribution of all Directors to, at and between meetings.
- Be the spokesperson for the Company at the Annual General Meeting particularly in regard to policy and strategic issues.
- Chair the Nominations Committee.
- Ensure that the performance of the investment manager/service provider is formally reviewed at least once per year.
- Ensure, in conjunction with the Managing Director, that corporate and strategic priorities and objectives for the Company are developed and considered by the Board on an annual basis.

Managing Director

The responsibility of the Managing Director is broadly to work with the Board and the Chairman to achieve the Company's corporate and strategic objectives and to undertake those duties not specifically assigned to the Board or the Chairman and generally are:

- Day to day management of the business.
- Implementing decisions of the Board and reporting to the Board on progress/outcomes.
- Providing the Chairman and other Board members with accurate and timely information on all matters relevant to the business and operations of the Company.
- Ensuring that there is effective communication between himself, the Chairman and other Directors.
- Ensuring that the services provided to the Company are consistent with the needs of the Company as assessed by the Board and that the service provided is regularly evaluated for efficiency and value for money.
- Reporting to the Board regularly on the performance of the business against strategic priorities and objectives.

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 12 and 13.

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. There is currently no remuneration committee.

- **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 Hickey (Chair)

H R Smerdon

S Mitchell

As the Committee did not have the necessary quorum in accordance with its Charter following the resignation of I Grace and up to the appointment of Sophie Mitchell, the Board as a whole carried out the function of the Committee during this period.

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

Following the resignation of I Grace the Board as a whole carried out the function of the Committee to determine the replacement Director.

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 paid 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. The Company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees. The Code reflects the high standards of behaviour and professionalism expected of Directors and employees and the practices necessary to maintain confidence in the Company's integrity. The Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies. Any unethical practices are to be reported to the Chairman. A copy of the Code is available on the Company's website.

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 effect 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 are considered by the Board in addition to the risks which are managed by the investment manager who is providing all operational activities. The Manager reviews risks as part of its normal risk management process.

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. It is BDO Kendalls policy to rotate audit engagement partners on listed companies at least every five years.

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 5 and 19 to the financial statements.


AUSTRALIAN STOCK EXCHANGE
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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.	6	Comply
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	6	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*.	3 and 6	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: - only non-executive directors. - a majority of independent directors. - an independent chairperson, who is not chairperson of the board. - at least three members.	4	Comply
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

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS			
ASX Principle		**Reference**	**Compliance**
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 and Directors' Report	Comply
9.2	The board should establish a remuneration committee.	4 and 5	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.	6	Comply

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

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Financial Report

CONTENTS OF FINANCIAL REPORT:

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 22
307 Queen Street
Brisbane Qld 4000

The financial report was authorised for issue by the Directors on 19 August 2008.

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 $'000	2007 $'000
Revenue	4	**4,258**	7,079
Performance fees		0	(1,223)
Other expenses	5	(312)	(258)
Profit before income tax		**3,946**	5,598
Income tax expense	6	(751)	(1,401)
Profit attributable to members of Hyperion Flagship Investments Limited		**3,195**	4,197
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	22	**12.98**	24.60
Diluted earnings per share	22	**12.98**	24.60

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 $'000	2007 $'000
ASSETS			
Cash and cash equivalents	7	**258**	911
Trade and other receivables	8	**17**	114
Available For Sale Financial Assets	9	**38,609**	37,614
Held to Maturity Investments	10	**–**	784
Deferred tax assets	11	**1,974**	45
Total assets		**40,858**	39,468
LIABILITIES			
Trade and other Payables	12	**40**	1,372
Current tax liabilities	13	**685**	1,389
Deferred tax liabilities	14	**–**	3,823
Total liabilities		**725**	6,584
Net assets		**40,133**	32,884
EQUITY			
Issued Capital	15	**37,674**	18,834
Reserves	16(a)	**(3,979)**	8,921
Retained earnings	16(b)	**6,438**	5,129
Total equity		**40,133**	32,884

	2008	2007
NAV (after tax on realised gains only)	$1.47	$2.14
NAV (after tax on realised and unrealised gains)	$1.40	$1.92

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Share 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 period		399			399
Share issue costs (net of tax)		(0)			(0)
Shares bought back on market	15(b)	(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	17		(1,233)		(1,233)
Balance at 30 June 2007		**18,834**	**5,129**	**8,921**	**32,884**

	Note	Share Capital $'000	Retained Earnings $'000	Asset Revaluation Reserve $'000	TOTAL $'000
Balance at 1 July 2007		18,834	5,129	8,921	32,884
Shares issued during period	15 (b)	19,986			19,986
Share issue costs (net of tax)		(668)			(668)
Shares bought back on market	15 (b)	(478)			(478)
Profit attributable to members			3,195		3,195
Revaluation increment (net of tax)				(12,900)	(12,900)
Sub-total		37,674	8,324	(3,979)	42,019
Dividends paid or provided for	17		(1,886)		(1,886)
Balance at 30 June 2008		**37,674**	**6,438**	**(3,979)**	**40,133**

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 2008

	Note	2008 $'000	2007 $'000
Cash flows from operating activities			
Dividends received		1,599	1,172
Interest received		111	52
Sub-underwriting fees received		–	–
Income taxes paid		(1,391)	(596)
Other payments		(1,834)	(1,224)
Net cash (outflow)/inflow from operating activities	21	(1,515)	(596)
Cash flows from investing activities			
Proceeds from sale of investments		8,905	12,650
Payment for investments		(25,778)	(10,032)
Proceeds/(payment for) bank bills		784	(413)
Net cash (outflow) inflow from investing activities		(16,089)	2,205
Cash flows from financing activities			
Dividends paid to Company's Shareholders	17	(1,886)	(835)
Proceeds from share issues		19,986	–
Buy back of shares		(478)	(82)
Share issue costs		(668)	–
Net cash (outflow)/inflow from financing activities		16,954	(917)
Net (decrease)/increase in cash and cash equivalents		(653)	692
Cash and cash equivalents at the beginning of the financial year		911	219
Cash and cash equivalents at end of year	7	258	911

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 Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Statement of Compliance

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs) and Interpretations adopted by the International Accounting Standards Board (IASB).

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 - other 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 on other financial assets. Following a review of the investments, the Board has determined that no investment at 30 June 2008 is impaired.

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

Loans and Receivables

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

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.

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.

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.

(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 AND OTHER PAYABLES

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

(H) 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.

(I) 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.

(J) 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.

(K) 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.

(L) IMPAIRMENT

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(M) KEY JUDGEMENTS AND ASSUMPTIONS

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

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

As the Director's do not intend to dispose of the portfolio, this tax liability/benefit may not be crystallised at the amount disclosed in notes 11 and 14. In addition, the tax liability/benefit that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains/losses at the time of disposal.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period as they are carried at their market value and these values are reviewed to ensure that there is no impairment.

There is no impairment of the carrying value of any individual investment as the primary reason for the decline in both the portfolios' market value and the individual stocks comprising the portfolio relates to the recent increases in both the risk free rate in Australia and general risk premiums.

In Australia, both the RBA cash rate and the ten year government bond rate have increased during the six months to the end of June 2008 and this has forced discount rates higher for Australian equities.

In addition, the second (and most influential) factor forcing stock prices lower recently has been the increase in global risk premiums. The increase in credit spreads that occurred during the 2008 financial year has forced equity risk premiums significantly higher. Higher equity risk premiums have in turn placed considerable downward pressure on price earnings ratios ("PERs") and therefore on share prices. As a result of the increase in risk premiums, the average PER of the portfolio has declined from over twenty times in December 2007 to around fourteen times in June 2008. It is clear that this significant decline in the average PER for the portfolio has been the primary driver of the recent market value declines.

This PER decline occurred despite the fact that the estimated five year EPS growth rate for the portfolio remained unchanged at approximately 13% per annum from December 07 to the end of June 08.

The vast majority of the decline in equity prices within the portfolio does not relate to reductions in future cash flows of the individual stocks invested in but rather it relates to the discount rate that is being applied to these future cash flows.

The normally significant PE premiums to the market that the portfolio has enjoyed in the past have been compressed to zero. Prospective dividend yields are now unreasonably high, even after we have downgraded growth expectations for our stocks. We have calculated the expected total returns of the portfolio at around 25% pa over the next five years.

Information on the investment process and valuation of the portfolio is available in the Managing Director's Report.

(N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new Accounting Standards and Interpretations have been issued that are not mandatory for 30 June 2008 reporting periods. These Standards and Interpretations have not been adopted in the preparation of the Financial Report. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 may result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company has decided not to early adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Company, as the Company does not capitalise borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet, this one being as at the beginning of the comparative period. The Company intends to apply the revised standard from 1 July 2009.

2. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to a variety of financial risks: market risk (including price and interest rate risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the volatility of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk governance is managed through the Board which provides direct oversight on the Company's risk management framework and overall risk management performance. The Board provides written principles for risk management covering investment portfolio composition. Risk is managed by the professional, disciplined management of the investment portfolio by Hyperion Asset Management Limited (the Manager).

The Company held the following financial instruments:

	30 June 2008 $'000	30 June 2007 $'000
Financial assets		
Cash and cash equivalents	**258**	911
Available For Sale Financial Assets	**38,609**	37,614
Held to Maturity Investments	**–**	784
Total	**38,867**	39,309

Not all items on the balance sheet carry material financial risk. Trade and other receivables and Trade and other payables were not included in the table due to the immaterial nature of their financial risk.

(A) MARKET RISK

(i) Foreign exchange risk

The Company operates entirely within Australia and is not exposed to material foreign exchange risk.

(ii) Equity market risk

The Company is exposed to price risk through its investments in equity securities. This risk is the potential for losses in Company earnings as a result of adverse equity securities market movements. The Company's equity investments are Australian listed equity securities.

Equity investments held by the Company are classified on the balance sheet as Available For Sale Financial Assets.

The Manager has an established risk management framework that includes procedures, policies and functions to manage market risk. The objective of market risk management is to manage and control risk exposures within acceptable parameters. The Manager's investment strategy centres on the view of investing in proven businesses with growth opportunities arising from their sustainable competitive advantage as high quality growth companies outperform over the longer-term.

Sensitivity Analysis

Increases/decreases in an equity securities price, affect the Company's asset revaluation reserve and after tax profit for the year. The analysis is based on the assumption that the Available For Sale Financial Assets had increased/decreased by 5% (2007-5%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index.

Impact on Equity for the year:-

2008 $1,930,450

2007 $1,880,700

(iii) Cashflow interest rate risk

The Company is exposed to cash flow interest rate risk from holding cash and cash equivalents at variable rates. The Company's cash and cash equivalents are dominated in Australian Dollars.

In order to minimise the potential adverse effects of this risk, the Manager reviews the interest rate exposure as part of cash flow management and takes into consideration liquidity and yields as part of cash flow management. The cash and cash equivalents held are subject to an insignificant level of risk of changes in value.

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

30 June 2008: Balance $258,000

Weighted average interest rate 6.70%

30 June 2007: Balance $911,000

Weighted average interest rate 5.23%

(B) Relative performance risk

The Manager aims to out-perform the risk free cash rate over the long-term. However, as the portfolio consists of equity investments these will tend to be more volatile than cash, so there will likely be periods of relative under and over performance compared to the benchmark risk free rate.

Over the long-term the Manager is confident that the portfolio can achieve out-performance through an investment selection process that invests in companies that have a sound business model, display a sustainable competitive advantage and have proven quality management.

(C) Credit risk

Credit risk is the risk of a counterparty defaulting on their financial obligations resulting in a loss to the Company. Credit risk arises from cash and cash equivalents, Available For Sale Financial Assets and Held to Maturity Investments. Credit risk is managed by the Manager.

Credit risk arising from cash and cash equivalents is managed by only transacting with counterparties independently rated with a minimum rating of A. The providers of financial services to the Company are rated as AA by Standard and Poor's. Credit risk on cash and cash equivalents is deemed to be low.

Credit risk arising from Available For Sale Financial Assets relates to the risk of counterparties on the ASX defaulting on their financial obligations on transactions for Australian listed equity securities. The credit risk for these transactions is deemed to be low.

Credit risk arising from Held to Maturity Investments is managed by only transacting with counterparties independently rated with a minimum rating of A.

The maximum credit risk exposure of the Company at year end is the carrying value of the assets in the Balance Sheet.

There is no concentration of credit risk with respect to financial assets in the Balance Sheet.

(D) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable Australian listed equity securities.

The Manager controls liquidity risk by continuously monitoring the balance between equity securities and cash or cash equivalents to ensure this risk is minimal.

(E) Fair value estimation

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

The fair value of cash and cash equivalents are assumed to be fair values due to their short-term nature.

The fair value of Available For Sale Financial Assets being instruments traded in active markets (Australian listed equity securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of held to maturity assets being bank bills are the recorded values due to their short term nature.

(F) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which is defined as net operating income divided by total Shareholders' equity. The Board also monitors the level of dividends to Shareholders.

The capital of the Company is invested by the investment manager in accordance with the investment policy established by the Board. The Company has no borrowings. It is not subject to any externally imposed capital requirements.

As detailed in the Annual Report the Company has maintained the on-market buyback of its own shares during the year. This assists in maintaining the alignment between the market price and the Net Tangible Assets of the Company.

There were no changes in the Company's approach to capital management during the year.

3. 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.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	**2008 $'000**	2007 $'000
4. REVENUE			
Realised Gains/(Losses) – Available For Sale Financial Assets		**2,549**	5,856
Interest on cash		**107**	16
Interest on Held to Maturity Investments		**3**	35
Dividends		**1,599**	1,172
Other		–	–
Total		**4,258**	7,079
5. EXPENSES			
Profit before income tax includes the following specific expenses:			
ASX listing and other fees		**72**	115
Audit fees		**35**	24
Directors fees		**69**	78
Insurance		**25**	27
Share registry		**22**	14
Other		**89**	89
Total		**312**	258
6. INCOME TAX EXPENSE			
(a) Income tax expense			
Current tax		**685**	1,388
Deferred tax		**63**	12
Under/(over) provided in prior years		**3**	1
Total		**751**	1,401
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	10	**63**	12
(Decrease) increase in deferred tax liabilities	13	–	–
Total		**63**	12
(b) Reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) before income tax expense		**3,946**	5,598
Tax at the Australian tax rate of 30% (2007 – 30%)		**1,184**	1,679
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Dividend franking credits		**(433)**	(279)
		751	1,400
Under (over) provision in prior years		–	1
Total income tax expense		**751**	**1,401**
Total tax expenses		**751**	1,401
(c) Amounts recognised directly in equity			
Aggregate current and deferred tax arising in the reporting period and not Recognised in net profit or loss but directly debited or credited to equity			
Net deferred tax – debited (credited) directly to equity	11 & 14	**(5,815)**	1,059
Total		**(5,815)**	1,059

	2008 $'000	2007 $'000
7. CASH AND CASH EQUIVALENTS		
Bank balances	**258**	37
Deposits at call	–	874
Total	**258**	911

(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% in 2007.
These deposits had an average maturity of 30 days.
(c) Fair value
The carrying amount for cash and cash equivalents equals the fair value.

	2008 $'000	2007 $'000
8. TRADE AND OTHER RECEIVABLES		
Net other receivables		
GST receivable	**1**	94
Other receivables	**16**	20
Total	**17**	114
9. AVAILABLE FOR SALE FINANCIAL ASSETS		
Listed Investments, at fair value		
At beginning of year	**37,614**	30,846
Additions	**25,778**	10,031
Revaluation	**(18,428)**	3,530
Disposals (sale and redemption)	**(6,355)**	(6,793)
Closing Balance at 30 June	**38,609**	37,614
Australian listed equity securities	**38,609**	37,614

If investments had been sold at balance date a net capital gains tax liability of not more than NIL (2007: $3,823,227) would have arisen.

	2008 $'000	2007 $'000
10. HELD TO MATURITY INVESTMENTS		
Bank Bills	–	784
Total	–	784

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 $'000	2007 $'000
11. DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Amortisation of share issue expense		(94)	(25)
Accruals		12	7
Website development costs		1	–
		(81)	(18)
Amounts recognised directly in equity			
Share issue expenses	14(b)	350	63
Unrealised loss on Available For Sale Investments		1,705	–
Total		2,055	63
Net deferred tax assets		1,974	45
Reconciliations			
(i) **Gross Movements:**			
The overall movement in deferred tax asset accounts is as follows:			
Opening balance		45	57
(Credited)/charged to the income statement		(63)	(12)
(Credited)/charged to equity		1,992	–
Closing balance at 30 June		1,974	45
(ii) **The movement in deferred tax assets for each temporary difference during the year is as follows:**			
Share issue expenses			
Opening balance		38	51
(Charged)/credited directly to the income statement		(69)	(12)
(Charged)/credited directly to the equity		287	–
Closing balance		256	38
Accruals			
Opening balance		7	6
(Charged)/credited directly to the income statement		5	1
Closing Balance		12	7
Website development costs			
Opening balance		–	–
(Charged)/credited directly to the income statement		1	–
Closing Balance		1	–
Available For Sale Investments			
Opening balance		–	–
(Charged)/credited directly to the income statement		–	–
(Charged)/credited directly to the equity		1,705	–
Closing Balance		1,705	–

	Note	2008 $'000	2007 $'000
12. TRADE AND OTHER PAYABLES			
Accrued expenses		**40**	27
Performance fee payable		–	1,345
Total		**40**	1,372
13. CURRENT TAX LIABILITIES			
Income tax		**685**	1,389
Total		**685**	1,389
14. DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Amounts recognised directly in equity			
Tax on Unrealised gain on Available For Sale Investments		–	3,823
Net deferred tax liabilities		–	3,823
Reconciliations			
(i) Gross Movements:			
The overall movement in the deferred tax liability account is as follows:			
Opening balance		**3,823**	2,764
Charged/(credited) to equity		**(3,823)**	1,059
Closing balance		–	3,823
(ii) The movement in deferred tax liability for each temporary difference during the year is as follows:			
Unrealised gain on investments			
Opening balance		**3,823**	2,764
Charged/(credited) directly to the equity		**(3,823)**	1,059
Closing balance		–	3,823

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008 Shares	2007 Shares	2008 $'000	2007 $'000
15. ISSUED CAPITAL				
(a) Issued Capital				
Ordinary shares				
Fully paid	**27,283,650**	17,129,810	**37,674**	18,834
Total Issued Capital	**27,283,650**	17,129,810	**37,674**	18,834

The Company does not have an authorised capital value or par value in respect of its issued shares.

(b) Movements in ordinary share capital:

Date	Description	Number of Shares	Issue Price	$'000
01 July 2006	Balance	16,953,274	–	18,518
08 September 2006	Dividend reinvestment plan issue	108,173	$1.65	178
28 September 2006	Share buy-back	(660)	$1.70	(1)
18 December 2006	Share buy-back	(3,351)	$1.92	(6)
06 March 2007	Share buy-back	(30,000)	$1.96	(59)
14 March 2007	Share buy-back	(490)	$2.00	(1)
16 March 2007	Dividend reinvestment plan issue	110,307	$2.00	220
19 March 2007	Share buy-back	(1,000)	$2.00	(2)
13 April 2007	Share buy-back	(5,643)	$2.00	(11)
27June 2007	Share buy-back	(800)	$2.07	(2)
		17,129,810		18,834
Less: Transaction costs arising on share issue		–		–
30 June 2007	**Balance**	**17,129,810**		**18,834**
07 September 2007	Dividend Reinvestment Plan	134,759	$1.94	261
16 October 2007	Capital Raising	10,120,626	$1.92	19,432
31 October 2007	Share buy-back	(1,000)	$1.92	(2)
01 November 2007	Share buy-back	(10,000)	$1.92	(19)
02 November 2007	Share buy-back	(15,000)	$1.92	(29)
05 November 2007	Share buy-back	(19,000)	$1.91	(36)
07 November 2007	Share buy-back	(3,007)	$1.90	(6)
12 November 2007	Share buy-back	(5,000)	$1.91	(10)
16 November 2007	Share buy-back	(1,753)	$1.92	(3)
22 November 2007	Share buy-back	(10,000)	$1.90	(19)
26 November 2007	Share buy-back	(5,801)	$1.90	(11)
27 November 2007	Share buy-back	(27,000)	$1.90	(51)
28 November 2007	Share buy-back	(1,000)	$1.90	(2)
31 January 2008	Share buy-back	(1,000)	$1.56	(2)
05 February 2008	Share buy-back	(2,000)	$1.66	(3)
07 February 2008	Share buy-back	(3,000)	$1.63	(5)
11 February 2008	Share buy-back	(2,000)	$1.63	(3)

Date	Description	Number of Shares	**Issue Price**	$'000
13 February 2008	Share buy-back	(1,000)	$1.60	(2)
14 February 2008	Share buy-back	(191)	$1.60	(0)
15 February 2008	Share buy-back	(1,000)	$1.63	(2)
20 February 2008	Share buy-back	(1,809)	$1.61	(3)
21 February 2008	Share buy-back	(191)	$1.56	(0)
22 February 2008	Share buy-back	(14,309)	$1.60	(23)
25 February 2008	Share buy-back	(2,500)	$1.60	(4)
26 February 2008	Share buy-back	(4,000)	$1.60	(6)
27 February 2008	Share buy-back	(2,000)	$1.58	(3)
28 February 2008	Share buy-back	(1,000)	$1.58	(2)
03 March 2008	Share buy-back	(2,000)	$1.58	(3)
04 March 2008	Share buy-back	(16,000)	$1.57	(25)
05 March 2008	Share buy-back	(12,251)	$1.58	(19)
07 March 2008	Share buy-back	(6,000)	$1.55	(9)
10 March 2008	Share buy-back	(10,000)	$1.54	(15)
11 March 2008	Share buy-back	(2,321)	$1.55	(4)
13 March 2008	Share buy-back	(7,750)	$1.44	(11)
14 March 2008	Share buy-back	(11,000)	$1.33	(15)
15 March 2008	Share buy-back	(4,250)	$1.33	(6)
18 March 2008	Share buy-back	(1,665)	$1.35	(2)
19 March 2008	Dividend Reinvestment Plan	185,616	$1.58	293
26 March 2008	Share buy-back	(3,000)	$1.41	(4)
27 March 2008	Share buy-back	(1,250)	$1.40	(2)
02 April 2008	Share buy-back	(2,210)	$1.40	(3)
11 April 2008	Share buy-back	(6,521)	$1.55	(10)
14 April 2008	Share buy-back	(7,000)	$1.54	(11)
15 April 2008	Share buy-back	(2,000)	$1.55	(3)
16 April 2008	Share buy-back	(4,000)	$1.55	(6)
17 April 2008	Share buy-back	(4,285)	$1.55	(7)
18 April 2008	Share buy-back	(4,000)	$1.55	(6)
21 April 2008	Share buy-back	(1,602)	$1.55	(2)
22 April 2008	Share buy-back	(1,220)	$1.55	(2)
23 April 2008	Share buy-back	(1,071)	$1.55	(2)
29 April 2008	Share buy-back	(16,107)	$1.50	(24)
30 April 2008	Share buy-back	(1,600)	$1.54	(3)
01 May 2008	Share buy-back	(2,000)	$1.54	(3)
20 May 2008	Share buy-back	(2,911)	$1.56	(5)
21 May 2008	Share buy-back	(3,000)	$1.60	(5)
22 May 2008	Share buy-back	(511)	$1.60	(1)
23 May 2008	Share buy-back	(2,000)	$1.60	(3)
26 May 2008	Share buy-back	(193)	$1.60	(0)
27 May 2008	Share buy-back	(10,000)	$1.60	(16)
29 May 2008	Share buy-back	(1,000)	$1.60	(2)
30 May 2008	Share buy-back	(1,882)	$1.51	(3)
Less: Transaction costs arising on share issue				(955)
Deferred tax credit recognised directly in equity				286
30 June 2008	**Balance**	**27,283,650**		**37,674**

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

(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.

	2008 $'000	2007 $'000
16. RESERVES AND RETAINED EARNINGS		
a) Reserves		
Asset revaluation reserve	(3,979)	8,921
Total	(3,979)	8,921
Movements: Asset revaluation reserve		
Balance 1 July	8,921	6,449
Revaluation of long-term investments (net of tax)	(10,351)	7,949
Realised profits	(2,549)	(5,477)
Balance 30 June	(3,979)	8,921
(b) Retained earnings		
Movements in retained earnings were as follows:		
Opening retained earnings 1 July	5,129	2,165
Profit for the year	3,195	4,197
Dividends	(1,886)	(1,233)
Balance 30 June	6,438	5,129
(c) Nature and purpose of reserves		
(i) Asset Revaluation Reserve		
The reserve is used to record increments and decrements or the revaluation of Available For Sale Financial Assets.		
17. DIVIDENDS		
(a) Dividends paid		
Final dividend of 4.25 cents (2007 - 3.5 cents) per fully paid share paid on 7 September 2007 (2007-08 September 2006)		
Fully franked based on tax paid @ 30% - 4.25 cents per share	728	
Fully franked based on tax paid @ 30% - 3.5 cents per share		593
Interim dividend of 4.25 cents (2007 - 3.75 cents) per fully paid share paid on 17 March 2008 (2007-16 March 2007)		
Fully franked based on tax paid @ 30% - 4.25 cents per share	1,158	
Fully franked based on tax paid @ 30% - 3.75 cents per share		640
Total dividends provided for or paid	1,886	1,233
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2008 and 2007 were as follows:		
Paid in cash	1,332	835
Satisfied by issue of shares	554	398
	1,886	1,233

	2008 $'000	2007 $'000
17. DIVIDENDS (continued)		
(b) Listed Investment Company capital gain account		
Balance of the Listed Investment Company (LIC) capital gain account	**7,405**	7,551

Distributed LIC capital gains may entitle certain Shareholders to a special deduction in their tax return, as set out in the statement.
LIC capital gains available for distribution are dependent upon:
(i) the disposal of investment portfolio holdings which qualify for LIC capital gains or
(ii) the receipt of LIC distributions from LIC securities held in the portfolio

(c) Franked dividends
The franked portions of the final dividends recommended after 30 June 2008 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 2008.

	2008 $'000	2007 $'000
Balance as at 30 June 2008 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.	**3,062**	2,564

(d) Dividends not recognised at year end

	2008 $'000	2007 $'000
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, (2007 – 4.25 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 19 September 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year end, is	**1,158**	728

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	2008	2007
	$	$

18. 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
Steven M Wilson
Justine S Hickey (appointed 5 October 2006)
Sophie A Mitchell (appointed 11 June 2008)
Ignazia Grace (resigned 15 October 2007)

(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 ASIC Class Order 06/50 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.

19. 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:

	2008 $	2007 $
(a) Assurance services		
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**34,755**	23,380
Total remuneration for audit services	**34,755**	23,380
(b) Advisory services		
Other advisory services	**–**	–
Total remuneration for advisory services	**–**	–
Total remuneration of auditors	**34,755**	23,380

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008 $'000	2007 $'000

20. 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, S A Mitchell, and S M Wilson. These persons were also Directors during the year ended 30 June 2007 except S A Mitchell who was appointed a Director on 11th of June 2008. I Grace held office as a Director from the start of the year until her resignation on 15th October 2007.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 18.

(c) Transactions with related parties

The following transactions occurred with related parties:

	2008 $'000	2007 $'000
Expenses paid or payable by the Company to:		
Wilson HTM Ltd for broking expenses	8	84
Wilson HTM Corporate Finance Ltd for advisory services	414	–
Hyperion Asset Management Limited for performance fees (excluding GST)	–	1,223
Amounts remaining payable at balance date	–	1,223

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, I Grace and 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.

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

	2008 $'000	2007 $'000
Profit/(Loss) after income tax expense	3,195	4,197
Less Non-Cash flows		
Loss/(Profit) on financial Assets	(2,549)	(5,856)
Income Tax Benefit from current year	–	–
Changes in Assets/Liabilities		
Decrease/(increase) in trade and other receivables	98	(19)
Decrease/(increase) in other assets	–	–
(Increase)/decrease in deferred tax assets	(224)	12
Increase/(decrease) in trade and other payables	(1,332)	275
Increase/(decrease) in current tax liabilities	(704)	795
Increase/(decrease) in deferred liabilities	–	–
Net cash (outflow) inflow from operating activities	(1,515)	(596)

	2008 $'000	2007 $'000
22. EARNINGS PER SHARE		
(a) Basic and diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	3,195	4,197
	Cents	Cents
(b) Basic and Diluted earnings per share	12.98	24.60
	Number	Number
(c) Weighted average number of ordinary shares used in the calculation of earnings per share	24,618,894	17,059,564

23. 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 $0.00 (excl GST) was paid or payable during the year ended 30 June 2008 (2007-$1,222,921). 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.

24. SUBSEQUENT EVENTS

No events have arisen, subsequent to balance date that would require amendment of, or disclosure of, in the financial statements.

25. CONTINGENT ASSETS AND LIABILITIES

The Company has no known contingent assets or liabilities.

26. COMMITMENTS

The Company has no commitments.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 26 to 44 are in accordance with the Corporations Act 2001, including:
   (i) comply with Australian Equivalents of International Financial Reporting Standards, 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 2008 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 15 and 16 of the Directors' Report comply with Accounting Standards 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
19 September 2008

Independent Audit Report

TO THE MEMBERS OF HYPERION FLAGSHIP INVESTMENTS LIMITED

We have audited the accompanying Financial Report of Hyperion Flagship Investments Limited, which comprises the Balance Sheet as at 30 June 2008, 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.

Directors' Responsibility for the Financial 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 Equivalents to International Financial Reporting 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 Company'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 Company'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.

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 19 September 2008 would be in the same terms if provided to the Directors as at the date of this Auditor's Report.

Auditor's Opinion

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

a) giving a true and fair view of the Company's financial position as at 30 June 2008 and of it's performance for the year ended on that date; and
b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
c) the Financial Statements and Notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2008. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report included in the Directors' Report for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

BDO Kendalls (QLD)

BDO Kendalls

P A Gallagher
Partner

Brisbane
19 September 2008

Shareholder Information

The Shareholder information set out below was applicable as at 12 September 2008.

1. DISTRIBUTION OF SECURITIES

Distributions	No. of Shareholders
1 to 1,000	174
1,001 to 5,000	536
5,001 to 10,000	209
10,001 to 100,000	242
100,001 and over	28
Total	**1,189**
Holdings of less than a marketable parcel	31

2. TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary shares	%
Farallon Capital Pty Ltd <Nunn Investment Trust a/c>	2,420,232	8.91
Pohl Pty Ltd <Gap Investments Unit a/c>	2,160,911	7.96
Powers Pty Ltd	1,919,188	7.07
D E & L J Barclay <Don Barclay Super Fund a/c>	1,822,840	6.71
HSBC Custody Nominees (Australia) Limited	1,683,077	6.20
Earlston Nominees Pty Ltd <Steven Wilson Investment a/c>	1,500,00	5.53
Polka Management Services Pty Ltd <Pat Corrigan Super Fund a/c>	820,300	3.02
Willben Pty Ltd <Willben Super Fund a/c>	815,000	3.00
ANZ Nominees Limited <Cash Income a/c>	768,952	2.83
Mary Van Lieshout	645,807	2.38
Citadel Bank and Trust Inc <The Fragrance a/c>	406,537	1.50
Accessories Com Pty Ltd <TRS Securities S/Fund a/c>	382,435	1.41
Bruce Robert & Erika Haberfield	307,520	1.13
Edwin H & Enid O Buckland <Buckland Super Fund a/c>	293,549	1.08
Hank Van Lieshout and Joyce Van Lieshout	260,000	0.96
Hank Van Lieshout	251,856	0.93
Aletha Elizabeth and Rasmus Elardus Laubscher <Drs AE & REE Laubscher a/c>	204,361	0.75
Quantum Electronics Pty Ltd <Super a/c>	188,475	0.69
Dr John Kristof Basson and Helga Basson	178,587	0.66
Gregory John Burton	169,077	0.62
Total	**17,198,704**	**63.34**

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	5,436,126[1]	20.02
E C Pohl	6,182,429[1]	22.77
Farallon Capital Pty Ltd <Nunn Investment Trust>	2,420,232	8.91
S M Wilson	2,300,000	8.47
D E & L J Barclay <Don Barclay Super Fund>	1,822,840	6.71
Wilson HTM Investment Group Ltd	4,080,286[2]	15.03

Note 1: E C Pohl has a relevant interest in 6,182,429 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 5,436,126 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 4,080,286 (15.03%) shares in the Company.

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.

1. HOLDINGS OF SECURITIES AS AT 30 JUNE 2008

Individual investments at 30 June 2008 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	80,000	513.6	1.3
AMP	AMP Limited	213,613	1,429.1	3.7
ANZ	ANZ Banking Group Ltd	110,000	2,059.2	5.3
BBG	Billabong International Ltd	150,000	1,620.0	4.2
BHP	BHP Billiton Ltd	65,474	2,861.2	7.4
BKL	Blackmores Limited	40,000	656.0	1.7
BNB	Babcock & Brown Ltd	78,733	590.5	1.5
BXB	Brambles Limited	336,500	2,937.6	7.6
CAB	Cabcharge Australia Ltd	90,000	738.0	1.9
CBA	Commonwealth Bank of Australia	56,000	2,249.5	5.8
COH	Cochlear Limited	41,400	1,807.1	4.7
COU	Count Financial Ltd	235,000	363.1	0.9
FAN	Fantastic Holdings Ltd	373,955	837.7	2.2
IRE	Iress Market Technology Limited	247,444	1,549.0	4.0
JBH	JB Hi-Fi Limited	109,000	1,140.1	2.9
MQG	Macquarie Group Ltd	34,490	1,677.6	4.3
MOC	Mortgage Choice Ltd	405,586	324.5	0.8
NCK	Nick Scali Limited	166,976	86.0	0.2
PPT	Perpetual Ltd	17,650	755.0	1.9
PTM	Platinum Asset Management Limited	214,958	668.5	1.7
QGC	Queensland Gas Corporation Ltd	187,567	1,007.2	2.6
RIO	Rio Tinto Ltd	21,500	2,913.3	7.5
SEK	Seek Limited	292,283	1,461.4	3.8
SKT	Sky Network Television	131,000	394.3	1.0
TRS	The Reject Shop Ltd	52,000	494.0	1.3
VGH	Vision Group Holdings Limited	100,000	181.0	0.5
WBC	Westpac Banking Corporation Ltd	73,537	1,470.7	3.8
WOW	Woolworths Ltd	74,000	1,809.3	4.7
WPL	Woodside Petroleum Limited	40,000	2,700.0	6.9
WTF	Wotif.com Holdings Limited	466,286	1,315.0	3.4
			38,609.5	**99.4**
	Options		0.0	0.0
	Cash		257.9	0.6
	Total		**38,866.6**	**100.0**

2. TRANSACTIONS AND BROKERAGE

There were 80 (2007: 81) transactions in securities during the year on which brokerage of $85,883 (2007: $87,553) was paid.

Corporate Directory

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

BOARD OF DIRECTORS
Henry R Smerdon
Non-Executive Chairman
Dr Emmanuel (Manny) C Pohl
Managing Director
Sophie A Mitchell
Non-Executive Director
Justine S Hickey
Non-Executive Director
Steven M Wilson
Non-Executive Director

SECRETARY
Ian W Harrison

PRINCIPLE PLACE OF BUSINESS
Level 22
307 Queen Street
Brisbane QLD 4000

MANAGER
Hyperion Asset Management Limited
ABN 99 080 135 897
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Computershare Investor
Services Pty Limited
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Notes

Notes

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