ANNUAL REPORT 2010

HYPERION FLAGSHIP INVESTMENTS

Portfolios that perform

Hyperion Flagship Investments Limited

ABN 99 080 135 913


Australian Stock Exchange
OFFER
LAST
VOL
STOCK

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FINANCIAL CALENDAR

FINANCIAL YEAR END
30 June 2010

BOOKS CLOSE
27 August 2010

DIVIDEND PAYMENT
28 September 2010

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 12 November 2010

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

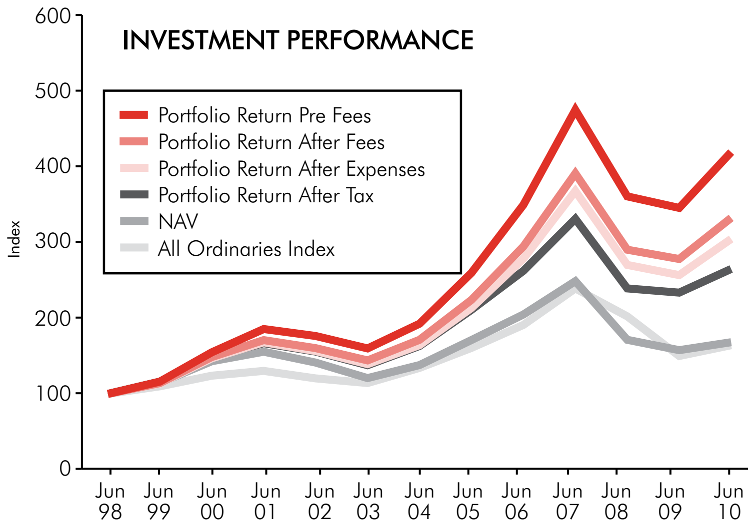
HYPERION FLAGSHIP INVESTMENTS LIMITED DIRECTORS (from left to right)
Henry Smerdon AM, Dominic McGann, Sophie Mitchell, Manny Pohl and Patrick Corrigan AM

Highlights for 2010

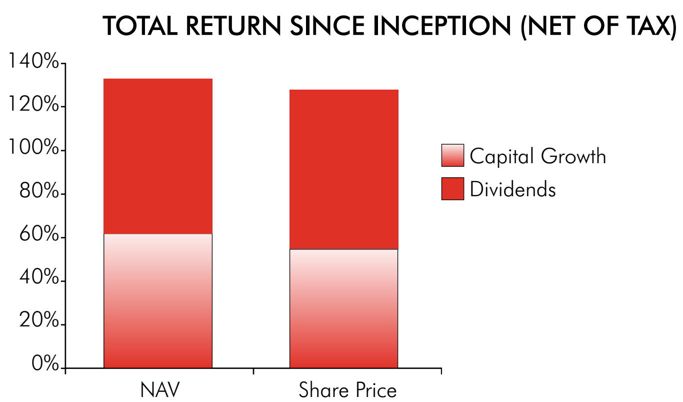
Highlights for the year ending June 2010

- The portfolio before fees and tax increased by 21.4% versus a 9.5% increase in the All Ordinaries Index over the twelve month period.
- This investment performance is reflected in the Net Asset Value(NAV) per share which increased by 12.1% after the $1.5M reduction in deferred tax assets is excluded from the NAV calculation.
- The annual dividend of 8.5 cents remains unchanged from 2008/2009. The annual dividend was fully franked and also had attached a LIC attributable amount of 9.35 cents.
- On-Market Buy-back – bought 243,273 shares at an average price of $1.41 ($342,897).

Relative Performance History



Total return since inception to June 2010



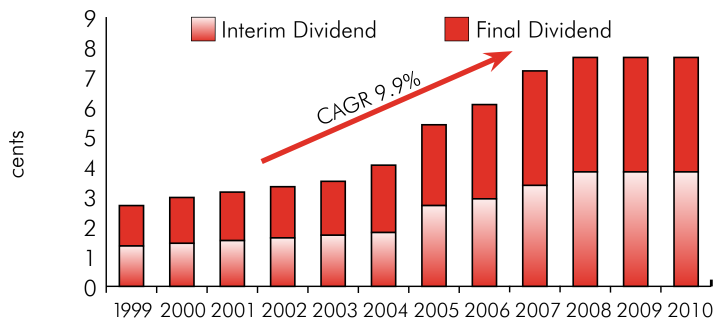
Hyperion Flagship Investments Performance vs. the All Ordinaries Index

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%	30.4%	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%	-25.8%	-31.3%	-15.5%
June 2009	-4.2%	-4.2%	-8.0%	-26.0%
June 2010	21.4%	19.6%	6.7%	9.5%

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

Dividends per share

COMPOUND ANNUAL GROWTH RATE 9.9%



Major Investments June 2010

MAJOR INVESTMENTS % OF PORTFOLIO	Jun 10	Jun 09
BHP	7.3%	4.5%
Woolworths	6.3%	6.8%
Seek	5.8%	3.9%
Commonwealth Bank	5.4%	6.6%
Cochlear	5.3%	5.4%
Platinum Asset Management	5.2%	2.7%
TOTAL	**35.3%**	**29.9%**

Note: Investments greater than 5% of Portfolio.

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
- Fully franked dividend income
- Access to available 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.

Hyperion Asset Management Limited provides administration support even when a Management Fee is not paid.

The executives of the Manager effectively own 50% of the Manager.

Dr 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 2010.

Portfolio Performance

It has been quite an outstanding year for the Company in terms of relative investment performance with the value of the investment portfolio before fees and tax increasing by 21.4% for the year. The increase in the benchmark All Ordinaries Index in the same period was a modest 9.5%. It is an outstanding result in a market that for considerable periods, has been weighed down by negative perceptions and sentiment and regular bouts of volatility and fragility. Such a result in all the circumstances is a great credit to our Investment Manager, Hyperion Asset Management, and its skilled team of investment professionals lead by Dr Manny Pohl. They have consistently applied the philosophy of investing for the longer term in high quality companies with predictable earnings and superior growth potential as a result of a sustainable competitive advantage that delivers strong operational cash flow and have been rewarded accordingly.

As I have said on previous occasions, it is your Board's strong belief that the consistent application of a strong fundamental investment strategy that looks beyond the short-termism of the day to day market place will always be rewarded.

The Outlook

The outlook for the Australian share market remains somewhat mixed. The Australian economy has been quite resilient in the face of the impacts of the global financial crisis. The economy has managed positive growth, albeit modest, and employment levels have been relatively solid. However it has been underpinned to a degree by the Government's fiscal stimulus package which will begin washing out of the economy in the year ahead. Consumer sentiment remains soft and business outlook cautious.

The corporate earnings outlook is showing some positive signs and in part this has been reflected in gains in stock market valuations.

Internationally, Europe remains weak and the issues surrounding sovereign debt risk in countries such as Greece and Spain weigh on the markets and economies generally.

The US outlook remains positive on balance but with high unemployment levels and significant economic policy adjustments required, the view is one of caution.

China and India remain optimistic about economic growth and in some respects the world is dependent on these

economies, particularly China, continuing to grow to sustain the recovery process in the rest of the world. However, there is not a unanimous view among economists. Any slowing of growth in China would have ramifications for the Australian economy. We remain cautiously optimistic.

Dividend Policy

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. The level of dividend payment is consistent with that paid by the Company in the past two years.

As in the past, the dividend is fully franked. Individual Shareholders may also be eligible to claim a deduction on the capital gain attributable amount of 1.63929 cents per share in accordance with the tax treatment of Listed Investment Companies.

The deduction has been a valuable additional benefit for many Shareholders. However the capacity to continue to have this deduction available depends on the capacity of the Company to generate eligible capital gains.

The global financial crisis has impacted corporate earnings in the past two years and resulted in downward revisions to corporate dividend policies. Not unexpectedly, this has impacted our dividend earnings in the past two years and is likely to do so in the year ahead. The Board has therefore taken a cautious and balanced view that recognises the current circumstances, has regard for the level of our retained earnings and supports our consistent longer term objective of providing a sustainable return to Shareholders.

Share Buy-Back Scheme

The Company's share buy-back scheme was in operation for the majority of the year. It continues to provide valuable on-market support for those Shareholders wishing to dispose of all or part of their shareholding.

During the year, 243,273 shares were purchased by the Company at an average price of $1.41.

In July, the Board approved that the scheme be reinstated again for the current financial year.

Our Investment Manager

I have already mentioned the outstanding performance of our Investment Manager, Hyperion Asset Management. The Board appreciates the efforts of Dr Manny Pohl and his team of investment professionals. It is testament to Manny's leadership that he has been able to retain such a strong high performing team of individuals in an industry noted for mobility.

The Audit and Compliance Committee of the Board met during the year with key members of the team, as part of its regular governance process. These meetings served to confirm our high opinion of the team and our continuing confidence in their ability to deliver the outperformance we have come to expect as the norm.

It was very fitting and well deserved that Hyperion Asset Management was chosen as the 2010 Money Management/ LONSEC Fund Manager of the Year Award for Australian Equities (Small Cap).

Performance Fee

The outstanding positive performance of the Investment Manager in the past year has meant that a performance fee of $684,000 is payable to the Manager. This is the first such payment for three years despite some outstanding performances by the Manager in negative returning markets.

The performance fee is based on achieving returns in excess of a specified cash investment return in a year and hence when markets are negative, no fee is payable despite strong relative performance.

The Manager is also required to provide certain administrative support services from the fee and hence has had significant outgoings in the previous two years against zero income.

Management Services Agreement

The current Management Services Agreement between the Company and Hyperion Asset Management Limited is set to expire on 13 March 2011. The Agreement underpins the investment and administrative relationship, including the definition of authorised investments.

The Company has received advice that any new agreement or extension of the current agreement between the parties will require Shareholder approval. Accordingly Shareholders will be asked to approve a new Management Services Agreement at the Annual General Meeting in November 2010.

Opportunity will also be taken in the new agreement to amend the current list of authorised investments to enable investment in unlisted securities but with a cap on such investments of no more than 10% of the portfolio. The Board believes that the increased flexibility will enable advantage to be taken of any opportunities for such investments that might arise in the future, including possibly an investment in the Investment Manager.

Board Membership

In October 2009, Ms Justine Hickey stepped down from the Board after three years as a member. Justine was a very diligent member of the Board and an effective Chair of the Audit and Compliance Committee. I very much appreciated Justine's time on the Board and the commitment she brought to the task in some difficult years. I wish her well in the future.

Mr Dominic McGann, a senior partner in McCullough Robertson, was appointed to fill the vacancy following Justine's departure. Dominic brings a wealth of corporate as well as legal experience to the Board and is already making a significant contribution.

During the year, the Managing Director and I reviewed the level of Board fees payable to members. The level of fees had remained unchanged since inception of the Company 13 years ago and were long overdue for review, having regard for the growth of the Company and the levels of Board remuneration in the broader LIC market. From 1 January 2010, the Chair's fee increased from $30,000 to $40,000, the fee for the Chair of the Audit and Compliance Committee increased from $12,000 to $30,000, while the general Board fee increased from $12,000 to $25,000. The new level of Board fees represent a better balance of reward for responsibilities and remain within the overall amount previously approved by Shareholders for such payments.

Concluding Remarks

It has been an interesting and at times difficult year and one that has tested the patience and resilience of many investors. Our Investment Manager continues to serve us well and we look forward to maintaining a long and successful relationship that is rewarding for all concerned particularly for our Shareholders.

My fellow Board members and I thank Shareholders for their continuing support and we are confident that that support will be well rewarded in the years ahead.

Yours sincerely,

Henry R Smerdon AM
Chairman

Managing Director's Report

During the past year, sentiment in the Australian share market was generally positive until, in the last quarter, investors became extremely nervous following the downgrade in Greek government bonds to junk bond status and the announcement by the Australian Government of its proposed Resource Super Profit tax.

As an indicator of global market performance, the MSCI (as measured in US dollar terms) peaked at 1241.7 in April only to close at 1041.3 in June 2010 which was an increase of 8.3% for the twelve months to 30 June 2010. In Australian dollar terms, the MSCI increased by 3.9% over the same period, reflecting the renewed strengthening 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 increasing by 12.1% in US dollar terms for the twelve months to the end of June 2010.

While the Australian market performed similarly, our portfolio produced an exceptional performance, increasing by 21.4% over the past twelve months as compared to a 9.5% increase in the All Ordinaries Index. If the $1.5m reduction in deferred tax assets is excluded from the NAV calculation, then the NAV increase would have been 12.1% rather than the 6.7% as reported. This is nevertheless an outstanding after tax result in these highly volatile markets.

Once again, high quality businesses have been recognized as such by the market and have been marked up during the past twelve months more so than 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 price earning 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 stabilize, 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.

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 incentivized 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.

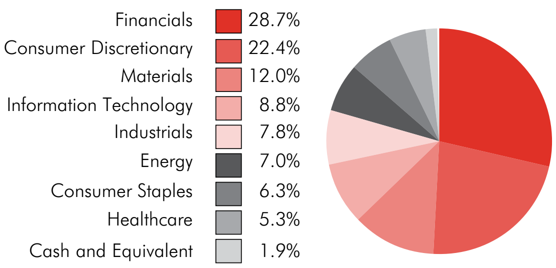
Before we actually buy a stock we ask ourselves the question. *"Would we buy all of this business if we had the money?"* That is, we buy shares in the business as a business owner, not as a trader of shares.

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 2010



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 investments in the portfolio, I have included a comment on Navitas and Worley Parsons.

NAVITAS

ASX Code: NVT

Navitas is a global business in the provision of on-campus university pathway programs to international students at second tier universities. It is Australia's largest provider of English language courses with nineteen English language training centres in Australia and operates twenty seven university pathway campuses across nine countries, including eleven in Australia.

The university pathway model is not capital intensive and is built on five to ten year agreements with universities that allow Navitas to piggy-back off its university partners' brand, course material, facilities and teaching staff to help international students adjust to studying overseas in their first year. Navitas pays the university a 25% to 30% royalty for the provision of these services. Upon passing, these students then progress into the university's mainstream course in year two.

Sustainable Competitive Advantage

Navitas is a trustworthy pathway provider with first-mover advantage and a demonstrated track record in a field where the university puts its reputation on the line by allowing the pathway provider to use its brand in its service offering. Navitas provides the university with a profitable revenue stream, utilizing excess capacity (buildings, course materials and staff) without the risk of the Universities establishing a start-up program internally. Universities have traditionally had great difficulty in making money out of the internal provision of pathway programs to international students.

Organic Growth Options

The United States is the largest university market in the world but has one of the lowest penetration rates of international students (3% of students versus 20% in Australia). The global financial crisis has significantly reduced university revenue streams from endowment earnings, resulting in the search for alternate revenue sources and the embracing of international student recruitment programs. Navitas has signed four new college agreements with US universities this year and is in a strong position to sign a large number of additional agreements in coming years due to its referral sites in Australia, the UK and Canada.

WORLEYPARSONS

ASX Code: WOR

WorleyParsons is a provider of professional services to the Oil & Gas, Power, Minerals and Infrastructure industries. WorleyParsons' service capability covers the entire asset lifecycle – from identifying the opportunity to the operating phase. As resource projects continue to grow in size and complexity WorleyParsons is one of the few global companies with the resources, technical capabilities and systems to meet the demands of large scale projects. It has approximately 150 separate contracts that it delivers from 120 offices around the globe employing roughly 30,000 staff. High employee share ownership is an endearing feature of the company. WorleyParsons is not a capital intensive business and works predominantly on a cost-plus contract revenue model, leading to lower operating risk than a number of other mining service companies.

Sustainable Competitive Advantage

WorleyParsons' competitive advantage relates to the company's specialised workforce, who tailors services to meet customer requirements. WorleyParsons is able to translate the specialised engineering expertise into a quality service offering via internally developed software systems that spread workflow and ideas across the global network of integrated offices. The size, length and complexity of Oil & Gas projects ensure that barriers to entry in the industry are large, with no new major players having entered the industry in the past decade.

Organic Growth Options

WorleyParsons is leveraged to a recovery in Oil & Gas capital expenditure which is supported by a rising consumption and the forward LNG capital expenditure pipeline. Oil & Gas capital expenditure has averaged 15% pa growth over the past decade, despite oil price volatility and WorleyParsons should be able to gain market share as projects become increasingly complex.

VALUATION PERSPECTIVE

In our process we calculate a five year Internal Rate of Return (IRR) for each stock we consider for inclusion in the portfolio. This IRR calculation is a key factor in our portfolio construction process. As a result of combining all the IRR's of the 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 and provides an indication of the actual return achieved by the portfolio.

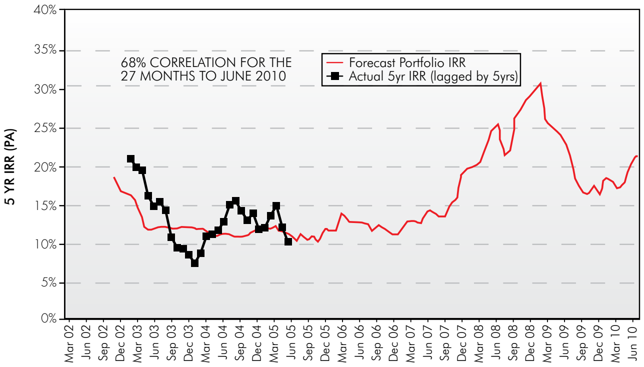
The two most important points to make regarding Chart 2 are:

I. The portfolio's IRR is currently very attractive; and

II. Historically there has been a strong correlation between the forecast portfolio IRR and the actual return achieved.

CHART 2: PORTFOLIO IRR AND HISTORICAL RETURN

FORECAST 5YR IRR VS ACTUAL 5YR IRR



The portfolio IRR is currently sitting around 21% 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 and as such our future prospects are very strong.

CLOSING COMMENTS

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 to be more in line with long-term historical averages.

The portfolio return profile remains attractive in historical terms and 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 BHP (7.3%) Woolworths (6.3%) and Seek (5.8%) were the three largest investments held at the June 2010 year-end and it is these three investments that we believe have the best risk adjusted return profiles.

As mentioned before, the expected return for the Australian equity portfolio is 21% (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

Your Directors present their report on Hyperion Flagship Investments Limited for the financial year ended 30 June 2010.

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 AM, E Pohl, P Corrigan AM, D McGann (appointed 8 October 2009) and S Mitchell

J Hickey retired on 8 October 2009

2. INFORMATION ON DIRECTORS

Henry R Smerdon AM
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.

Other Current directorships
Chairman of the Currumbin Wildlife Sanctuary Board.
Chairman of the Queensland Performing Arts Trust.
Director of Queensland Education Leadership Institute Limited.
Director of Queensland Education Leadership Institute Limited.
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.

Interest in Shares
48,740 ordinary shares

Dr Emmanuel (Manny) C Pohl
Pr Eng, B.Sc (Eng), MBA, DBA, FAICD, MSSA, 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.
Alternate Director of Athelney Trust Plc

Former Listed Company directorships in last 3 years
None.

Interest in Shares
7,203,403 ordinary shares

Has a relevant interest in shares in the Company over which he holds a Power of Attorney arrangement with a number of clients of Hyperion Asset Management Limited.

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.

Interest in Shares
1,873,391 ordinary shares

Dominic M McGann
Solicitor of the Supreme Court of Queensland, LLB (QUT), LLM (Sydney University), LLM (Bond University)
Non-Executive Director
Member of Audit and Compliance Committee

Experience and expertise

Appointed Non-Executive Director on 8 October 2009.

Extensive experience as a Partner with McCullough Robertson Lawyers and a Solicitor with the Supreme Court of Queensland.

Other current directorships

Director of INR Coal Limited.

Member of Advisory Committee to Yalari Limited.

Former Listed Company directorships in last 3 years

None.

Interest in Shares

Nil ordinary shares

Sophie A Mitchell
B.Econ, GAICD, SF Fin
Non-Executive Director
Chair 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 RBS Morgans, former portfolio manager Seymour Funds Management (2007), and Head of Research RBS Morgans (1996-2007).

Other current directorships

Chairman of Expressions Dance Company.

Director of Corporate and Special Projects RBS Morgans.

Director of RBSM Foundation.

Trustee of the Queensland Performing Arts Trust.

Member of the Takeovers Panel.

Former Listed Company directorships in last 3 years

None.

Interest in Shares

10,000 ordinary shares

Director who resigned 8 October 2009

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.

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

The sentiment in the Australian equity market during the past twelve months was generally positive until the last quarter when Investors became extremely nervous. The All Ordinaries Index increased by 9.5% for the year.

During the year:

- The portfolio value before fees and taxes increased by 21.4%.
- Interest received declined in line with the general decline in interest rates.
- Total dividends received by the Company were down 13.0% compared with 2009.
- Total dividends declared to Shareholders in respect to the year are unchanged at 8.5 cents per share.

The share price has increased by 12.0% from $1.25 at 30 June 2009 to $1.40 at 30 June 2010.

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 before fees and taxes increased by 21.4% following the turnaround in the equity markets.
- The on market buy-back program was reinstated on 10 July 2009 and ceased on 9 July 2010. The on-market buy-back programme resulted in 243,273 shares ($343,000) being bought back. The programme was reinstated effective from 16 July 2010.

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. Shareholders are to be requested to approve a new Management Services Agreement with the Investment Manager including an amendment to the list of authorised investments to include unlisted securities.

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

Dividends paid to Shareholders during the year were as follows:

Type	Cents per share	Total amount $'000's	Date of payment
Dividends paid to Shareholders during the financial year were as follows:			
Final	4.25	1,137	October 2009
Interim	4.25	1,136	March 2010
	8.50	**2,273**	
Dividends paid by the Company during the preceding year were:			
Final	4.25	1,156	September 2008
Interim	4.25	1,139	April 2009
	8.50	**2,295**	

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 $1,140,000 (4.25 cents per share) to be paid on 28 September 2010.

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 2009/2010 will be:

	Interim Payment Mar 10 Cents per share	Final Payment Sep 10 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	1.639	4.674
TOTAL TAXABLE INCOME	**3.036**	**4.432**	**7.468**

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

For example:
If an individual's marginal tax rate is 45% (excluding Medicare Levy) then the following benefits are obtained:

Dividend Payment	4.250	4.250	8.500
Tax refund	0.455	(0.173)	0.282
TOTAL CASH AMOUNT	**4.705**	**4.077**	**8.782**

10. EARNINGS PER SHARE

	2010 Cents	2009 Cents
Basic earnings per share	**4.09**	(2.42)
Diluted earnings per share	**4.09**	(2.42)

11. COMPANY SECRETARY

Ian W Harrison B.Bus (Acc), FCPA, CSA (Affiliate)
Company Secretary since inception of the Company in 1997.

Ian has 31 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 AM	7	7	5	5	-	-
E C Pohl	7	7	-	-	-	-
P Corrigan AM	7	6	-	-	-	-
D M McGann	4	4	3	3	-	-
S A Mitchell	7	7	5	5	-	-
J S Hickey (resigned)	3	3	2	2	-	-

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.

Effective 1 January 2010, the per annum remuneration of Directors was increased to:

- Chairman $40,000
- Chairman – Audit Committee $30,000
- Other Directors $25,000

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 are paid to his employer in accordance with the employer's 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 AM *Non-Executive Chairman*	2010	35,000	-	-	-	-	-	35,000
	2009	30,000	-	-	-	-	-	30,000
E C Pohl *Managing Director*	2010	18,500	-	-	-	-	-	18,500
	2009	12,000	-	-	-	-	-	12,000
P Corrigan AM (appointed 1 May 2009) *Non-Executive Director*	2010	18,500	-	-	-	-	-	18,500
	2009	2,000	-	-	-	-	-	2,000
Dominic M McGann (appointed 8 October 2009) *Non-Executive Director*	2010	15,274	-	-	-	-	-	15,274
	2009	-	-	-	-	-	-	-
S A Mitchell *Non-Executive Director*	2010	21,000	-	-	-	-	-	21,000
	2009	12,530	-	-	-	-	-	12,530
J S Hickey (resigned 8 October 2009) *Non-Executive Director*	2010	4,000	-	-	-	-	-	4,000
	2009	12,000	-	-	-	-	-	12,000
S M Wilson (resigned 4 June 2009) *Non-Executive Director*	2010	-	-	-	-	-	-	-
	2009	11,000	-	-	-	-	-	11,000
Total Directors Rumuneration	2010	**112,274**	**-**	**-**	**-**	**-**	**-**	**112,274**
	2009	**79,530**	**-**	**-**	**-**	**-**	**-**	**79,530**

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 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 (AUDITED)

14. GENERAL TRANSACTIONS

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

15. LOANS

There are no loans issued to any of the Directors (30 June 2009 – Nil).

16. OPTIONS

No options have been issued during or since the financial year (30 June 2009 – Nil).

17. INSURANCE OF OFFICERS AND/OR AUDITORS

During the financial year the Company insured the Directors and Officers against certain liabilities as permitted by the Corporations Act. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

The Company has entered into an agreement for the purpose of indemnifying Directors and Officers, to the extent permitted by law, against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as a Director and Officer of the Company.

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

18. 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 proceedings on behalf of the Company, or to intervene in any proceeding to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

19. 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 Audit (QLD) Pty Ltd) 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.

The Company did not use the services of BDO Audit (QLD) Pty Ltd for any non-audit purposes during the year.

20. 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
13 August 2010

Auditors' Independence Declaration

BDO Audit (QLD) Pty Ltd
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

13 August 2010

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

Dear Henry,

DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF HYPERION FLAGSHIP INVESTMENTS LIMITED

As lead auditor of Hyperion Flagship Investments Limited for the year ended 30 June 2010, I declare, that to the best of my knowledge 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
Director

BDO Audit (QLD) Pty Ltd

BRISBANE

Corporate Governance Statement: FOR THE YEAR ENDING 30 JUNE 2010

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 21 and 22.

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).

For Corporate Governance purposes there are four independent Directors and one executive Director. All Directors regularly review their compliance with the ASX definition of independence.

The following Director is associated with the Manager:

- Manny Pohl – The Managing Director and a substantial shareholder of the Manager.

Manny Pohl is a substantial Shareholder of the Company.

The names of the current Directors are set out below:

Mr Henry R Smerdon AM
Chairman
Member of Audit and Compliance 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.

Patrick Corrigan AM
Non-Executive Director
Mr Corrigan is a Company Director has been a Director since May 2009.

Dominic M McGann
Non-Executive Director
Member of the Audit and Compliance Committee
Mr McGann is a Partner of McCullough Robertson and has been a Director since October 2009.

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

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, gender and experience of the current Board members.

The Board will be reviewing its Charter with a view to addressing the amendments to the ASX Principles concerning gender diversity.

This will formalise the practice of the Board of having female Directors since 2000.

Independence and Conflicts of Interest

The Board has adopted the test of Director independence as set out in the ASX Principles. Having regard to this definition, the Board considers a Director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with a Director's ability to act in the best interests of the Company. No Directors except the Managing Director hold a material interest in the issued shares of the Company. The Board has not adopted any quantitative thresholds in relation to dealing with entities in which a Director may have a financial interest and instead performs assessments on a case by case basis.

Directors are required to declare any conflicts of interest and, where deemed necessary, do not participate in any discussions or any decisions which relate to the conflict. The Board regularly assesses the independence of the Non-Executive Directors based on their disclosure of interests. As at the date of this report, the independent Directors are Henry Smerdon AM, Patrick Corrigan AM, Dominic McGann and Sophie Mitchell.

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required which will not be unreasonably withheld.

Review of Board and Director Performance

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 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 reviews were 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 review was undertaken in late 2009 with any issues raised, addressed at subsequent Board meetings.

The Board has determined the responsibilities of the Chairman and 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.

Terms of office and appointment of new Directors

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, expertise and experience are set out in the Directors' Report on pages 12 and 13.

Prospective candidates for election to the Board are reviewed by the Nominations Committee. The Nominations Committee considers the experience, skills, gender and background of the candidates and the requirements of the Board, to ensure the Board's overall composition enables it to discharge its responsibilities and lead the Company effectively.

2. 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.

3. 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:

S A Mitchell (Chair)

H R Smerdon AM

D M McGann

J Hickey was Chair until her resignation.

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.

The role of the Committee is to oversee the preparation and audit of the financial statements, review the financial statements and monitor the establishment and maintenance of an internal control framework, risk management systems and appropriate ethical standards. The Committee has appropriate financial and risk expertise and all members are financially literate and have an appropriate understanding of the industry in which the Company operates. 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 AM (Chairman)

E C Pohl

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

The role of the Committee is to develop criteria for Board candidates, identify and assess potential appointments to the Board. An external consultant may be engaged where it is considered appropriate to assist the Committee to identify and select candidates with the desired skills and experience and to add diversity to the Board (as assessed by 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.

4. 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.

5. 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.

In particular, the Code requires that executives and employees:

- Do not disclose or use in any improper manner confidential information about the Company, its clients or employees;
- Avoid conflicts of interest; and
- Protect any Company assets under their control and not use Company assets for personal purposes, without prior Company approval.

6. 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.

7. 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. A detailed Risk Management Framework has been established and is reviews annually by the Audit and Compliance Committee. The framework documents the risks which the Board has identified. 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 reviews its Outsourcing Policy annually, in particular the processes to monitor the internal controls and risk management of its major service providers continue to be appropriate.

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.

8. 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 Audit (QLD) Pty Ltd (BDO) were appointed as the external auditors in 1998 and have been retained following completion of a tender process in 2009.

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

The Company's external auditor attends the Annual General Meeting and is available to answer Shareholder questions.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in Notes 5 and 18 to the financial statements.

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS

ASX Principle		Reference	Compliance
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	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.	4	Comply
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	1 and 4	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 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.	2, 5 and website	Comply

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS			
ASX Principle		**Reference**	**Compliance**
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	Establish an audit committee.	3	Comply
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors.	3	Comply
	• consists of a majority of independent directors.	3	Comply
	• is chaired by an independent chair, who is not chair of the board.	3	Comply
	• has at least three members.	3	Comply
4.3	The audit committee should have a formal charter.	3	Comply
4.4	Provide the information indicated in Guide to reporting on Principle 4.	3 and Directors' Report and website	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.	6	Comply
5.2	Provide the information indicated in Guide to reporting on Principle 5.	6 and website	Comply
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.	6	Comply
6.2	Provide the information indicated in Guide to reporting on Principle 6.	6 and website	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.	7 and website	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.	7	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.	7	Comply
7.4	Provide the information indicated in Guide to reporting on Principle 7.	7 and website	Comply
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	3 and 4	Non-comply
8.2	Clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.	4	Comply
8.3	Provide the information indicated in Guide to reporting on Principle 8.	3, 4 and Remuneration Report	Comply

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

CONTENTS OF FINANCIAL REPORT:

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

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

Hyperion Flagship Investments Limited
Level 22
307 Queen Street
Brisbane Qld 4000

The financial report was authorised for issue by the Directors on 13 August 2010.

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
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
Realised Profits/(Losses) on investments sold		655	(2,923)
Other Revenue	4	1,424	1,614
Performance Fee		(684)	–
Other Expenses	5	(338)	(249)
Profit/(Loss) before income tax		1,057	(1,558)
Income tax (Expense)/Benefit	6	39	904
Net Profit/(Loss) for the year attributable to Shareholders of the Company		1,096	(654)
OTHER COMPREHENSIVE INCOME			
Changes in fair value of Available-For-Sale Financial Assets		5,197	(500)
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income		(1,559)	150
Other Comprehensive Income/(Loss) for the period		3,638	(350)
Total Comprehensive Income/(Loss) for the period attributes to Shareholders of the Company		4,734	(1,004)

Earnings per share for profit attributes to the ordinary equity holders of the Company:

		Cents	Cents
Basic earnings per share	21	4.09	(2.42)
Diluted earnings per share	21	4.09	(2.42)

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Cash and Cash Equivalents	7	**516**	400
Trade and Other Receivables	8	**273**	138
Available-For-Sale Financial Assets	9	**37,229**	32,699
Deferred Tax Assets	10	**1,510**	3,022
Total Assets		**39,528**	36,259
LIABILITIES			
Trade and Other Payables	11	**788**	38
Current Tax Liabilities	12	**–**	–
Deferred Tax Liabilities	13	**10**	2
Total Liabilities		**798**	40
Net Assets		**38,730**	36,219
EQUITY			
Contributed Equity	14	**37,110**	37,060
Other Reserves	15	**(691)**	(4,329)
Retained Earnings		**2,311**	3,488
Total Equity		**38,730**	36,219

NAV (after tax on realised gains only)	**$1.44**	$1.35
NAV (after tax on realised and unrealised gains)	**$1.39**	$1.24

The above statement of financial position 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 2010

	Notes	Contributed Equity $'000	Retained Earnings $'000	Available-For-Sale Reserve $'000	TOTAL $'000
Balance at 1 July 2008		37,674	6,438	(3,979)	40,133
Total Comprehensive Income					
Profit for Year			(654)		(654)
Other Comprehensive Income				(350)	(350)
Total Comprehensive Income			(654)	(350)	(1,004)
Transactions with Owners in their capacity as owners					
Shares issued during period	14(b)	479			479
Shares bought back on market	14(b)	(1,093)			(1,093)
Dividends paid or provided for	16(a)		(2,296)		(2,296)
Balance at 30 June 2009		**37,060**	**3,488**	**(4,329)**	**36,219**
Balance at 30 June 2009		37,060	3,488	(4,329)	36,219
Total Comprehensive Income					
Profit for Year			1,096		1,096
Other Comprehensive Income				3,638	3,638
Total Comprehensive Income			1,096	3,638	4,734
Transactions with Owners in their capacity as owners					
Shares issued during period	14(b)	394			394
Shares bought back on market	14(b)	(344)			(344)
Dividends paid or provided for	16(a)		(2,273)		(2,273)
Balance at 30 June 2010		**37,110**	**2,311**	**(691)**	**38,730**

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	**2010 $'000**	2009 $'000
Cash flows from operating activities			
Dividends received		**1,379**	1,475
Interest received		**11**	23
Sub-underwriting fees received		**15**	1
Income taxes paid		**–**	(678)
Other payments		**(326)**	(408)
Net cash inflow/(outflow) from operating activities	20	**1,079**	413
Cash flows from investing activities			
Proceeds from sale of investments		**10,196**	5,867
Payment for investments		**(8,936)**	(3,229)
Net cash inflow/(outflow) from investing activities		**1,260**	(2,638)
Cash flows from financing activities			
Dividends paid to Company's Shareholders	16(a)	**(1,879)**	(1,816)
Buy-back of shares		**(343)**	(1,093)
Net cash (outflow)/inflow from financing activities		**(2,222)**	(2,909)
Net increase/(decrease) in cash and cash equivalents		**117**	142
Cash and cash equivalents at the beginning of the period		**400**	258
Cash and cash equivalents at end of period	7	**516**	400

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations 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 Statement of Financial Position 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 Statement of Financial Position 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.

(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 benefit 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 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 Statement of Financial Position 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 or loss

Financial assets at fair value through profit or loss are assets held for trading. 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 Statement of Comprehensive Income 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 Available-For-Sale reserve to the Statement of Comprehensive Income 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.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Impairment losses are recognised in the Statement of Comprehensive Income. 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 in other comprehensive income.

Following a review of the investments, the Board has determined that no investment at 30 June 2010 is impaired.

Unrealised gains and losses arising from changes in the fair value of these assets are taken directly to other comprehensive income in the Available-For-Sale 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 Statement of Comprehensive Income 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 Statement of Financial Position 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 bid 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 Statement of Cash Flows 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 reporting period but not distributed at the end of the reporting period.

(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 Statement of Financial Position.

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

(N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been issued that are not mandatory for 30 June 2010 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 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess its full impact. However, initial indications are that it may affect the Company's accounting for its Available-For-Sale Financial Assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on Available-For-Sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised $3,638,000 of such gains in other comprehensive income. The group has not yet decided when to adopt AASB 9.

(ii) AASB 8 Operating Segments

A change in Accounting Policy has been necessary as a result of a new accounting standard (AASB 8 – Operating Segments) which has become operative for the annual reporting period commencing on 1 July 2009. AASB 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments have been determined in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director. The change has not resulted in any change to the reportable segments presented.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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:

	30 June 2010 $'000	30 June 2009 $'000
Financial assets		
Cash and cash equivalents	**516**	400
Available-For-Sale Financial Assets	**37,229**	32,699
Total	**37,745**	33,099

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

(A) Market Risk

(i) Foreign exchange risk

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

(ii) Equity market risk

The Company is exposed to risk of market price movement through its investments in Australian listed equity securities. Equity investments held by the Company are classified on the Statement of Financial Position 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 end of reporting period is:

	2010	2009
Portfolio five year return	**10.1%**	12.5%
All Ordinaries Index five year return	**0.4%**	2.3%

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% (2009-5%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index.

Impact on other comprehensive income for the year:-

2010 $1,861,000

2009 $1,635,000

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 2010: Balance $516,000

Weighted average interest rate 6.69%

30 June 2009: Balance $400,000

Weighted average interest rate 4.68%

(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) Fair value measurements

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

As of 1 July 2009, the Company has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets and liabilities measured and recognised at fair value as 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Company – at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000
Available-For-Sale Financial Assets			
Listed Equity Securities	37,229	–	–
Total	**37,229**	**–**	**–**

(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 continued the on-market buy-back 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

(A) OPERATING SEGMENT

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
4. REVENUE			
Dividends		1,398	1,590
Interest on cash		11	23
Interest on Held to Maturity Investments		–	–
Sub-underwriting		15	1
Total		1,424	1,614
5. EXPENSES			
Profit/(Loss) before income tax includes the following specific expenses:			
Performance fees		684	–
ASX listing and other fees		32	27
Audit fees		21	20
Directors fees		112	80
Insurance		31	24
Share registry		27	30
Other		115	68
Total		1,022	249
6. INCOME TAX EXPENSE			
(a) Income tax expense			
Current tax		–	–
Deferred tax		(41)	(896)
Under/(over) provided in prior years		2	(8)
Total		(39)	(904)
Deferred income tax (revenue)/expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	10	(47)	(898)
(Decrease) increase in deferred tax liabilities	13	8	2
Total		(39)	(896)
(b) Reconciliation of income tax expense to prima facie tax payable			
Profit/(Loss) before income tax expense		1,057	(1,558)
Tax at the Australian tax rate of 30% (2009 – 30%)		317	(467)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Dividend franking credits		(363)	(393)
Foreign dividends		1	(2)
Fully franked dividends receivable		3	(33)
Other		1	–
		(41)	(895)
Under/(over) provision in prior years		2	(8)
Total income tax expense (benefit)		(39)	(904)
Total income tax expense/(benefit)		(39)	(904)
(c) Amounts recognised in other comprehensive income			
Aggregate current and deferred tax arising in the reporting period and not Recognised in net profit or loss but directly debited or credited to other comprehensive income.			
Net deferred tax – debited (credited) directly to other comprehensive income	10 & 13	(1,559)	(150)
Total		(1,559)	(150)

	2010 $'000	2009 $'000

7. CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash at bank and on hand	516	400
Total	516	400

(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.

8. TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Net other receivables		
GST receivable	53	–
Other receivables	220	138
Total	273	138

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 $'000	2009 $'000
Listed Investments, at fair value		
At beginning of year	32,699	38,609
Additions (at cost)	8,936	3,229
Revaluation	5,197	(500)
Disposals (at cost)	(9,603)	(8,639)
Closing Balance at 30 June	37,229	32,699
Australian listed equity securities	37,229	32,699

For listed equity securities, fair value is determined by reference to closing bid prices on the Australian Securities Exchange.

If investments had been sold at balance date a net capital gains tax liability of not more than NIL (2009: NIL) would have arisen.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 $'000	2009 $'000
10. DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Amortisation of share issue expense	(233)	(162)
Accruals	9	11
Tax losses - revenue	408	91
Tax losses - capital	680	877
	864	817
Amounts recognised in other comprehensive income		
Share issue expenses	350	350
Unrealised loss on Available-For-Sale Investments	296	1,855
Total	646	2,205
Net deferred tax assets	1,510	3,022
Reconciliations		
(i) **Gross Movements:**		
The overall movement in deferred tax asset accounts is as follows:		
Opening balance	3,022	1,974
(Credited)/charged to the income statement	47	898
(Credited)/charged to equity	(1,599)	150
Closing balance at 30 June	1,510	3,022
(ii) **The movement in deferred tax assets for each temporary difference during the year is as follows:**		
Share issue expenses		
Opening balance	188	256
(Charged)/credited directly to the income statement	(71)	(68)
(Charged)/credited directly to the equity	–	–
Closing balance	117	188
Accruals		
Opening balance	11	12
(Charged)/credited directly to the profit or loss	(2)	(1)
Closing Balance	9	11
Website development costs		
Opening balance	–	1
(Charged)/credited directly to the income statement	–	(1)
Closing Balance	–	–
Tax losses revenue		
Opening balance	91	–
(Charged)/credited directly to the income statement	317	91
Closing Balance	408	91

	Note	2010 $'000	2009 $'000
Tax losses - capital			
Opening balance		877	–
(Charged)/credited directly to profit or loss		(197)	877
Closing balance		680	877
Available-For-Sale Investments			
Opening balance		1,855	1,705
(Charged)/credited directly to profit or loss		–	–
(Charged)/credited directly to other comprehensive income		(1,559)	150
Closing balance		296	1,855

11. TRADE AND OTHER PAYABLES

Accrued expenses		36	38
Performance Fee Payable		752	–
Total		788	38

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		–	–
Total		–	–

13. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:			
Amounts recognised in other comprehensive income			
Tax on unrealised gain on Available-For-Sale Investments		10	2
Net deferred tax liabilities		10	2
Reconciliations			
(i) **Gross Movements:**			
The overall movement in the deferred tax liability account is as follows:			
Opening balance		2	–
Charged/(credited) to profit or loss		8	2
Charged/(credited) to other comprehensive income		–	–
Closing balance		10	2
(ii) **The movement in deferred tax liability for each temporary difference during the year is as follows:**			
Unrealised gain on investments			
Opening balance		2	–
Charged/(credited) to profit or loss		8	2
Charged/(credited) directly to other comprehensive income		–	–
Closing balance		10	2
Unfranked dividends receivable			
Opening balance		–	–
Charged/(credited) directly to other comperhensive income		–	2
Closing balance		–	2

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	2010 Shares	2009 Shares	2010 $'000	2009 $'000

14. CONTRIBUTED EQUITY

(a) Share Capital

	2010 Shares	2009 Shares	2010 $'000	2009 $'000
Ordinary shares				
Fully paid	**26,818,549**	26,779,551	**37,100**	37,060
Total Share Capital	**26,818,549**	26,779,551	**37,100**	37,060

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 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)
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)

Date	Details	Number of Shares	**Price**	$'000
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)
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)	$1.23	(7)
27 January 2009	Share buy-back	(19,066)	$1.23	(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)

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Date	Details	Number of Shares	**Price**	$'000
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)	$1.29	(18)
30 June 2009		**26,779,551**		**37,060**
20 July 2009	Share buy-back	(5,333)	$1.25	(7)
29 July 2009	Share buy-back	(5,161)	$1.27	(7)
30 July 2009	Share buy-back	(5,239)	$1.27	(7)
31 July 2009	Share buy-back	(2,450)	$1.27	(3)
17 August 2009	Share buy-back	(3,100)	$1.31	(4)
19 August 2009	Share buy-back	(4,700)	$1.35	(6)
21 August 2009	Share buy-back	(323)	$1.35	(0)
25 August 2009	Share buy-back	(5,000)	$1.30	(7)
8 September 2009	Share buy-back	(115)	$1.40	(0)
15 September 2009	Share buy-back	(17,000)	$1.42	(24)
16 September 2009	Share buy-back	(15,000)	$1.40	(21)
22 September 2009	Share buy-back	(2,420)	$1.40	(3)
23 September 2009	Share buy-back	(1,016)	$1.38	(1)
29 September 2009	Share buy-back	(5,234)	$1.38	(7)
30 September 2009	Share buy-back	(2,250)	$1.38	(3)
1 October 2009	Share buy-back	(11,800)	$1.38	(16)
2 October 2009	Share buy-back	(6,600)	$1.38	(9)
5 October 2009	Share buy-back	(11,522)	$1.38	(16)
9 October 2009	Dividend Reinvestment Plan	147,536	$1.36	200
26 October 2009	Share buy-back	(4,197)	$1.38	(6)
30 October 2009	Share buy-back	(2,173)	$1.38	(3)

Date	Details	Number of Shares	**Price**	$'000
2 November 2009	Share buy-back	(2,390)	$1.38	(3)
3 November 2009	Share buy-back	(1,000)	$1.38	(1)
5 November 2009	Share buy-back	(1,474)	$1.38	(2)
6 November 2009	Share buy-back	(1,957)	$1.38	(3)
18 November 2009	Share buy-back	(3,121)	$1.38	(4)
19 November 2009	Share buy-back	(1,152)	$1.35	(2)
26 November 2009	Share buy-back	(445)	$1.36	(1)
29 January 2009	Share buy-back	(12,323)	$1.45	(18)
2 February 2009	Share buy-back	(800)	$1.42	(1)
4 February 2009	Share buy-back	(8,300)	$1.41	(12)
5 February 2009	Share buy-back	(10,000)	$1.45	(15)
8 February 2009	Share buy-back	(8,495)	$1.44	(12)
9 February 2009	Share buy-back	(9,492)	$1.45	(14)
11 February 2009	Share buy-back	(16,914)	$1.43	(24)
22 February 2009	Share buy-back	(361)	$1.49	(1)
4 March 2009	Share buy-back	(5,441)	$1.44	(8)
10 March 2009	Share buy-back	(2,100)	$1.44	(3)
19 March 2009	Share buy-back	(1,100)	$1.44	(2)
19 March 2009	Dividend Reinvestment Plan	134,735	$1.44	194
22 March 2009	Share buy-back	(7,894)	$1.47	(3)
26 March 2009	Share buy-back	(4,000)	$1.47	(6)
12 May 2009	Share buy-back	(5,000)	$1.48	(7)
13 May 2009	Share buy-back	(10,104)	$1.50	(15)
14 May 2009	Share buy-back	(10,000)	$1.50	(15)
17 May 2009	Share buy-back	(7,777)	$1.50	(12)
18 May 2009	Share buy-back	(3,100)	$1.45	(4)
24 May 2009	Share buy-back	(3,900)	$1.45	(6)
30 June 2010	**Balance**	**26,818,549**		**37,110**

	2010 $'000	2009 $'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 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

	2010	2009
Available-For-Sale reserve	**(691)**	(4,329)
	(691)	(4,329)

The Available-For-Sale investments revaluation reserve comprises changes in the fair value of Available-For-Sale investments which are recognised in other comprehensive income and are recognised in profit or loss when the investments are sold or impaired.

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	2010 $'000	2009 $'000
16. DIVIDENDS		
(a) Dividends paid		
Final dividend of 4.25 cents (2009 – 4.25 cents) per fully paid share paid on 9 October 2009 (2009 – 19 September 2008)		
Fully franked based on tax paid @ 30% – 4.25 cents per share	1,137	1,156
Interim dividend of 4.25 cents (2009 – 4.25 cents) per fully paid share paid on 10 March 2010 (2008 – 9 April 2009)		
Fully franked based on tax paid @ 30% – 4.25 cents per share	1,136	1,139
Total dividends provided for or paid	2,273	2,295
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2010 and 2009 were as follows:		
Paid in cash	1,879	1,816
Satisfied by issue of shares	394	479
	2,273	2,295
(b) Listed Investment Company capital gain account		
Balance of the Listed Investment Company (LIC) capital gain account	879	4,127

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 2010 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 2010.

	2010 $'000	2009 $'000
Balance as at 30 June 2010 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.	2,189	2,644
(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, (2009 – 4.25 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 28 September 2010 out of retained profits at 30 June 2010, but not recognised as a liability at year end.	1,140	1,137

	2010 $'000	2009 $'000

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

	2010 $'000	2009 $'000
Short-term Employment benefits	**112,275**	79,530
Post-Employment Benefits	**–**	–
Long-term Benefits	**–**	–
Total remuneration	**112,275**	79,530

Detailed remuneration disclosures are provided in sections (A)-(D) of the remuneration report on pages 15 and 16.

(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.

2010	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 AM	45,900	–	2,840	48,740
E C Pohl	7,095,924	–	327,479	7,423,403
P Corrigan AM	870,300	–	903,091	1,773,391
D M McGann	–	–	–	–
S A Mitchell	10,000	–	–	10,000
J S Hickey*	49,000	–	–	49,000

*J S Hickey resigned as a Director on 8 October 2009.

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 AM	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

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	2010 $	2009 $

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

	2010 $	2009 $
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**20,870**	20,300
	20,870	20,300
Total remuneration of auditors	**20,870**	20,300

19. RELATED PARTY TRANSACTIONS

The following transactions occurred with other related parties:

	2010 $	2009 $
Expenses paid or payable by the Company to:		
Wilson HTM Ltd for broking expenses	–	1
Amounts remaining payable at balance date:		
Hyperion Asset Management Limited for Performance Fee	**683**	–

E C Pohl has an indirect 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 has indirect interest in the above transactions as a shareholder 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

	2010 $	2009 $
Profit/(Loss) for the period	**1,096**	(654)
Less Non-Cash flows		
Net (Gain)/Loss on sale of Available-For-Sale financial assets	**(655)**	2,922
Income Tax Benefit from current year		–
Changes in Assets/Liabilities		
(Increase)/Decrease in trade and other receivables	**(135)**	(121)
(Increase) in deferred tax assets	**15**	(1,049)
Increase/(Decrease) in trade and other payables	**750**	(2)
(Decrease) in current tax liabilities	**–**	(685)
Increase in deferred tax liabilities	**8**	2
Net cash inflow/(outflow)from operating activities	**1,079**	413

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	2010 $'000	2009 $'000

21. EARNINGS PER SHARE

(a) Earnings used in the calculation of basic and diluted earnings per share.		
Profit/(Loss) from continuing operations attributable to the owners of the Company	1,096	(654)
	Cents	Cents
(b) Basic and Diluted earnings per share	4.09	(2.42)
	Number	Number
(c) Weighted average number of ordinary shares used in the calculation of earnings per share	26,793,297	27,006,896

22. MANAGEMENT SERVICES AGREEMENT

In accordance with a Management Services Agreement dated 14 March 2006, the Company has agreed to engage the Manager (Hyperion Asset Management Limited) 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 the agreement date of 14 March 2006.

As announced on 2 August 2010, the Board has been reviewing the Management Services Agreement and will be asking Shareholders at the AGM to approve a new Management Services Agreement.

The agreement may be terminated if:

a) either party ceases to carry on business, or
b) either party enters into liquidation voluntarily or otherwise, or
c) either party passes any resolution for voluntary winding-up, or
d) a receiver of the property of either party, or any part thereof, is appointed, or
e) the Shareholders of the Company at an abnormal meeting called in for that purpose, resolve by binding resolution to terminate the operations, or
f) if the Company provides written notes to the Manager in the event of any material and substantial breach of the agreement by the Manager or if the Manager fails to remedy a breach of this agreement within 14 days following written notice of the breach.
g) if the Manager provides written notes to the Company in the event of any material and substantial breach of the agreement by the Company or if the Company fails to remedy a breach of this agreement within 14 days following written notice of the breach.

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 $683,625 (excl GST) was paid or payable during the year ended 30 June 2010 (2009–NIL). While no specific costing of the services provided by Hyperion Asset Management Limited 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 $180,000.

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 24 to 45 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 2010 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 2010 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
13 August 2010

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 Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow 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 the Financial Statements comply 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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:

a) the Financial Report of Hyperion Flagship Investments Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the Financial Report also complies 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 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (QLD) Pty Ltd

BDO

P A Gallagher
Director

Brisbane
13 August 2010

The Shareholder information set out below was applicable as at 20 August 2010.

1. DISTRIBUTION OF SECURITIES

Distributions	No. of Shareholders
1 to 1,000	135
1,001 to 5,000	420
5,001 to 10,000	161
10,001 to 100,000	227
100,001 and over	29
Total	**972**
Holdings of less than a marketable parcel	30

2. TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares	%
HSBC Custody Nominees (Australia) Limited	3,137,888	11.92
Pohl Pty Ltd <Gap Investments Unit a/c>	2,239,214	8.50
Barclay Super Pty Ltd <Don Barclay Super Fund a/c>	1,507,840	5.73
Powers Pty Ltd	1,481,782	5.63
Farallon Capital Pty Ltd <Nunn Investment Trust a/c>	1,398,751	5.31
Polka Management Services Pty Ltd <The Corrigan Settlement a/c>	1,058,955	4.02
Willben Pty Ltd <Willben Super Fund a/c>	915,000	3.47
Polka Management Services Pty Ltd <Pat Corrigan Super Fund a/c>	820,300	3.12
Mary Van Lieshout	733,254	2.78
Citadel Bank and Trust Inc <The Fragrance a/c>	461,587	1.75
Accessories Com Pty Ltd <TRS Securities S/Fund a/c>	406,878	1.55
Aletha Elizabeth and Ramus Elardus Laubscher <Dr AE & REE Laubscher a/c>	376,845	1.43
Dr John Kristof Basson and Helga Basson	344,323	1.31
Bruce Robert & Erika Haberfield	307,520	1.17
Edwin H & Enid O Buckland <Buckland Super Fund a/c>	292,599	1.11
Hank Van Lieshout	285,960	1.09
Hank Van Lieshout and Joyce Van Lieshout	260,000	0.99
Mr Christopher Andrew Beard <Est George E Beard No.2 a/c>	227,996	0.87
Quantum Electronics Pty Ltd <Super a/c>	213,997	0.81
Gregory John Burton	197,606	0.75
Total	**16,668,295**	**63.31**

3. SUBSTANTIAL SHAREHOLDINGS

The names of the Shareholders who have notified the Company of a substantial holding in accordance with section 671B of the Corporations Act 2001 are:

Substantial Shareholder	No. of Shares	% of total
E C Pohl	7,203,403[1]	27.4
Wilson HTM Investment Group Ltd	3,646,561	13.8
Hyperion Asset Management Limited	2,352,879[1]	8.9
P Corrigan AM	1,932,391	7.3
Barclay Super Pty Ltd <Don Barclay Super Fund>	1,507,840	5.6
Farallon Capital Pty Ltd <Nunn Investment Trust>	1,398,751	5.2

Note 1: E C Pohl has a relevant interest in 7,203,403 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 2,352,879 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 Shareholder 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 2010

Individual investments at 30 June 2010 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	217,000	1,130.6	3.00
ANZ	ANZ Banking Group Ltd	80,000	1,728.8	4.58
BBG	Billabong International Ltd	100,000	874.0	2.32
BHP	BHP Billiton Ltd	73,000	2,748.5	7.27
BXB	Brambles Limited	142,000	775.3	2.06
CBA	Commonwealth Bank of Australia	42,000	2,042.9	5.41
CMJ	Consolidated Media Holdings Limited	176,000	559.7	1.48
COH	Cochlear Limited	27,000	2,066.7	5.32
COU	Count Financial Ltd	485,572	560.8	1.49
CRZ	Carsales.com Ltd	303,000	1,442.0	3.82
FAN	Fantastic Holdings Ltd	168,500	337.0	0.89
IRE	IRESS Market Technology Limited	216,000	1,877.0	4.97
JBH	JB Hi-Fi Limited	80,000	1,525.6	4.04
MQG	Macquarie Group Ltd	34,490	1,280.3	3.39
NVT	Navitas Limited	212,227	989.0	2.62
PPT	Perpetual Ltd	21,650	611.8	1.62
PTM	Platinum Asset Management Limited	420,000	1,965.6	5.21
REA	REA Group	160,000	1,707.2	4.53
RIO	Rio Tinto Ltd	26,787	1,785.6	4.73
SEK	Seek Limited	312,283	2,189.1	5.80
SKT	Sky Network Television	131,000	510.9	1.35
TRS	The Reject Shop Ltd	46,000	722.2	1.91
WBC	Westpac Banking Corporation Ltd	73,537	1,561.2	4.14
WOR	WorleyParsons Limited	63,000	1,399.2	3.71
WOW	Woolworths Ltd	88,000	2,377.8	6.30
WPL	Woodside Petroleum Limited	30,000	1,255.2	3.33
WTF	Wotif.com Holdings Limited	234,286	1,265.2	3.35
			37,229.2	**98.63**
	OPTIONS			
	Options		0.0	0.00
	CASH			
	Cash		516.4	1.37
	TOTAL		**37,745.6**	**100.00**

2. TRANSACTIONS AND BROKERAGE

There were 80 (2009: 37) transactions in securities during the year on which brokerage of $40,814 (2009: 22,145) 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 AM
Non-Executive Chairman

Dr Emmanuel (Manny) C Pohl
Managing Director

Patrick Corrigan AM
Non-Executive Director

Dominic M McGann
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 QLD 4000
Tel: +61 (0) 7 3020 3718
Toll Free: 1300 550 293
Fax: +61 (0) 7 3020 3701

SOLICITORS

McCullough Robertson
Lawyers
Level 11
Central Plaza Two
66 Eagle Street
Brisbane QLD 4000
Tel: +61 (0) 7 3233 8888
Fax: +61 (0) 7 3229 9949

AUDITORS

BDO Audit (QLD) Pty Ltd
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
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

Notes

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HYPERION
FLAGSHIP
INVESTMENTS