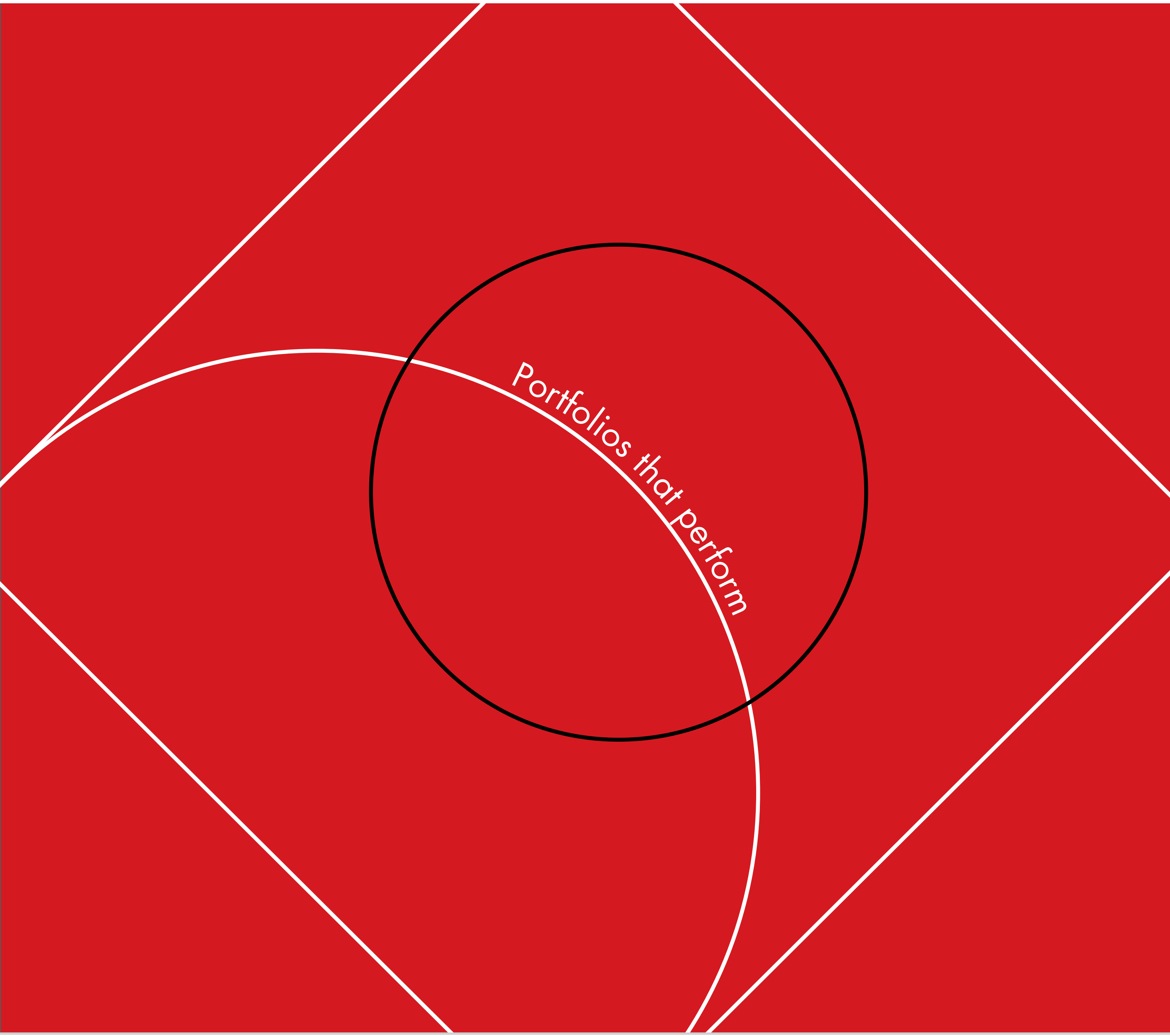
HYPERION FLAGSHIP INVESTMENTS

ANNUAL REPORT 2009



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 2009

BOOKS CLOSE
28 August 2009

DIVIDEND PAYMENT
9 October 2009

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

WILL BE HELD AT
The office of
Hyperion Asset Management Limited
Level 22, 307 Queen Street
Brisbane Qld 4000

TIME
Midday

DATE
Friday 13 November 2009

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

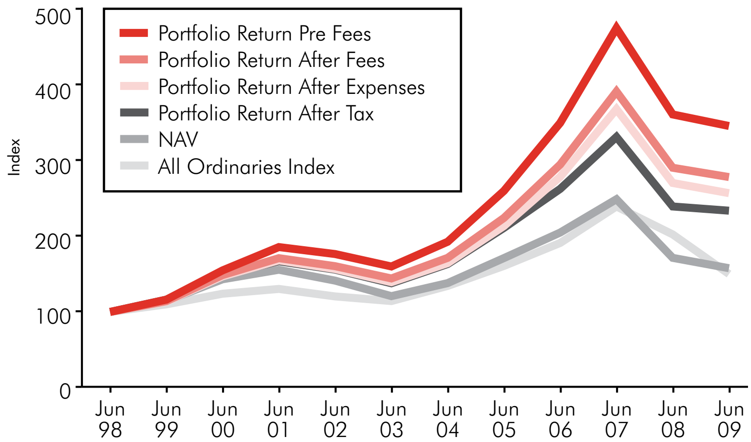
HYPERION FLAGSHIP INVESTMENTS LIMITED DIRECTORS (from left to right)
Justine Hickey, Henry Smerdon, Patrick Corrigan, Manny Pohl and Sophie Mitchell

Highlights for the year ending June 2009

- After exceeding the market return by 11.6% in the first half, this excellent performance was repeated in the second half with the portfolio before fees and tax decreasing by only 4.2% versus a 26.0% decline in the All Ordinaries Index over the twelve month period.
- This investment performance is reflected in the Net Asset Value per share which decreased by 8.2% from $1.47 at 30 June 2008 to $1.35 at 30 June 2009.
- Dividend and interest income showed a modest decline of 5.6%.
- The annual dividend of 8.5 cents remains unchanged from 2007/2008. The annual dividend was fully franked and also had attached an LIC attributable amount of 12.14 cents.
- On-Market Buyback – bought 0.885M shares at an average price of $1.23 ($1.092M).

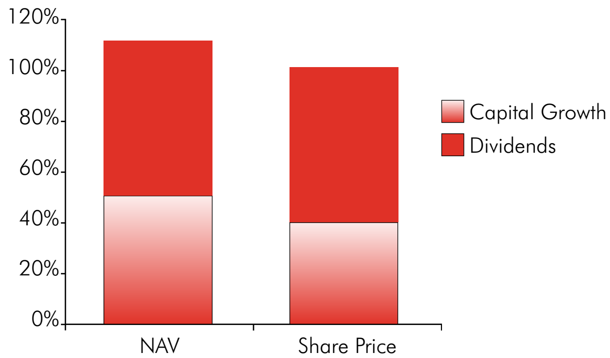
Relative Performance History

INVESTMENT PERFORMANCE



Total returns since inception to June 2009

RETURN SINCE INCEPTION (NET OF TAX)



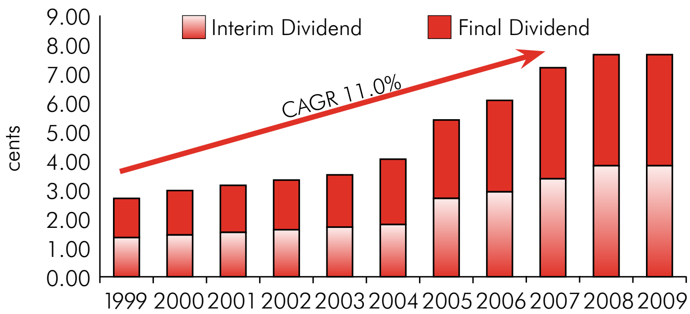
Hyperion Flagship Investments Performance vs. the All Ordinaries Index

ANNUAL PERCENTAGE GAIN				
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NAV	All Ordinaries Index
June 1999	16.4%	14.4%	14.6%	10.1%
June 2000	33.6%	31.3%	25.3%	12.9%
June 2001	20.0%	15.2%	8.8%	5.1%
June 2002	-5.0%	-6.3%	-9.3%	-7.6%
June 2003	-9.4%	-10.2%	-14.6%	-5.2%
June 2004	20.5%	19.0%	14.4%	17.7%
June 2005	35.1%	31.0%	24.1%	19.8%
June 2006	34.7%	31.6%	19.8%	19.0%
June 2007	35.9%	32.8%	21.6%	25.4%
June 2008	-24.1%	-25.6%	-31.3%	-15.5%
June 2009	-4.2%	-4.2%	-8.2%	-26.0%
Overall Gain	248.3%	180.1%	58.4%	50.6%

Note: Fees include Performance Fees and Under-writing Fees.

Dividends per share

COMPOUND ANNUAL GROWTH RATE 11.0%



Five Major Investments June 2009

MAJOR INVESTMENTS % OF PORTFOLIO		
	Jun 09	Jun 08
IRESS	7.6%	4.0%
Woolworths	6.8%	4.7%
Wotif.com	6.6%	3.4%
Commonwealth Bank	6.6%	5.8%
AMP	5.7%	3.7%
TOTAL	33.3%	21.6%

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 NAV per share 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 **www.hyperionfi.com.au**

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.

Manny Pohl, as an executive of the Manager, has an effective 20% interest in the Manager.

Chairman's Report

Dear Investor,

I am pleased to present the Twelfth Annual Report of the Company for the year ended 30 June 2009.

It has been a tumultuous year, the likes of which has not been seen since the Great Depression. Credit markets collapsed and Governments around the world had to move quickly to shore up liquidity and to prevent the collapse of the banking system. Equity markets generally were volatile with significant negative sentiment and lack of confidence. The Australian market was not immune from the impacts and the All Ordinaries Index fell to levels less than half what they were only a year or so ago. Most world economies went into and remain in recession.

Australia has been fortunate in many respects in that the Government has had a relatively strong fiscal position and hence the capacity to provide substantial stimulus to the economy when needed. The underlying strength and robustness of the Australian economy supported by the Government's fiscal stimulus has enabled our economy to avoid slipping into recession.

In the past few weeks, some positive sentiment has emerged with better than expected economic news and the first signs of emerging recovery in world markets. It would be premature to say that recovery in the near term is assured but there are encouraging signs. While Australia is well placed to take advantage of a recovery, there is still a difficult period ahead as corporates adjust to the changing environment and rebuild balance sheets.

We remain confident of the longer term strength and resilience of the Australian economy and as a longer term investor, our portfolio is well placed to take advantage of any recovery.

Our Performance

Against a backdrop of world recession and financial market turmoil during the year, a portfolio decline of 4.2% for the financial year is a great result, particularly when compared with a decline of 26% in the All Ordinaries Index for the year. The performance of our Manager, Hyperion Asset Management in achieving this outcome, has been outstanding. The performance in the June Quarter was particularly strong at 17.8% return compared with an increase of 11.3% for the All Ordinaries over the same period.

Why have we performed so well?

As I said in my Chairman's Report last year, we believed that our Manager's investment style was correct for the times.

Good companies that are well-managed with a sustainable competitive advantage and with a proven ability to generate operational cash flow, will always reward. Even though the market had marked down a number of companies in our portfolio, we always believed that the market would eventually reassess the value of these companies and this has been the case. We see no reason why this will not continue during the recovery phase of the market.

The five year investment horizon of our Manager has also been fundamental to our success as it enables us to look through short-term market gyrations that can distort true value.

I might mention that when comparing our performance to that of growth managers in a recent Intech survey of fund manager performance at 30 June 2009, the Company would have been positioned first or second in a universe of 11 growth fund managers over periods of 3 months, 1, 3, 5, 7 and 10 year horizons.

Share Buy-Back Scheme:

A share buy-back scheme was in place for most of the year and resulted in the Company acquiring 884,509 shares at prices ranging from $1.10 to $1.35. The scheme is designed to provide on-market support for the share price and a disposal option for Shareholders wishing to sell stock. The board believes that the Scheme has been effective and recently reinstated it for a further twelve months.

Dividend Policy:

As we have stated in the past, the Board's objective is to provide a sustainable and increasing return to Shareholders in excess of the rate of inflation.

The Board has approved a final dividend payment of 4.25 cents per share, making a total dividend payment of 8.5 cents for the year, which is in line with last year's dividend payment.

A number of companies have paid out reduced dividends this financial year as profits contract in the difficult economic circumstances and the need to conserve available cash becomes paramount.

Our dividend inflow for the financial year was marginally less than last year but we are confident that prospects for the longer term remain buoyant, hence the desire by the Board to maintain dividend payments for Shareholders.

As in the past, the dividend is fully franked and in addition to the franking credit, individual Shareholders 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.

Our Investment Manager:

I want to place on record the appreciation of the Board for the outstanding performance of the Manager, Hyperion Asset Management Limited. We are indebted to Dr Manny Pohl and his outstanding team of investment professionals for sustained outperformance of the portfolio over a long period of time. Our success is a product of their success.

As part of its regular governance processes, the Audit and Compliance Committee of the Board undertook a review of the Manager which confirmed the high opinion we have of the Manager and our confidence in their ability to continue to deliver outstanding performance.

Board Membership:

In May last, the Board appointed Mr Patrick Corrigan AM as an additional Board member. Pat brings a wealth of corporate experience and maturity to the Board and we look forward to his contribution in the years ahead.

In June, longstanding Board member and my predecessor as Chairman, Steven Wilson, resigned from the Board. Steve's contribution to the Board and to the Company is immeasurable. He was a significant force in setting up the Company and provided wise guidance and leadership in his 12 years on the Board, including nine years as Chairman. Steve remains a significant Shareholder in the Company.

Concluding Remarks:

It has been a very difficult year but we have managed to achieve an excellent performance in a very negative market. I believe we are well placed to take advantage of the economic upswing, the first signs of which are now emerging. Ultimately we will be rewarded for our patience.

I and my fellow Directors would like to thank Shareholders for their continued support in these difficult times. We believe we have an outstanding Manager in whom we continue to have great faith and we look forward to continued success in the future.

Yours sincerely,

Henry R Smerdon
Chairman

Managing Director's Report

The investment climate over the past year was extremely negative until February 2009 when sentiment started to improve and the market showed some signs of recovery. World equity markets continued to reflect the depressed state of the US housing market and a global economy severely affected by a lack of financial liquidity, reduced international trade and rising unemployment. The MSCI (as measured in US dollar terms) declined by 31.4% for the twelve months to 30 June 2009. In Australian dollar terms, the MSCI declined by 18.5% over the same period, reflecting the decline in the Australian dollar compared to the US dollar over the twelve months. The US market performed relatively better than the other major markets with the S&P 500 declining by 28.2% in US dollar terms for the twelve months to the end of June 2009.

Our portfolio has performed extremely well by comparison, declining by only 4.2% over the past twelve months as compared to a 26% decline in the All Ordinaries Index. While Shareholders have regrettably seen a decline in the NAV per share of 5.3% over the past twelve months, this is nevertheless an outstanding result in these highly depressed markets and time of financial crisis.

During the past twelve months, high quality businesses have been recognized as such by the market and have not been marked down along with the poor quality companies. Our portfolio construction process which focuses 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 further 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:

1) Historical Sales Growth,
2) Return on Equity and
3) Interest Cover.

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

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

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

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

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

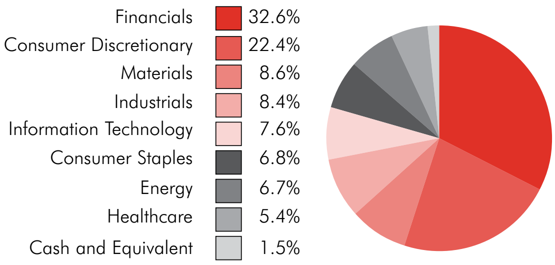
Before we actually buy a stock we ask ourselves the question. "Would we buy all of this business if we had the money?" That is, we buy shares in the business as a business owner, not as a trader of shares.

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

- If there is a major change in management and we feel that there is insufficient continuity of management to be associated with the track record, we may sell.
- If there is a major takeover or merger.
- If the company loses its sustainable competitive advantage we will sell its shares.
- If the market valuation of the company exceeds certain thresholds, then we may sell the shares to achieve a lower weighting.

- If a company's cash flow deteriorates to a point where it no longer is four times the interest paid, we would seek to understand why and if the answer was unacceptable, we may sell the shares.

CHART 1: DISTRIBUTION OF ASSETS AS AT 30 JUNE 2009



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

IRESS MARKET TECHNOLOGY LIMITED

ASX Code: IRE

IRE owns Australia's main share market information system (IRESS desktop and IOS order pad). Its products provide key financial information and trading services to stockbrokers and fund managers. Its software based products are proprietary and have been developed and enhanced by the company over many years.

Despite the cyclical nature of its customers' revenue streams, IRE's earnings are relatively resilient due to its subscription and volume based pricing model. The company has significant long-term growth potential through the development of new product features in its core information systems and through market share expansion in Canada.

IRE has the leading financial planning software product in the Australian and South African markets. Significant growth opportunities exist by migrating current clients onto its more advanced financial planning software systems.

Sustainable Competitive Advantage

IRE offers a strong value proposition to its clients. Its ability to provide an integrated product suite that includes both information and trading services at low price points creates substantial barriers to entry. Switching costs are high from:

(1) significant training costs and familiarisation levels by clients; and

(2) its software being embedded in clients' execution and settlement services.

The company also enjoys the benefits of significant economies of scale and a dominate market position, making it difficult for new entrants to successfully enter the market. The Australian market is not large enough to support two major financial information providers because of the high fixed costs involved in the business.

CONSOLIDATED MEDIA HOLDINGS LIMITED

ASX Code: CMJ

CMJ is a holding company of 'new media' investments with the following strategic shareholdings: 27% of Seek (SEK); 25% of Foxtel; and 50% of the Premier Media Group. SEK is Australia's largest online job classifieds provider (www.seek.com.au) with a 60% market share of online ads and is a significant investor in education services. Foxtel is Australia's leading subscription television business with a household penetration rate above 30%. The Premier Media Group is Australia's dominate subscription television content provider with its flagship asset being Fox Sports.

After incurring substantial capital investments and operating losses, its subscription businesses are now highly profitable with a strong growth outlook. Subscription television has historically been relatively resilient to shifts in consumer spending and market share is stable due to limited competition in metropolitan regions.

Sustainable Competitive Advantage

Foxtel's large economies of scale allows it to spread large levels of sunk capital expenditure and fixed operating costs, including programming costs, across a large subscription base. New entrants would need to incur significant and lengthy losses before reaching profitability. Foxtel and Premier Media Group also have exclusive programming supported by long-term contracts over content.

SEK's strong branding and first mover advantage means it attracts more job ads and job seekers, creating a virtuous cycle. This position is easily defended and very difficult for competitors to break down.

A VALUATION PERSPECTIVE

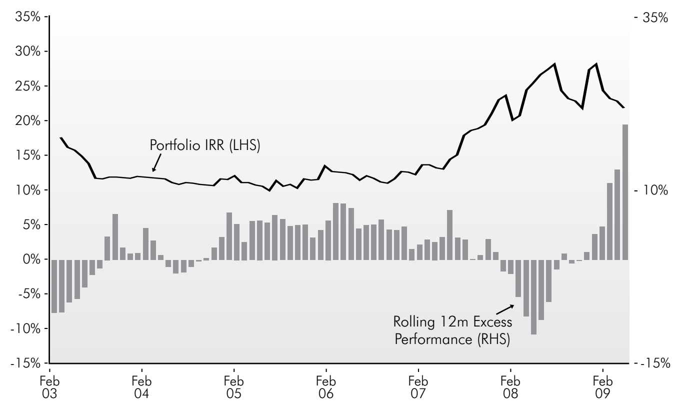
In our process we calculate a five year internal rate of return (IRR) for each stock we consider for inclusion in the portfolio. This IRR calculation is a key factor in our portfolio construction process. As a result of combining all the IRRs of the stocks in the portfolio we can calculate an overall 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 Chart 2 is that:

1) the portfolio's IRR is currently 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

Hyperion Asset Management
Australian Equities Composite
Performance Analysis
6 Years to 30 June 2009



The portfolio IRR is currently sitting around 23% which is our expected return from the portfolio over the next five years on a per annum basis. This is below the peak of over 30% in March 2009 but nevertheless still at a historical high level.

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.

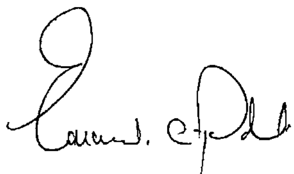
The trailing PE of the portfolio is currently at 16.8x versus 16.0x for the market. That is, there is no material premium for quality high growth stocks in the current market. This premium has historically averaged around 20% and is expected to revert to longer term averages in due course.

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.

CLOSING COMMENTS

The portfolio return profile remains attractive in historical terms 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 IRESS (7.6%) Woolworths (6.8%) and Wotif.com (6.6%) were the three largest investments held at the June 2009 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 23% (we normally use 9% for the market) per annum over the next five years. However, over shorter time period actual returns could vary markedly each year from this forecast. This volatility of returns over shorter time periods is the fundamental reason why we encourage investors to have a minimum five year time horizon when investing in Hyperion Flagship Investments Limited.



Dr Emmanuel (Manny) C Pohl
Managing Director

This report, in relation to the financial year ended 30 June 2009 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, P Corrigan AM (appointed 1 May 2009), J Hickey, S Mitchell

S Wilson retired on 4 June 2009.

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 Currumbin Wildlife Sanctuary Board.

Chairman of the Queensland Performing Arts Trust.

Deputy Chancellor of Griffith University.

Member of Public Trust Office Investment Board.

Member of Motor Accident Insurance Commission CTP Advisory Committee.

Former Listed Company directorships in last 3 years

None.

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.

Managing Director of Hyperion Holdings Limited.

Director of Global Masters Fund Limited.

Director of Huysamer International Holdings (Pty) Ltd.

Former Listed Company directorships in last 3 years

None.

Patrick Corrigan AM
HonD (Bond University)
Non-Executive Director

Experience and expertise

Appointed a non-executive Director on 1 May 2009. Extensive business experience having founded, run and sold two international freight forwarding businesses and subsequently taken on Non-Executive Directorships with a number of leading Australian corporations and arts bodies, made a Member in the Order of Australia (2000) and awarded an Honorary Doctorate of Bond University (2007).

Other current directorships

Director of Global Masters Fund Limited.

Chairman of UBI Logistics (Australia) Pty Ltd.

Chairman of Qantas Art Scholarship Committee.

Chairman of Gold Coast Regional Art Gallery.

Deputy Chair of Air Freight Export Council of NSW.

Director of Gold Coast Art Centre.

Director of Community Radio Station Jazz Radio Limited.

Former Listed Company directorships in last 3 years

None.

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.
Member of the Dalton Nicol Reid Investment Committee.
Director of Australian Ethical Investment Limited.
Director of Youth Enterprise Trust.
Chairman of YET Foundation.
Director of Rio Tinto Staff Super Fund Pty Ltd.

Former Listed Company directorships in last 3 years
None.

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.
Director of Corporate and Special Projects ABN AMRO Morgans.
Director of AAM Foundation.
Queensland Regional Councillor, Financial Services Institute of Australasia
Member of Takeovers Panel.

Former Listed Company directorships in last 3 years
None.

Director who resigned during the year:

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 and continued as a Director until his resignation on 4 June 2009. Has extensive experience in investment banking and funds management industries.

Other current directorships
Executive Chairman of Wilson HTM Investment Group Ltd.
Chairman of South Bank Corporation.
Chairman of Wilson HTM Investment Management Pty Ltd.
Director of Pinnacle Investment Management Limited.
Director of The Centre for Independent Studies.
Director of Queensland Rugby Union Ltd.
Director of the National Trust St John's Cathedral Completion Fundraising Board.
Trustee for University of Queensland Rugby Union Foundation.

Former Listed Company directorships in last 3 years
None.

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 the Australian equity market continued to decline, ending the year down by 26% as compared to June 2008.

During the year:

- The portfolio value decreased by 4.2%
- Interest received declined in line with the general decline in interest rates
- Total dividends received by the Company were in line with that received in 2008
- Total dividends declared to Shareholders in respect to the year are unchanged at 8.5 cents per share

The share price has decreased by 10.7% from $1.40 at 30 June 2008 to $1.25 at 30 June 2009.

The Directors are committed to increasing the Net Asset Value per share and to maintaining the alignment between the market price and the Net Asset Value per share.

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:

- The value of the portfolio has reduced by 4.2% following the continued decline in the equity markets.
- The on market buyback program was reinstated on 7 July 2008 and ceased on 6 July 2009. The on-market buyback programme resulted in 884,509 shares ($1,092,000) being bought back. The programme was reinstated effective from 10 July 2009.

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 Directors' 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	1,156	September 2008
Interim	4.25	1,139	April 2009
	8.50	**2,295**	
Dividends paid by the Company during the preceding year were:			
Final	4.25	728	September 2007
Interim	4.25	1,158	March 2008
	8.50	**1,886**	

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 $1,137,000 (4.25 cents per share) to be paid on 9 October 2009.

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 2008/2009 will be:

	Interim Payment April 09 Cents per share	Final Payment Oct 09 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

	2009 Cents	2008 Cents
Basic earnings per share	(2.42)	12.98
Diluted earnings per share	(2.42)	12.98

11. COMPANY SECRETARY

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

Company Secretary since inception of the Company in 1997.

Ian has 30 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	7	7	7	7	-	-
E C Pohl	7	7	-	-	-	-
P Corrigan AM	1	1	-	-	-	-
J S Hickey	7	7	7	7	-	-
S A Mitchell	7	7	7	7	-	-
S M Wilson (resigned)	7	6	-	-	-	-

13. REMUNERATION REPORT (AUDITED)

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

(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.

The Current per annum remuneration of Directors is

- Chairman $30,000
- Other Directors $12,000

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	Short-term Benefits			Post-Employment	Equity		
Director		Fees $	Performance Fees $	Non-monetary benefits $	Super $	Retirement Benefits $	Options $	Total $
H R Smerdon *Non-executive Chairman*	2009	30,000	-	-	-	-	-	30,000
	2008	30,000	-	-	-	-	-	30,000
E C Pohl *Managing Director*	2009	12,000	-	-	-	-	-	12,000
	2008	12,000	-	-	-	-	-	12,000
P Corrigan AM (appointed 1 May 2009) *Non-executive Director*	2009	2,000	-	-	-	-	-	2,000
	2008	-	-	-	-	-	-	-
J S Hickey *Non-executive Director*	2009	12,000	-	-	-	-	-	12,000
	2008	12,000	-	-	-	-	-	12,000
S A Mitchell (appointed 11 June 2008) *Non-executive Director*	2009	12,530	-	-	-	-	-	12,530
	2008	-	-	-	-	-	-	-
S M Wilson (resigned 4 June 2009) *Non-executive Director*	2009	11,000	-	-	-	-	-	11,000
	2008	12,000	-	-	-	-	-	12,000
I Grace *Non-executive Director*	2009	-	-	-	-	-	-	-
	2008	3,485	-	-	-	-	-	3,485
Total Directors Rumuneration	2009	**79,530**	**-**	**-**	**-**	**-**	**-**	**79,530**
	2008	**69,485**	**-**	**-**	**-**	**-**	**-**	**69,485**

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.

END OF REMUNERATION REPORT

14. 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
H R Smerdon	45,900
E C Pohl	7,374,248(i)
P Corrigan AM	870,300
J S Hickey	49,000
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.

15. GENERAL TRANSACTIONS

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

16. LOANS

There are no loans issued to any of the Directors (30 June 2008 – Nil).

17. OPTIONS

No options have been issued during or since the financial year (30 June 2008 – Nil).

18. 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.

19. 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.

20. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

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

The Audit and Compliance Committee has considered the position and is satisfied that the provision of any non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Committee is satisfied that the provision of any non-audit services by the auditor, would not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services are reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in 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.

21. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 issued by the Australian Securities and Investments Commission. Accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest $1,000.

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

Dr Emmanuel (Manny) C Pohl
Managing Director

BRISBANE
10 September 2009

Auditors' Independence Declaration

BDO Kendalls

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

10 September 2009

Mr H Smerdon
Chairman
Hyperion Flagship Investments Limited
Level 22
307 Queen Street
BRISBANE QLD 4000

Dear Henry,

DECLARATION OF INDEPENDENCE BY BDO KENDALLS (QLD) TO THE DIRECTORS OF HYPERION FLAGSHIP INVESTMENTS LIMITED

As lead auditor of Hyperion Flagship Investments Limited for the year ended 30 June 2009, I declare, that to the best of my knowlegde and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Paul Gallagher
Partner

BDO Kendalls (QLD)
Chartered Accounts

BRISBANE

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 appointment of Patrick Corrigan AM as a Director in May 2009, there were five non-executive Directors until the resignation of Steven Wilson as a Director in June 2009. All Directors have a personal financial interest in the Company.

For Corporate Governance purposes there were three independent Directors and two non-independent Directors (Manny Pohl and Steven Wilson) until Steven Wilson's resignation and appointment of Patrick Corrigan. There are now four independent Directors and one executive Director. All Directors regularly review their compliance with the ASX definition of independence.

The following Directors are or were associated with the Manager:

- 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
Chair of the Nominations Committee
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 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.

Sophie A Mitchell
Non-Executive Director
Member of the Audit and Compliance Committee
Ms Mitchell is an Executive Director of ABN AMRO Morgans, and has been a Director since 2008.

Patrick Corrigan AM
Non-Executive Director
Mr Corrigan is a Company Director and was appointed this year.

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 previous Annual Reports, an extensive review of the operations of the Board was undertaken in consultation with an external consultant during the 2005/2006 year. Since that time all recommendations have been addressed or implemented.

One of the recommendations was that a formal yearly review of the Investment Manager be undertaken including the performance of the investment portfolio and the services provided by the Manager. This review is now undertaken by the Audit and Compliance Committee yearly.

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 or 2008/2009 years as the Board had decided that a review would not proceed until the Board changes in those years had been finalised. A process to undertake a Board review early in the 2009/2010 year has commenced.

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 by the Audit and Compliance Committee 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 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 trade in securities EXCEPT in the period from the 1st of the month until notification of financial information to the ASX such as NAV, profit information or announcements of share issues or capital raisings, or if a Director or employee is in possession of any price sensitive information.

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

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)

E C Pohl

S M Wilson (resigned 4 June 2009)

The Committee has not met during the year as the Board as a whole carried out the function of the Committee.

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 executives of the Company are the Managing Director and Company Secretary. During the year no executive received any remuneration from the Company. The Managing Director did receive remuneration as a Director. The Managing Director is employed and paid by the Manager for the managing of the Company. The services of the Company Secretary are provided by the Manager. The services provided by the Company Secretary are reviewed as part of the Investment Manager review.

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 available to all Shareholders.
- The Interim Financial Report contains summarised financial information and review of the operations of the entity during the period.
- 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 **www.hyperionfi.com.au**

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 considers risk management as a critical discipline and core competency that enables it to meet its strategic and business-level objectives. During the year the Board undertook a detailed analysis of all risks impacting the Company. Following this analysis a detailed Risk Management Framework has been established and documents the risks which the Board previously monitored in an informal way. No new risks were identified as part of this process. Reporting is provided to the Audit and Compliance Committee in accordance with the Framework and enables the evaluation of the effectiveness of the management and mitigation of the Company's material business risks. A summary of the Risk Management Framework is available on the website.

The Board also reviewed its Outsourcing Policy, in particular the processes to monitor the internal controls and risk management of its major service providers.

The Manager, Hyperion Asset Management Limited, has provided an audited report setting out the control objectives and procedures for the key operating areas of asset management, investment administration and information technology.

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 by the Audit and Compliance Committee. 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 Board recently put the provision of auditor services for 2009/2010 out to tender. The Board has agreed to retain BDO Kendalls as the external auditor.

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 18 to the financial statements.

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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	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	5	Comply
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	1 and 5	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 chair should be an independent director.	1	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1	Comply
2.4	The board should establish a nomination committee.	1	Comply
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	1	Comply
2.6	Provide the information indicated in Guide to reporting on Principle 2.	1,2,4 and Directors' Report	Comply
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:		
	- The practices necessary to maintain confidence in the company's integrity.	6	Comply
	- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	6	Comply
	- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	6	Comply
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	3	Comply
3.3	Provide the information indicated in Guide to reporting on Principle 3.	3, 6 and web site	Comply
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	Establish an audit committee.	4	Comply
4.2	The audit committee should be structured so that it:		
	- consists only of non-executive directors.	4	Comply
	- consists of a majority of independent directors.	4	Comply
	- is chaired by an independent chair, who is not chair of the board.	4	Comply
	- has at least three members.	4	Comply
4.3	The audit committee should have a formal charter.	4	Comply
4.4	Provide the information indicated in Guide to reporting on Principle 4.	4 and Directors' Report and web site	Comply
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	7	Comply
5.2	Provide the information indicated in Guide to reporting on Principle 5.	7 and web site	Comply

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS			
ASX Principle		**Reference**	**Compliance**
Principle 6:	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	7	Comply
6.2	Provide the information indicated in Guide to reporting on Principle 6.	7 and web site	Comply
Principle 7:	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	8 and web site	Comply
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	8	Comply
7.3	Disclose whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	8	Comply
7.4	Provide the information indicated in Guide to reporting on Principle 7.	8 and web site	Comply
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	4 and 5	Non-comply
8.2	Clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.	5	Comply
8.3	Provide the information indicated in Guide to reporting on Principle 8.	4, 5 and Remuneration Report	Comply

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


AUSTRALIAN STOCK EXCHANGE
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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 17 August 2009.

A description of the nature of the entity's operations and its principal activities is included in the Managing Director's report on page 9.

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 2009

	Note	**2009 $'000**	2008 $'000
Realised (Losses)/Profits on investments sold		**(2,923)**	(2,549)
Other Revenue	4	**1,614**	1,709
Other expenses	5	**(249)**	(312)
Profit before income tax		**(1,558)**	3,946
Income tax expense	6	**(904)**	(751)
Profit attributable to members of Hyperion Flagship Investments Limited		**(654)**	3,195
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	21	**(2.42)**	12.98
Diluted earnings per share	21	**(2.42)**	12.98

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 2009

	Note	2009 $'000	2008 $'000
ASSETS			
Cash and cash equivalents	7	**400**	258
Trade and other receivables	8	**138**	17
Other financial assets	9	**32,699**	38,609
Deferred tax assets	10	**3,022**	1,974
Total assets		**36,259**	40,858
LIABILITIES			
Trade and other Payables	11	**38**	40
Current tax liabilities	12	**–**	685
Deferred tax liabilities	13	**2**	–
Total liabilities		**40**	725
Net assets		**36,219**	40,133
EQUITY			
Issued Capital	14	**37,060**	37,674
Reserves	15	**(4,329)**	(3,979)
Retained earnings		**3,488**	6,438
Total equity		**36,219**	40,133

NAV (after tax on realised gains only)		**$1.35**	$1.47
NAV (after tax on realised and unrealised gains)		**$1.24**	$1.40

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 2009

	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	14(b)	19,986			19,986
Share issue costs (net of tax)		(668)			(668)
Shares bought back on market	14(b)	(478)			(478)
Profit attributable to members			3,195		3,195
Revaluation increment (net of tax)				(10,351)	(10,351)
Net (gain)/loss recognised in income statement				(2,549)	(2,549)
Sub-total		37,674	8,324	(3,979)	42,019
Dividends paid or provided for	16(a)		(1,886)		(1,886)
Balance at 30 June 2008		**37,674**	**6,438**	**(3,979)**	**40,133**

	Note	Share Capital $'000	Retained Earnings $'000	Asset Revaluation Reserve $'000	TOTAL $'000
Balance at 1 July 2008		37,674	6,438	(3,979)	40,133
Shares issued during period	14 (b)	479			479
Share issue costs (net of tax)					-
Shares bought back on market	14 (b)	(1,093)			(1,093)
Profit attributable to members			(654)		(654)
Revaluation increment (net of tax)				(3,273)	(3,273)
Net (gain)/loss recognised in income statement				2,923	2,923
Sub-total		37,060	5,784	(4,329)	38,515
Dividends paid or provided for	16(a)		(2,296)		(2,296)
Balance at 30 June 2009		**37,060**	**3,488**	**(4,329)**	**36,219**

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 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Dividends received		1,475	1,599
Interest received		23	111
Sub-underwriting fees received		1	–
Income taxes paid		(678)	(1,391)
Other payments		(408)	(1,834)
Net cash inflow/(outflow) from operating activities	20	413	(1,515)
Cash flows from investing activities			
Proceeds from sale of investments		5,867	8,905
Payment for investments		(3,229)	(27,778)
Proceeds from bank bills		–	784
Net cash inflow/(outflow) from investing activities		2,638	(16,089)
Cash flows from financing activities			
Dividends paid to Company's Shareholders	16(a)	(1,816)	(1,886)
Proceeds from share issues		–	19,986
Buy back of shares		(1,093)	(478)
Share issue costs		–	(668)
Net cash (outflow)/inflow from financing activities		(2,909)	16,954
Net increase/(decrease)in cash and cash equivalents		142	(653)
Cash and cash equivalents at the beginning of the financial year		258	911
Cash and cash equivalents at end of year	7	400	258

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

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

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Hyperion Flagship Investments complies with International Financial Reporting Standards (IFRS).

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, which are measured at fair value.

Unless otherwise stated, all amounts are presented in Australian dollars.

(B) BALANCE SHEET FORMAT

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). The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Dividend revenue

Dividend revenue is recognised when the right to receive the dividend has been established. The policy was changed effective from 1 July 2008. In previous years, dividends were recognised as revenue when the dividend was received by the Company. The change in recognition of the dividends has resulted in the recognition of an additional $115,288 of dividends as at 30 June 2009.

(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 period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and tax liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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 measured at fair value. 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.

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

Available for sale financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. In the case of available for sale financial instruments, a significant or prolonged decline in the value of the instrument below cost is considered to be evidence of whether or not impairment has arisen. An assessment of the future dividends will determine if the instrument should be impaired and an impairment loss provided. An impairment loss is calculated by reference to its fair value. Impairment losses are recognised in the income statement.

Any cumulative loss in respect of an available for sale financial asset previously recognised in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For available for sale financial assets that are debt securities, the reversal is recognised in profit or loss. For equity securities, the reversal is recognised directly in equity.

Following a review of the investments, the Board has determined that no investment at 30 June 2009 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

Loans and 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.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. 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 original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

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.

Held to maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Fair value estimation

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.

Other liabilities are measured at amortised cost using the effective interest method.

(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) KEY JUDGEMENTS

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 Directors do not intend to dispose of the portfolio, this tax liability/benefit may not be crystallised at the amount disclosed in Notes 10 and 13. 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.

(M) KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY

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.

The portfolio construction focuses on investing in high quality growth companies.

A unique investment process is used in constructing the portfolio. A three step process is undertaken using both quantitative filters and fundamental analysis.

- The first filter tests whether a company is growing.
- The second filter tests whether a company's management has been successful in obtaining excellent returns on equity.
- The third filter tests for security of clients funds.

The companies that remain after these filters have been applied are growth orientated and are believed to have a sustainable competitive advantage.

These companies are then analysed to determine their five year internal rate of return (IRR). The IRR is used to determine an estimated "future" value or strike price. Where the strike price is below the market price the investment is not acquired or could be sold if it is in the portfolio. If not sold then the investment would be impaired and the portfolio value would reflect the expected future value.

As the estimated 'future value' of strike price of the portfolio investments is in excess of their fair value, there is no prolonged diminution of value. Therefore no investment being impaired.

(N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been issued that are not mandatory for 30 June 2009 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 (effective from 1 January 2009)

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 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 (effective from 1 January 2009)

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 currently hold any qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 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 sheets (statement of financial position), this one being as at the beginning of the comparative period. The Company will apply the revised standard from 1 July 2009.

(iv) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 January 2009)

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The Company will apply the revised standards from 1 January 2009. On initial application, the entity will need to make some adjustments to disclosures for each of the amendments in future periods.

(iv) AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 (effective 1 July 2009)

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statements on distribution. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Company will apply the interpretation prospectively from 1 July 2009.

2. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to a variety of financial risks as discussed below:

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:

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.

	30 June 2009 $'000	30 June 2008 $'000
Financial assets		
Cash and cash equivalents	**400**	258
Available For Sale Financial Assets	**32,700**	38,609
Total	**33,100**	38,867

(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 risk of market price movement through its investments in Australian listed equity securities. Equity investments held by the Company are classified on the balance sheet as Available For Sale Financial Assets and any movement in the listed equity securities is reflected in the asset revaluation reserve.

The risk to Shareholders is that adverse equity securities market movements have the potential to cause losses in Company earnings or the value of its holdings of financial instruments. The Manager's investment strategy centres on the view that investing in proven high quality businesses with growth opportunities arising from their sustainable competitive advantage will outperform over the longer-term. Consistent with this approach, the Manager has an established risk management framework that includes procedures, policies and functions to ensure constant monitoring of the quality of the investee companies. The objective of the risk management framework is to manage and control risk exposures within acceptable parameters while optimising returns.

Equity market risk is measured as a % change in the value of equity instruments held in the portfolio, as compared to the total market index for the same period.

The Company's exposure to equity market risk over the Manager's investment horizon at reporting date is:

	2009	2008
Portfolio five year return	**12.5%**	17.7%
All Ordinaries Index five year return	**2.3%**	12.2%

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% (2008-5%) 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:-

2009 $1,635,000

2008 $1,930,450

Impact on profit or loss is nil.

(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 objective of the Company is to minimise the potential adverse effects of interest rate risk.

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 2009: Balance $400,000

Weighted average interest rate 4.68%

30 June 2008: Balance $258,000

Weighted average interest rate 6.70%

(B) Relative performance risk

The Manager aims to outperform 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 outperformance 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. The objective of the Company is to minimise credit risk exposure. 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.

The objective of the Company is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions.

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 and the maturity profiles of assets and liabilities to ensure this risk is minimal.

(E) Net Fair values

Net fair values of all assets and liabilities approximate their carrying value.

(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 capital structure of the Company consists of cash and cash equivalents and equity attributable to members of the Company, comprising issued capital, reserves and retained earnings as discussed in Notes 7, 14 and 15 respectively. 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.

	Note	2009 $'000	2008 $'000
4. REVENUE			
Dividends		**1,590**	1,599
Interest on cash		**23**	107
Interest on Held to Maturity Investments		**–**	3
Sub-underwriting		**1**	–
Total		**1,614**	1,709
5. EXPENSES			
Profit before income tax includes the following specific expenses:			
ASX listing and other fees		**27**	72
Audit fees		**20**	35
Directors fees		**80**	69
Insurance		**24**	25
Share registry		**30**	22
Other		**68**	89
Total		**249**	312
6. INCOME TAX EXPENSE			
(a) Income tax expense			
Current tax		**–**	685
Deferred tax		**(896)**	63
Under/(over) provided in prior years		**(8)**	3
Total		**(904)**	751
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	10	**(898)**	63
(Decrease) increase in deferred tax liabilities	13	**2**	–
Total		**(896)**	63
(b) Reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) before income tax expense		**(1,558)**	3,946
Tax at the Australian tax rate of 30% (2008 – 30%)		**(467)**	1,184
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Dividend franking credits		**(393)**	(433)
Foreign dividends		**(2)**	–
Fully franked dividends receivable		**(33)**	–
		(895)	751
Under (over) provision in prior years		**(9)**	–
Total income tax expense (benefit)		**(904)**	751
Total tax expenses		**(904)**	751
(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	10 & 13	**(150)**	(5,815)
Total		**(150)**	(5,815)

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 $'000	2008 $'000
7. CASH AND CASH EQUIVALENTS		
Bank balances	**400**	258
Total	**400**	258

(a) Cash at bank and on hand
The deposits are bearing floating interest rates between 2.90% and 7.20%. These deposits are available at call.

(b) Fair value
The carrying amount for cash and cash equivalents equals the fair value.

	2009 $'000	2008 $'000
8. TRADE AND OTHER RECEIVABLES		
Net other receivables		
GST receivable	–	1
Other receivables	**138**	16
Total	**138**	17
9. OTHER FINANCIAL ASSETS		
Listed Investments, at fair value		
At beginning of year	**38,609**	37,614
Additions (at cost)	**3,229**	25,778
Revaluation	**(500)**	(18,428)
Disposals (at cost)	**(8,639)**	(6,355)
Closing Balance at 30 June	**32,699**	38,609
Australian listed equity securities	**32,699**	38,609

If investments had been sold at balance date a net capital gains tax liability of not more than NIL (2008: NIL) would have arisen.

	Note	2009 $'000	2008 $'000
10. DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Amortisation of share issue expense		(162)	(94)
Accruals		11	12
Website development costs		–	1
Tax losses incurred		91	–
Capital losses incurred		877	–
		817	(81)
Amounts recognised directly in equity			
Share issue expenses		350	350
Unrealised loss on Available For Sale Investments		1,855	1,705
Total		2,205	2,055
Net deferred tax assets		3,022	1,974
Reconciliations			
(i) **Gross Movements:**			
The overall movement in deferred tax asset accounts is as follows:			
Opening balance		1,974	45
(Credited)/charged to the income statement		898	(63)
(Credited)/charged to equity		150	1,992
Closing balance at 30 June		3,022	1,974
(ii) **The movement in deferred tax assets for each temporary difference during the year is as follows:**			
Share issue expenses			
Opening balance		256	38
(Charged)/credited directly to the income statement		(68)	(69)
(Charged)/credited directly to the equity		–	287
Closing balance		188	256
Accruals			
Opening balance		12	7
(Charged)/credited directly to the income statement		(1)	5
Closing Balance		11	12
Website development costs			
Opening balance		1	–
(Charged)/credited directly to the income statement		(1)	1
Closing Balance		–	1
Tax losses incurred			
Opening balance		–	–
(Charged)/credited directly to the income statement		91	–
Closing Balance		91	–

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $'000	2008 $'000
Capital losses incurred			
Opening balance		–	–
(Charged/credited directly to the income statement		877	–
Closing balance		877	–
Amounts recognised directly in equity			
Opening balance		1,705	–
(Charged)/credited directly to the income statement		–	–
(Charged)/credited directly to the equity		150	1,705
Closing balance		1,855	1,705
11. TRADE AND OTHER PAYABLES			
Accrued expenses		38	40
Total		38	40

Contractual cash flows from trade and other payables approximate their carrying amount. Trade and other payables are all contractually due within six months of reporting date.

12. CURRENT TAX LIABILITIES			
Income tax		–	685
Total		–	685
13. DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Amounts recognised directly in equity			
Tax on Unrealised gain on Available For Sale Investments		2	–
Net deferred tax liabilities		2	–
Reconciliations			
(i) **Gross Movements:**			
The overall movement in the deferred tax liability account is as follows:			
Opening balance		–	3,823
Charged/(credited) to the income		2	–
Charged/(credited) to equity		–	(3,823)
Closing balance		2	–
(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
Charged/(credited) directly to the equity		–	(3,823)
Closing balance		–	–
Unfranked dividends receivable			
Opening balance		–	–
Charged/(credited) directly to the equity		2	–
Closing balance		2	–

	2009 Shares	2008 Shares	2009 $'000	2008 $'000
14. ISSUED CAPITAL				
(a) Issued Capital				
Ordinary shares				
Fully paid	**26,779,551**	27,283,650	**37,060**	37,674
Total Issued Capital	**26,779,551**	27,283,650	**37,060**	37,674

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	Details	Number of Shares	Price	$'000
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)
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)

HYPERION FLAGSHIP INVESTMENTS LIMITED
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Date	Details	Number of Shares	**Price**	$'000
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**
15 July 2008	Share buy-back	(5,676)	$1.30	(7)
18 July 2008	Share buy-back	(5,879)	$1.30	(8)
21 July 2008	Share buy-back	(2,300)	$1.30	(3)
29 July 2008	Share buy-back	(6,721)	$1.32	(9)
31 July 2008	Share buy-back	(2,300)	$1.32	(3)
1 August 2008	Share buy-back	(1,000)	$1.32	(1)
4 August 2008	Share buy-back	(1,000)	$1.32	(1)
7 August 2008	Share buy-back	(3,300)	$1.35	(4)
8 August 2008	Share buy-back	(2,900)	$1.35	(4)
12 August 2008	Share buy-back	(7,000)	$1.35	(9)
13 August 2008	Share buy-back	(6,000)	$1.35	(8)
14 August 2008	Share buy-back	(6,000)	$1.35	(8)
15 August 2008	Share buy-back	(22,598)	$1.35	(30)

Date	Details	Number of Shares	**Price**	$'000
18 August 2008	Share buy-back	(16,900)	$1.35	(23)
26 August 2008	Share buy-back	(8,500)	$1.31	(11)
27 August 2008	Share buy-back	(20,000)	$1.31	(26)
1 September 2008	Share buy-back	(5,500)	$1.31	(7)
5 September 2008	Share buy-back	(12,200)	$1.29	(16)
9 September 2008	Share buy-back	(16,569)	$1.30	(22)
10 September 2008	Share buy-back	(13,700)	$1.25	(17)
11 September 2008	Share buy-back	(7,488)	$1.25	(9)
12 September 2008	Share buy-back	(21,200)	$1.25	(27)
16 September 2008	Share buy-back	(9,850)	$1.27	(13)
17 September 2008	Share buy-back	(23,485)	$1.23	(29)
18 September 2008	Share buy-back	(6,500)	$1.27	(8)
19 September 2008	Dividend Reinvestment Plan	221,478	$1.31	290
19 September 2008	Share buy-back	(11,000)	$1.27	(14)
29 September 2008	Share buy-back	(7,610)	$1.27	(10)
30 September 2008	Share buy-back	(10,000)	$1.22	(12)
1 October 2008	Share buy-back	(10,000)	$1.27	(13)
2 October 2008	Share buy-back	(11,603)	$1.27	(15)
6 October 2008	Share buy-back	(5,263)	$1.27	(7)
7 October 2008	Share buy-back	(21,876)	$1.27	(28)
8 October 2008	Share buy-back	(4,370)	$1.25	(5)
9 October 2008	Share buy-back	(310)	$1.25	(0)
10 October 2008	Share buy-back	(11,400)	$1.25	(14)
13 October 2008	Share buy-back	(19,872)	$1.20	(24)
14 October 2008	Share buy-back	(14,400)	$1.25	(18)
15 October 2008	Share buy-back	(1,200)	$1.25	(2)
28 October 2008	Share buy-back	(9,561)	$1.25	(12)
29 October 2008	Share buy-back	(4,800)	$1.25	(6)
30 October 2008	Share buy-back	(500)	$1.25	(1)
7 November 2008	Share buy-back	(650)	$1.25	(1)
11 November 2008	Share buy-back	(3,000)	$1.25	(4)
12 November 2008	Share buy-back	(3,000)	$1.25	(4)
13 November 2008	Share buy-back	(3,000)	$1.25	(4)
14 November 2008	Share buy-back	(19,100)	$1.22	(23)
17 November 2008	Share buy-back	(12,500)	$1.24	(16)
18 November 2008	Share buy-back	(13,967)	$1.25	(17)
19 November 2008	Share buy-back	(8,101)	$1.25	(10)
20 November 2008	Share buy-back	(22,000)	$1.25	(28)
21 November 2008	Share buy-back	(13,700)	$1.24	(17)
26 November 2008	Share buy-back	(12,471)	$1.25	(16)
27 November 2008	Share buy-back	(5,639)	$1.25	(7)
28 November 2008	Share buy-back	(3,000)	$1.25	(4)
1 December 2008	Share buy-back	(3,000)	$1.25	(4)
2 December 2008	Share buy-back	(7,725)	$1.25	(10)
3 December 2008	Share buy-back	(15,000)	$1.25	(19)
4 December 2008	Share buy-back	(10,000)	$1.24	(12)
5 December 2008	Share buy-back	(1,600)	$1.24	(2)
10 December 2008	Share buy-back	(2,930)	$1.24	(4)
11 December 2008	Share buy-back	(28,047)	$1.24	(35)

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Date	Details	Number of Shares	**Price**	$'000
12 December 2008	Share buy-back	(16,010)	$1.21	(19)
15 December 2008	Share buy-back	(13,505)	$1.23	(17)
16 December 2008	Share buy-back	(14,250)	$1.23	(18)
17 December 2008	Share buy-back	(5,050)	$1.21	(6)
18 December 2008	Share buy-back	(240)	$1.21	(0)
19 December 2008	Share buy-back	(5,800)	$1.21	(7)
22 December 2008	Share buy-back	(3,500)	$1.20	(4)
6 January 2009	Share buy-back	(6,061)	$1.17	(7)
20 January 2009	Share buy-back	(14,034)	$1.23	(17)
23 January 2009	Share buy-back	(5,832)	$1.22	(7)
27 January 2009	Share buy-back	(19,066)	$1.22	(23)
28 January 2009	Share buy-back	(2,000)	$1.22	(2)
2 February 2009	Share buy-back	(155)	$1.10	(0)
4 February 2009	Share buy-back	(500	$1.10	(1)
9 February 2009	Share buy-back	(4,700)	$1.10	(5)
12 February 2009	Share buy-back	(5,700)	$1.18	(7)
13 February 2009	Share buy-back	(4,872)	$1.18	(6)
16 February 2009	Share buy-back	(2,128)	$1.18	(3)
20 February 2009	Share buy-back	(7,725)	$1.20	(9)
23 February 2009	Share buy-back	(10,147)	$1.20	(12)
9 April 2009	Dividend Reinvestment Plan	158,932	$1.19	189
9 April 2009	Share buy-back	(2,700)	$1.10	(3)
15 April 2009	Share buy-back	(5,337)	$1.10	(6)
16 April 2009	Share buy-back	(3,616)	$1.12	(4)
23 April 2009	Share buy-back	(5,000)	$1.14	(6)
27 April 2009	Share buy-back	(2,158)	$1.14	(2)
30 April 2009	Share buy-back	(14,900)	$1.14	(17)
5 May 2009	Share buy-back	(6,000)	$1.14	(7)
8 May 2009	Share buy-back	(30,000)	$1.14	(34)
12 May 2009	Share buy-back	(1,416)	$1.14	(2)
14 May 2009	Share buy-back	(1,000)	$1.14	(1)
18 May 2009	Share buy-back	(8,000)	$1.14	(9)
19 May 2009	Share buy-back	(4,925)	$1.13	(5)
20 May 2009	Share buy-back	(1,000)	$1.10	(1)
21 May 2009	Share buy-back	(7,278)	$1.10	(8)
25 May 2009	Share buy-back	(14,000)	$1.10	(15)
27 May 2009	Share buy-back	(2,900)	$1.13	(3)
4 June 2009	Share buy-back	(8,800)	$1.21	(11)
9 June 2009	Share buy-back	(4,000)	$1.21	(5)
10 June 2009	Share buy-back	(721)	$1.21	(1)
16 June 2009	Share buy-back	(2,800)	$1.21	(3)
18 June 2009	Share buy-back	(20,000)	$1.18	(24)
19 June 2009	Share buy-back	(5,543)	$1.21	(7)
25 June 2009	Share buy-back	(15,100)	$1.19	(18)
30 June 2009	**Balance**	**26,779,551**		**37,060**

	2009 $'000	2008 $'000

(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.

15. RESERVES

	2009 $'000	2008 $'000
Available for sale asset revaluation reserve	**(4,329)**	(3,979)
	(4,329)	(3,979)

The reserve is used to record increments and decrements or the revaluation of Available For Sale Financial Assets.

16. DIVIDENDS

(a) Dividends paid

	2009 $'000	2008 $'000
Final dividend of 4.25 cents (2008 - 4.25 cents) per fully paid share paid on 19 September 2008 (2008-07 September 2007)		
Fully franked based on tax paid @ 30% - 4.25 cents per share	**1,156**	728
Interim dividend of 4.25 cents (2008 - 4.25 cents) per fully paid share paid on 9 April 2009 (2008-17 March 2008)		
Fully franked based on tax paid @ 30% - 4.25 cents per share	**1,139**	1,158
Total dividends provided for or paid	**2,295**	1,886
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2009 and 2008 were as follows:		
Paid in cash	**1,816**	1,332
Satisfied by issue of shares	**479**	554
	2,295	1,886

HYPERION FLAGSHIP INVESTMENTS LIMITED
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	2009 $'000	2008 $'000
16. DIVIDENDS (continued)		
(b) Listed Investment Company capital gain account		
Balance of the Listed Investment Company (LIC) capital gain account	**4,127**	7,405
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 2009 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 2009.		
Balance as at 30 June 2009 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.	**2,644**	3,062
(d) Dividends not recognised at year end		
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, (2008 – 4.25 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 9 October 2009 out of retained profits at 30 June 2009, but not recognised as a liability at year end, is	**1,137**	1,158

	2009 $	2008 $
17. KEY MANAGEMENT PERSONNEL DISCLOSURES		
(a) Other Key Management Personnel		
The Company's Secretary and Chief Financial Officer (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 these services. 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 key management personnel other than the Directors. No member of key management personnel held options over shares in the Company during the year. There have been no other transactions with key management personnel or their related entities other than those disclosed in Note 19.		
(b) Key Management Personnel Compensation		
Short-term Employment benefits	**79,530**	69,485
Post-Employment Benefits	**–**	–
Long-term Benefits	**–**	–
Total remuneration	**79,530**	69,485
Detailed remuneration disclosures are provided in sections (A)-(D) of the remuneration report on pages 15 and 16.		

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Equity Instrument Disclosure relating to Key Management Personnel

The number of shares in the Company held during the financial year by each Director of Hyperion Flagship Investments Limited, including their related parties is set out below. There were no shares granted during the year as compensation.

2009	Balance at the Start of the Year	Received During the Year by Allocation of Rights	Other Changes During the Year	Balance at the End of the Year
H R Smerdon	42,922	–	2,978	45,900
E C Pohl	6,182,429	–	913,495	7,095,924
P Corrigan AM	870,300	–	–	870,300
J S Hickey	49,000	–	–	49,000
S A Mitchell	10,000	–	–	10,000
2008	**Balance at the Start of the Year**	**Received During the Year by Allocation of Rights**	**Other Changes During the Year**	**Balance at the End of the Year**
H R Smerdon	20,839	–	22,083	42,922
E C Pohl	3,536,510	–	2,645,919	6,182,429
J S Hickey	13,000	–	36,000	49,000
S A Mitchell	–	–	10,000	10,000
S M Wilson	1,820,685	–	564,315	2,385,000

	2009 $	2008 $
18. REMUNERATION OF AUDITORS		
During the year the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms:		
(a) Assurance services		
Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**20,300**	34,755
	20,300	34,755
Total remuneration of auditors	**20,300**	34,755

HYPERION FLAGSHIP INVESTMENTS LIMITED
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	2009 $'000	2008 $'000
19. RELATED PARTY TRANSACTIONS		
The following transactions occurred with other related parties:		
Expenses paid or payable by the Company to:		
Wilson HTM Ltd for broking expenses	1	8
Wilson HTM Corporate Finance Ltd for advisory services	–	414
Amounts remaining payable at balance date	–	–

S M Wilson has an interest in the above transactions as a director and substantial shareholder of Wilson HTM Investment Group Ltd.
E C Pohl has an interest 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 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.
All related party transactions are made on an arms length basis using the standard terms and conditions.

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

	2009 $'000	2008 $'000
(Loss)/Profit after income tax expense	(654)	3,195
Less Non-Cash flows		
Loss/(Profit) on financial Assets	2,922	(2,549)
Income Tax Benefit from current year	–	–
Changes in Assets/Liabilities		
(Increase)/decrease in trade and other receivables	(121)	98
(Increase) in deferred tax assets	(1049)	(224)
(Decrease) in trade and other payables	(2)	(1,332)
(Decrease) in current tax liabilities	(685)	(704)
Increase in deferred tax liabilities	2	–
Net cash inflow /(outflow)from operating activities	413	(1,515)

	2009 $'000	2008 $'000
21. EARNINGS PER SHARE		
(a) Earnings used in the calculation of basic and diluted earnings per share.		
(Loss)/profit from continuing operations attributable to the ordinary equity holders of the Company	(654)	3,195
	Cents	Cents
(b) Basic and Diluted earnings per share	(2.42)	12.98
	Number	Number
(c) Weighted average number of ordinary shares used in the calculation of earnings per share	27,006,896	24,618,894

22. MANAGEMENT AGREEMENT

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

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

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

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

Under the terms of this agreement a performance fee of $0.00 (excl GST) was paid or payable during the year ended 30 June 2009 (2008-NIL). While no specific costing of the services provided by Hyperion in accordance with (v) above is obtainable, the Company has determined that to obtain these services from another third party would have a value in excess of $165,000.

23. SUBSEQUENT EVENTS

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

24. CONTINGENT ASSETS AND LIABILITIES

The Company has no known contingent assets or liabilities.

25. COMMITMENTS

The Company has no commitments.

Directors' Declaration

The Directors of the Company declare that:

(a) the Financial Statements and Notes set out on pages 26 to 47 are in accordance with the Corporations Act 2001, including:

(i) comply with Australian Accounting Standards and the Corporations Regulations 2001;

(ii) giving a true and fair view of the financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and

in the Directors' opinion

(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 remuneration disclosures set out on pages 15 and 16 of the Directors' Report (as part of the audited remuneration report) for the year ended 30 June 2009 comply with section 300A of the Corporations Act 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 and is signed for and on behalf of the Directors by:

Dr Emmanuel (Manny) C Pohl
Managing Director

Brisbane
10 September 2009

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 2009, 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.

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 controls 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.

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.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Report.

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, would be in the same terms if it had been given to the Directors at the time that this Auditor's Report was made.

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 2009 and of its 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 Report 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 2009. 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 of Hyperion Flagship Investments Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

BDO Kendalls (QLD)

BDO Kendalls
P A Gallagher

P A Gallagher
Partner

Brisbane
10 September 2009

Shareholder Information

The Shareholder information set out below was applicable as at 1 September 2009.

1. DISTRIBUTION OF SECURITIES

Distributions	No. of Shareholders
1 to 1,000	148
1,001 to 5,000	456
5,001 to 10,000	176
10,001 to 100,000	218
100,001 and over	27
Total	**1,025**
Holdings of less than a marketable parcel	30

2. TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary shares	%
HSBC Custody Nominees (Australia) Limited	3,473,339	12.99
Farallon Capital Pty Ltd <Nunn Investment Trust a/c>	2,498,751	9.34
Pohl Pty Ltd <Gap Investments Unit a/c>	2,164,451	8.09
D E & L J Barclay <Don Barclay Super Fund a/c>	1,822,840	6.81
Powers Pty Ltd	1,471,782	5.50
Earlston Nominees Pty Ltd <Steven Wilson Investment a/c>	980,000	3.66
Willben Pty Ltd <Willben Super Fund a/c>	915,000	3.42
Polka Management Services Pty Ltd <Pat Corrigan Super Fund a/c>	820,300	3.07
Mary Van Lieshout	690,572	2.58
Citadel Bank and Trust Inc <The Fragrance a/c>	434,718	1.63
Accessories Com Pty Ltd <TRS Securities S/Fund a/c>	382,435	1.43
Dr John Kristof Basson and Helga Basson	309,353	1.16
Bruce Robert & Erika Haberfield	307,520	1.15
Edwin H & Enid O Buckland <Buckland Super Fund a/c>	292,599	1.09
Hank Van Lieshout	269,314	1.01
Hank Van Lieshout and Joyce Van Lieshout	260,000	0.97
Mr Christopher Andrew Beard <EST George E Beard No. 2 a/c>	249,629	0.93
Aletha Elizabeth and Rasmus Elardus Laubscher <Drs AE & REE Laubscher a/c>	220,185	0.82
Quantum Electronics Pty Ltd <Super a/c>	201,540	0.75
Gregory John Burton	200,100	0.75
Total	**17,964,428**	**67.15**

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
E C Pohl	6,777,867[1]	25.3
Hyperion Asset Management Limited	5,436,126[1]	20.3
Farallon Capital Pty Ltd <Nunn Investment Trust>	2,498,751	9.3
Wilson HTM Investment Group Ltd	1,965,209	7.3
S M Wilson	1,965,000	7.3
D E & L J Barclay <Don Barclay Super Fund>	1,822,840	6.8

Note 1: E C Pohl has a relevant interest in 6,777,867 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.

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 2009

Individual investments at 30 June 2009 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	%
	ORDINARY SHARES			
AMP	AMP Limited	391,000	1,908.1	5.77
ANZ	ANZ Banking Group Ltd	110,000	1,813.9	5.48
BBG	Billabong International Ltd	118,182	1,304.1	3.12
BHP	BHP Billiton Ltd	43,000	1,493.0	4.51
BXB	Brambles Limited	250,000	1,490.0	4.50
CBA	Commonwealth Bank of Australia	56,000	2,184.0	6.60
CMJ	Condolidated Media Holdings Limited	140,000	317.8	0.96
COH	Cochlear Limited	31,000	1,788.7	5.40
COU	Count Financial Ltd	485,572	684.7	2.07
FAN	Fantastic Holdings Ltd	373,955	1,065.8	3.22
IRE	IRESS Market Technology Limited	350,000	2,537.5	7.67
JBH	JB Hi-Fi Limited	109,000	1,678.6	5.07
MQG	Macquarie Group Ltd	34,490	1,348.5	4.08
PPT	Perpetual Ltd	17,650	503.9	1.52
PTM	Platinum Asset Management Limited	214,958	885.6	2.68
RIO	Rio Tinto Ltd	21,500	1,122.3	3.39
RIOR	Rio Tinto Ltd–Rights	11,287	238.2	0.72
SEK	Seek Limited	312,283	1,302.2	3.93
SKT	Sky Network Television	131,000	448.0	1.35
TRS	The Reject Shop Ltd	60,000	703.2	2.12
WBC	Westpac Banking Corporation Ltd	73,537	1,489.1	4.50
WOR	WorleyParsons Limited	20,000	476.2	1.44
WOW	Woolworths Ltd	86,000	2,267.0	6.85
WPL	Woodside Petroleum Limited	40,000	1,728.4	5.22
WTF	Wotif.com Holdings Limited	466,286	2,191.5	6.62
			32,700.3	**98.79**
	OPTIONS			
	Options		0.0	0.0
	CASH			
	Cash		399.8	1.21
	Total		**33,100.1**	**100.0**

2. TRANSACTIONS AND BROKERAGE

There were 37 (2008: 80) transactions in securities during the year on which brokerage of $22,145 (2008: $85,883) 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
Patrick Corrigan AM
Non-Executive Director
Justine S Hickey
Non-Executive Director
Sophie A Mitchell
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 80 080 135 897
Level 22
307 Queen Street
Brisbane QLD4000
Tel: +61 (0) 7 3020 3700
Toll Free: 1300 550 293
Fax: +61 (0) 7 3020 3701

SOLICITORS
McCullough Robertson
Solicitors
Central Plaza Two
66 Eagle Street
Brisbane QLD 4000
Tel: +61 (0) 7 3233 8888
Fax: +61 (0) 7 3229 9949

AUDITORS
BDO Kendalls (QLD)
Level 18
300 Queen Street
Brisbane QLD 4000
Tel: +61 (0) 7 3237 5999
Fax: +61 (0) 7 3221 9227

SHARE REGISTRY
Computershare Investor
Services Pty Limited
Level 19
307 Queen Street
Brisbane QLD 4000
GPO Box 523
Brisbane QLD 4001
Toll Free: 1300 552 270
Fax: +61 (0) 7 3237 2152

REGISTERED OFFICE
Level 22
307 Queen Street
Brisbane QLD 4000
Toll Free: 1300 HYPERION (1300 497 374)
Tel: +61 (0) 7 3020 3718
Fax: +61 (0) 7 3020 3701

WEBSITE ADDRESS
www.hyperionfi.com.au

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Hyperion Flagship Investments Limited
Level 22
307 Queen Street, Brisbane QLD 4000
Telephone +61 (0) 7 3020 3718
Facsimile +61 (0) 7 3020 3701
Toll Free 1300 HYPERION (1300 497 374)
www.hyperionfi.com.au

HYPERION FLAGSHIP INVESTMENTS