ANNUAL REPORT 2011

Hyperion Flagship Investments Limited

ABN 99 080 135 913


OFFER
LAST
VOL
STOCK

Table of Contents

FINANCIAL CALENDAR
FINANCIAL YEAR END
30 June 2011

BOOKS CLOSE
19 August 2011

DIVIDEND PAYMENT
9 September 2011

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 11 November 2011

INVESTING IN HYPERION FLAGSHIP INVESTMENTS LIMITED
Investors can purchase shares in Hyperion Flagship Investments Limited through the Australian Securities Exchange.

ASX code: **HIP**

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

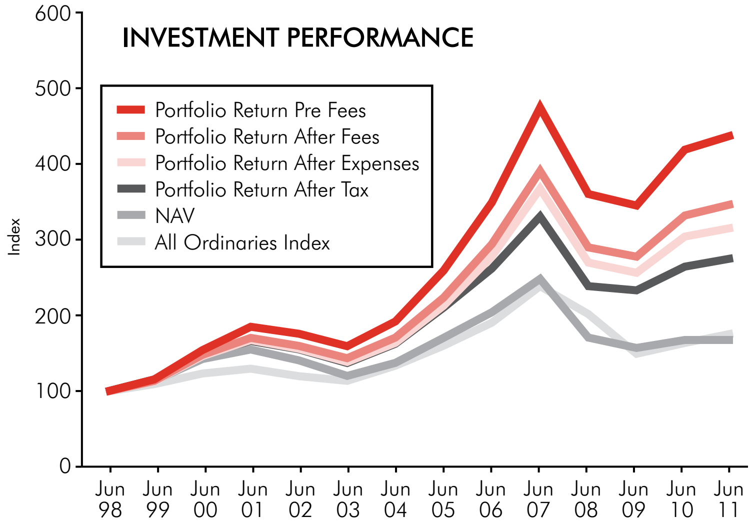
HYPERION FLAGSHIP INVESTMENTS LIMITED DIRECTORS (from left to right)
Henry Smerdon AM, Dominic McGann, Sophie Mitchell, Manny Pohl and Patrick Corrigan AM

Highlights for 2011

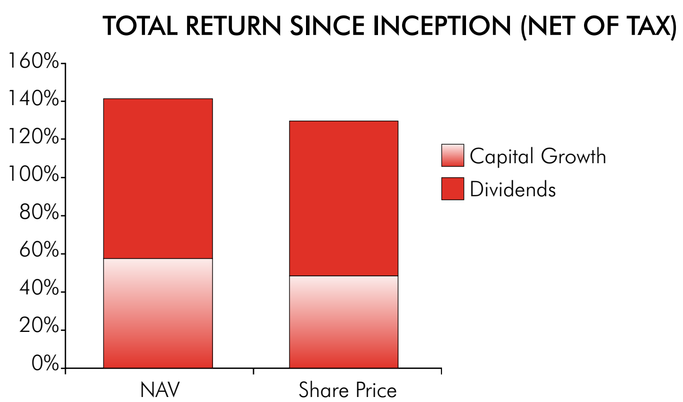
Highlights for the year ending June 2011

- The portfolio before fees and tax increased by 4.6% versus a 7.7% increase in the All Ordinaries Index over the twelve month period.
- The investment performance is reflected in the Net Asset Value (NAV) per share which decreased by 1.7% after tax (on realised gains only).
- The annual dividend of 8.5 cents remains unchanged from 2009/2010.
- On-market buy-back – bought 2,416,656 shares at an average price of $1.36 ($3,296,507).

Relative Performance History



Total return since inception to June 2011



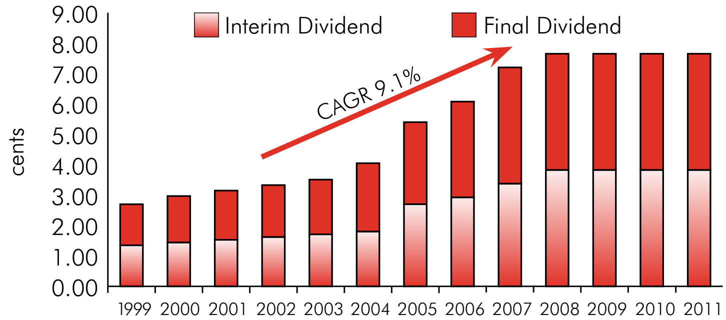
Hyperion Flagship Investments Performance vs. the All Ordinaries Index

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%
June 2011	4.6%	4.6%	-1.7%	7.7%

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

Dividends per share

COMPOUND ANNUAL GROWTH RATE 9.1%



Major Investments June 2011

MAJOR INVESTMENTS % OF PORTFOLIO		
	Jun 11	Jun 10
Rio Tinto	7.5%	4.7%
Commonwealth Bank	7.3%	5.4%
BHP Billiton	6.7%	7.3%
Woolworths	6.6%	6.3%
Seek	6.0%	5.8%
Cochlear	5.8%	5.3%
IRESS	5.8%	5.0%
WorleyParsons	5.3%	3.7%
TOTAL	51.0%	43.5%

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 business, investment and funds management.

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 when available;
- 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; and
- 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 14th Annual Chairman's Report for the Company for the year ended 30 June 2011.

In many respects, it has been a difficult and challenging year and while we all might have hoped for a slightly better outcome in terms of portfolio performance, on the whole, the Board is satisfied that we are well placed to take advantage of future opportunities arising from a more positive economic environment.

Portfolio Performance

Overall the portfolio return for the year before taxes, fees and charges was 4.6% compared with an increase in the All Ordinaries Index for the same period of 7.1%. While short-term underperformance is not a situation we can ignore, the longer term overall portfolio performance is a measure more consistent with our investment strategy.

As we have said on previous occasions, we would be concerned if our Investment Manager changed its fundamental investment strategy in response to short-term influences. Our horizon for investment remains a five year view and the performance of the portfolio over the past five years has been outstanding, outperforming the All Ordinaries Index significantly in four of those five years.

At present, resource stocks are in favour largely because of the China growth story. Our portfolio has been underweight resource stocks as most do not satisfy our Investment Manager's criteria for investment which we have endorsed on many occasions and which is outlined in some detail in the Managing Director's Report.

We believe the portfolio is well positioned to take advantage of the inevitable recognition by Investors of the real value of solid, well-managed and well-positioned businesses which comprise our portfolio.

The Outlook

Much continues to be written about the world and Australian economic situation. Suffice to say that a consensus on the future remains problematic. On the one hand there have been and continue to be positive signs of recovery in the Australian context largely underpinned by demand for our resources in China.

However in a world context, continuing uncertainty and instability across a broad front have resulted in equity markets that are volatile and reacting to negative news with almost unprecedented myopia. Recent events in world stock markets have seen wide gyrations almost daily in most markets which reinforces this view.

There is no doubt that until investors can feel confident that the debt crises bedevilling a number of countries around the world is under control and heading in a positive direction, we are unlikely to see investor confidence return to financial markets generally, despite, particularly in the Australian context, economic fundamentals that are sound and well managed.

Our conclusion is that the Company will continue to be well served by a good dose of conservatism, a healthy respect for and management of potential risks and due homage to the application of old-fashioned fundamentals.

Profit for the Year

Net profit for the year before income tax at $717,000 (last year $1,057,000) was down on the previous year despite an increase of 6.1% in dividend income to $1,484,000.

There was also no performance fee payable this year (last year $684,000).

The decline in profitability largely arises from the sale of investments at a net overall loss, in part driven by the need to dispose of lesser performing investments to underwrite the share buy-back scheme and also to ensure sufficient cash was available to meet dividend payment commitments.

Dividends to Shareholders

The Board has approved the payment of a final dividend for the 2010/11 year of 4.25 cents per share making a total payment of 8.5 cents per share for the year, which is consistent with the previous year and consistent with the Board policy of providing a reasonable and consistent income stream to Shareholders.

However, unlike previous years, the final dividend will only be franked to 3.75 cents per share. While there are more than sufficient franking credits available for distribution to Shareholders to enable a fully franked dividend to be paid, a recent missive from the Australian Taxation Office requires that franking credits only be available in respect of that part of the dividend paid from accumulated profits. The amount required for final dividend exceeds the available accumulated profits at 30 June 2011.

Also, unfortunately there is no LIC attributable capital gains deduction available for Shareholders this year and this is likely to be the scenario for the next year or so.

Share Price

Shares generally traded in a fairly narrow range and declined overall by 4.3% from $1.40 at 1 July 2010 to $1.34 at the close of the financial year.

The shares continue to trade generally below their theoretical value as determined by the net value of the asset base, a situation not uncommon unfortunately with Listed Investment Companies (LICs). We believe that the market does not fully appreciate the value of LICs to an investor looking for an exposure to Australian equity markets without the hassle of self management or the potential cost of having a small portfolio managed through normal investment channels.

The Company continues to offer a share buy-back scheme to provide some liquidity for Investors wishing to dispose of or reduce their holding. The previous share buy-back scheme lapsed early in 2010/11 and was reinstated on 16 July 2010 for a further 12 months.

During the year, some 2,416,656 shares were acquired through the share buy-back scheme at a total cost of $3.297million or an average price of $1.36 per share. The larger than normal number of shares acquired was primarily due to a major foundation Shareholder seeking an orderly disposal of his holding through the scheme, rather than risk compromising what is a rather thin market for the shares.

The share buy-back scheme that operated in 2010/11 lapsed on 15 July 2011 and was reinstated under similar terms and conditions on 18 July 2011 for a further 12 months.

Our Investment Manager

While our Investment Manager did not achieve the required benchmark return and hence did not accrue a performance fee for the year, the Board is well satisfied that the performance of the Manager remains exceptional over the five year horizon and we continue to have every confidence in the Manager's ability to achieve significantly above average returns for our portfolio.

We are indebted to the commitment and professionalism of Dr Manny Pohl and his investment team which has been remarkable for its stability and performance over a long period of time.

The Audit and Risk Committee continues to be actively exercising its primary responsibility for high standards of corporate governance through proper due diligence over the Manager and the processes and systems that underpin its operations. On behalf of the Board, I thank the Chair of the Committee Ms Sophie Mitchell for her sterling work and leadership in this important area.

Suffice to say that the Committee has found that the Investment Manager continues to maintain the highest standards of professionalism and commitment to appropriate governance practices. The Committee also reviews regularly with the Manager the fundamental analysis that underpins the making and retention of investments within the portfolio.

Changes Approved by the 2010 AGM

The new Management Services Agreement was executed after the AGM and is now fully operational.

The changes to the rules governing the payment of dividends has been helpful in allowing the Board to maintain the level of dividend payable to Shareholders.

The additional flexibility to invest in unlisted companies was not used during the year and there are no investments that would fit this criteria under active consideration at this time.

Concluding Remarks

It has not been an easy year and I thank Shareholders generally for their faith and patience. We remain convinced that there are better times ahead and this is supported by the increasing tendency for companies, having largely rebuilt balance sheets to increase the payment of dividends to Shareholders.

I also want to thank my fellow Directors for their support and commitment during the year. They are an outstanding group of individuals and I look forward to their continuing contribution to our success.

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 the last quarter when investors once again became extremely nervous as politics overshadowed economic reality. On the international front, ratings agencies and the market once again reflected concern about the potential default of Greece, Portugal, Ireland and Spain on debt repayments. Locally, the Australian Government announced its intention to levy a tax on Carbon emissions while nervous consumers continued to strengthen their balance sheets by reducing their consumption expenditure.

As an indicator of global market performance, the MSCI (as measured in US dollar terms) peaked at 1391.9 in April 2011 only to close at 1331.2 in June 2011 which was an overall increase of 27.8% for the twelve months to 30 June 2011. In Australian dollar terms, the MSCI increased by 0.3% over the same period, reflecting the continued 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 28.1% in US dollar terms for the twelve months to the end of June 2011.

In Australia, not only did we have a two speed economy but we also had a two speed share market. During the past twelve months, the Australian share market, as represented by the All Ordinaries Index, increased by 7.7%. However, of the twenty best performing ASX300 companies during this period, eighteen were resource companies and of these eighteen, thirteen had no sales. Clearly in this environment which has been dominated by speculation in resource companies, it has been particularly difficult for us to perform as we do not invest in companies that do not generate a return on equity of at least 15%. In fact, our portfolio under-performed the market, increasing by only 4.6% over the past twelve months while the NAV declined by 1.7% after paying a dividend of 8.5 cents per share to shareholders during the year.

Unfortunately, during this period, high quality businesses were not recognized as such by the market and have not been marked up, as has been the case with the highly speculative resource companies. Our portfolio construction process, which focuses on high quality growth businesses which have the ability to grow dividends in spite of economic headwinds, means that the average price earnings ratio of our companies through time is normally above the market average price earnings ratio. In times of uncertainty, higher PE companies tend to be sold down more heavily than lower priced companies. The recent credit market and stock market turmoil has resulted in debt and equity risk premiums moving to multi-decade highs. Once credit markets and equity markets 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, in addition to the growth in earnings and dividends, our portfolios will receive a further boost from the re-establishment of the price earnings premium that high quality growth businesses normally enjoy.

Our investment portfolio comprises quality, low capital intensive growth companies and currently has a small to mid-cap bias identified through our three stage process.

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

1) Historical sales growth;
2) Return on equity; and
3) Interest cover.

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

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

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

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

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

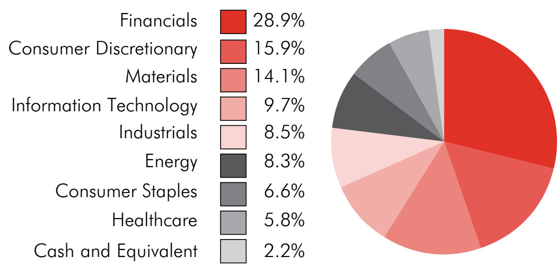
Before we actually buy a stock we ask ourselves the question. "Would we buy all of this business if we had the money?" That is, we buy shares in the business as a business owner, not as a trader of shares.

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 2011

The overall portfolio distribution of assets is shown in Chart 1.



In the portfolio there have been additions in recent years, 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 Carsales.com as well as discussing the rationale behind the sale of Perpetual from the portfolio.

CARSALES.COM

ASX Code: CRZ

Carsales.com is the largest online automotive classifieds business in Australia accounting for approximately eighty percent of the time spent on online automotive classified portals. The key value proposition to the seller of the car is that it's a cost effective and timely way of reaching a large number of potential buyers. We estimate that seventy five percent of all used car listings in Australia are displayed on Carsales.com and approximately twenty percent of all new car listings. The company also owns the largest motorcycle and boat classified sites and provides car dealer software solutions.

Fifty three percent of Carsales.com's 2011 first half revenue was derived from car dealer classifieds (dealers pay $35 per lead for a used car), nineteen percent from the private seller market (sellers pay $60 per listing until sold) sixteen percent from display advertising by the car manufacturers, and twelve percent comes from software services that Carsales.com provide to the dealerships.

Sustainable Competitive Advantage

Dealers and private sellers will pay to advertise their cars on the site with the most potential car buyers, whilst potential buyers of a used or new car will go to the site with the greatest number of listings. Once a classified business gains a first mover advantage a virtuous cycle is created which is difficult to reverse.

Organic Growth Options

We estimate only thirty four percent of automotive classifieds spend (classifieds and dealership display) is online with the balance spent on print. We expect the advertising dollars to follow buyer preference and continue to migrate online.

We expect the $60 per private ad and $35 per used car lead charged to the dealers will be able to be increased over time as carsales.com.au provides an attractive return on investment proposition to dealers and private sellers when compared to other advertising mediums.

PERPETUAL

In taking sell decisions, we follow the Hyperion investment philosophy and perhaps there is no better way to illustrate this philosophy in action than to explain why we exited Perpetual during the year. Selling out of a stock completely is rare for us given the rigorous criteria a company must meet to be included in the first place. Likewise, removing Perpetual from the portfolio came only after very considerable analysis.

We decided to exit Perpetual due to our concerns that their performance and long-term outlook were running contrary to our investment philosophy. Specifically, those concerns included:

- That Perpetual would find it difficult to achieve organic growth due to unsuccessful management initiatives to drive growth in the business, the limited growth potential for its mature Australian equities funds and the failure of its offshore equities business, established in 2005. The ability to achieve strong organic growth is a vital part of our investment philosophy.
- There was a decline both in Perpetual's longer term revenue and earnings outlook along with its financial performance over the last five years. We choose to invest in companies with a strong earnings outlook over five-year rolling periods; and

- There was a loss of management strength following the failure of U.S.-based private equity firm Kohlberg Kravis Roberts & Co. (KKR), to strike a takeover deal in late 2010. Management strength is a function of longevity of the senior people and a key focus of our investment philosophy.

We had already steadily downgraded our assessment of Perpetual to risk arbitrage in the portfolio due to the above concerns. In fact we were left with a very small, one per cent holding and when it became clear that we would not realize a higher return to compensate for the increased risk, we sold out completely. At Hyperion, we build portfolios with stock weightings that provide a net overall benefit to the portfolio.

A VALUATION PERSPECTIVE

In our process we calculate a five year internal rate of return (IRR) for each stock we consider for inclusion in the portfolio. This IRR calculation is a key factor in our portfolio construction process. As a result of combining all the IRR's of the 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.

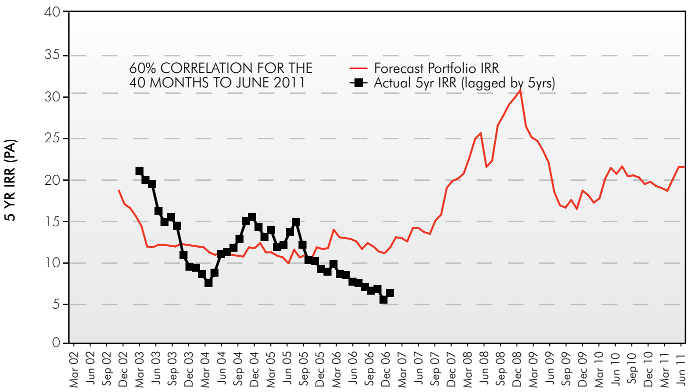
The two most important points to make regarding Chart 2 are:

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 Rio Tinto (7.5%) Commonwealth Bank (7.3%) and BHP (6.7%) were the three largest investments held at the June 2011 year-end and it is these three investments that we believe have the best risk adjusted return profiles.

As mentioned previously, our current five-year forecast for the internal rate of return for the portfolio, is 21% p.a. made up of 15% p.a. EPS growth, 5% p.a. dividend yield and 1% PE expansion over the next five years. This compares well with the actual since-inception performance for the portfolio of 11.6% pa. However, over shorter time periods, 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 2011.

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, S Mitchell, P Corrigan AM and D McGann.

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 board of Currumbin Wildlife Sanctuary.
Chairman of the Queensland Performing Arts Trust.
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
51,800 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
Chariman of Hyperion Fund Company B.S.C. (c).
Chairman of Hyperion GLOBAL SICAV.
CEO & Managing Director of Hyperion Asset Management Limited.
CEO & 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.
Member of Bond University, Institute of Sustainable Development & Architecture Academic Advisory Panel.

Former Listed Company directorships in last 3 years
None.

Interest in Shares
7,544,610 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.

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

Director 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

30,000 ordinary shares

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.
Director of Aboriginal Benefits Foundation Limited.

Former Listed Company directorships in last 3 years

None.

Interest in Shares

2,055,523 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

None.

Former Listed Company directorships in last 3 years

None.

Interest in Shares

Nil ordinary shares

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 7.7% for the year.

During the year:

- The portfolio value before fees and taxes increased by 4.6%.
- Interest received was consistent with the previous year.
- Total dividends received by the Company were up 6.1% compared with 2010.
- Total dividends declared to Shareholders in respect to the year are unchanged at 8.5 cents per share.

The share price has decreased by 4.3% from $1.40 at 30 June 2010 to $1.34 at 30 June 2011.

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 on-market buy-back was reinstated for another 12 month period effective 18 July 2011.

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 4.6% following the turnaround in the equity markets.
- The on-market buy-back programme was reinstated on 16 July 2010 and ceased on 15 July 2011. The on-market buy-back programme resulted in 2,416,656 shares ($3,296,507) being bought back. This was significantly higher than previous years and reflects the quick resolution of a potential market overhang of shares. The programme was reinstated effective from 18 July 2011.

6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subject to the above the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or Financial Report which has arisen since the end of the year that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no planned changes to principal activities.

8. ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

9. DIVIDENDS PAID

Type	Cents per share	Total amount $'000's	Date of payment
Dividends paid to Shareholders during the financial year were as follows:			
Final	4.25	1,119	September 2010
Interim	4.25	1,120	March 2011
	8.50	**2,239**	
Dividends paid by the Company during the preceding year were:			
Final	4.25	1,137	October 2009
Interim	4.25	1,136	March 2010
	8.50	**2,263**	

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 partially franked final dividend of $1,051,000 (4.25 cents per share) to be paid on 9 September 2011.

There is no LIC attributable amount attached to this dividend.

10. EARNINGS PER SHARE

	2011 Cents	2010 Cents
Basic earnings per share	**3.35**	4.09
Diluted earnings per share	**3.35**	4.09

11. COMPANY SECRETARY

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

Ian has 32 years experience in the accounting and finance industries. He is the Company Secretary for Hyperion Asset Management Limited and was previously the Company Secretary for Wilson HTM Investment Group Ltd and its 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	5	5	4	4	-	-
E C Pohl	5	5	-	-	-	-
S A Mitchell	5	5	4	4	-	-
P Corrigan AM	5	5	-	-	-	-
Dominic M McGann	5	5	4	4	-	-

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

Director	Year	Short-term Benefits			Post-Employment	Equity		
		Fees $	Performace Fees $	Non-monetary benefits $	Super $	Retirement Benefits $	Options $	Total $
H R Smerdon AM *Non-Executive Chairman*	2011	40,000	-	-	-	-	-	40,000
	2010	35,000	-	-	-	-	-	35,000
E C Pohl *Managing Director*	2011	25,000	-	-	-	-	-	25,000
	2010	18,500	-	-	-	-	-	18,500
S A Mitchell *Non-Executive Director*	2011	30,000	-	-	-	-	-	30,000
	2010	21,000	-	-	-	-	-	21,000
P Corrigan AM *Non-Executive Director*	2011	25,000	-	-	-	-	-	25,000
	2010	18,500	-	-	-	-	-	18,500
Dominic M McGann *Non-Executive Director*	2011	25,000	-	-	-	-	-	25,000
	2010	15,274	-	-	-	-	-	15,274
J S Hickey (resigned 8 October 2009) *Non-Executive Director*	2011	-	-	-	-	-	-	-
	2010	4,000	-	-	-	-	-	4,000
Total Directors Rumuneration	2011	**145,000**	**-**	**-**	**-**	**-**	**-**	**145,000**
	2010	**112,274**	**-**	**-**	**-**	**-**	**-**	**112,274**

(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's 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 2010 – Nil).

16. OPTIONS

No options have been issued during or since the financial year (30 June 2010 – 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 2001*. 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 16 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 and Compliance 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 *Corporations 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
22 August 2011

Phone: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen Street
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2011, 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, 22 August 2011

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).

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.

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.

Patrick Corrigan AM
Non-Executive Director
Mr Corrigan is a Company Director and 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.

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 has established a diversity policy which it is responsible for. For the purposes of the policy, diversity covers gender, age, ethnicity, cultural background, impairment or disability, sexual preference or religion.

The purpose of the diversity policy is to ensure that:

- A safe and supportive workplace is provided where differences are valued and respected;
- Workplace structures, systems, policies and procedures help employees balance their work, family and other responsibilities effectively;
- Employees have the ability to contribute and access opportunities based on merit; and
- Employment decisions are transparent, equitable and procedurally fair.

Because of the size of the Company and the limited number of employees, the Board is responsible for:

- Workplace structures, systems, policies and procedures;
- Establishing and monitoring the Company's overall diversity strategy and policy;
- Setting targets on diversity which will include gender;
- Monitoring achievement of diversity targets; and
- Include gender diversity objectives in Board recruitment, Board performance evaluation and succession planning processes.

The Board has set a target of diversity on the Board of one third of the independent Directors with a focus on women. There is currently one female director (25% of the independent Directors) and no female employees.

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 and Patrick Corrigan AM 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, Sophie Mitchell, Patrick Corrigan AM and Dominic McGann.

The following Director is associated with the Manager:

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

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

A formal review of the performance of the Board and Audit and Compliance Committee is undertaken yearly. A review was undertaken in late 2010 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 Chairman's responsibilities 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.
- Monitor of conflicts of interest.
- 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, diversity policy 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

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 services 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 there was no requirement to appoint a new Director.

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 also employed and paid by the Manager. The services of the Company Secretary are provided by the Manager as per the Management Services Agreement. These services 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 which 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 Investment 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 which is reviewed and discussed with the Investment Manager.

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 Investment 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.

The company Secretary is required to provide a formal statement to the Board each financial year that in all material respects the regulatory and secretarial compliance requirements are 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 17 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 Director's 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.	5	Comply
	• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	5	Comply
	• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5	Comply
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	1	Comply
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	1	Comply
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	1	Comply
3.5	Provide the information indicated in Guide to reporting on Principle 3.	1	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, Director's 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	The remuneration committee should be structured so that it:	4	Non-comply
	• Consists of a majority of independent directors.		
	• Is chaired by an independant chair.		
	• Has at least three members.		
8.3	Clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.	4	Comply
8.4	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 Director's Report.

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 5 August 2011.

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 2011

	Notes	**2011 $'000**	2010 $'000
Gains/(Losses) on sale of Available-For-Sale Financial Assets		**(357)**	655
Other Revenue	4	**1,500**	1,424
Performance Fee		**–**	(684)
Other Expenses	5	**(426)**	(338)
Profit/(Loss) before income tax		**717**	1,057
Income tax (Expense)/Benefit	6	**155**	39
Net Profit/(Loss) for the year		**872**	1,096
OTHER COMPREHENSIVE INCOME			
Changes in fair value of Available-For-Sale Financial Assets		**822**	5,197
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income		**(247)**	(1,559)
Other Comprehensive Income/(Loss) for the year		**575**	3,638
Total Comprehensive Income/(Loss) for the year		**1,447**	4,734

Earnings per share:

		Cents	Cents
Basic earnings per share	19	**3.35**	4.09
Diluted earnings per share	19	**3.35**	4.09

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 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Cash and Cash Equivalents	7	**626**	516
Trade and Other Receivables	8	**162**	273
Available-For-Sale Financial Assets	9	**32,961**	37,229
Deferred Tax Assets	10	**1,409**	1,500
Total Assets		**35,158**	39,518
LIABILITIES			
Trade and Other Payables	11	**37**	788
Total Liabilities		**37**	788
Net Assets		**35,121**	38,730
EQUITY			
Contributed Equity	12	**34,293**	37,110
Other Reserves	13	**(116)**	(691)
Retained Earnings		**944**	2,311
Total Equity		**35,121**	38,730

	$	$
NAV (after tax on realised gains only)	**1.419**	1.444
NAV (after tax on realised and unrealised gains)	**1.361**	1.388

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 2011

	Notes	Contributed Equity $'000	Retained Earnings $'000	Available-For-Sale Reserve $'000	TOTAL $'000
Balance at 1 July 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	12(b)	394			394
Shares bought back on market	12(b)	(344)			(344)
Dividends paid or provided for	14(a)		(2,273)		(2,273)
		50	(2,273)		(2,223)
Balance at 30 June 2010		**37,110**	**2,311**	**(691)**	**38,730**
Balance at 1 July 2010		37,110	2,311	(691)	38,730
Total Comprehensive Income					
Profit for Year			872		872
Other Comprehensive Income				575	575
Total Comprehensive Income		–	872	575	1,447
Transactions with Owners in their capacity as owners					
Shares issued during period	12(b)	479			479
Shares bought back on market	12(b)	(3,296)			(3,296)
Dividends paid or provided for	14(a)		(2,239)		(2,239)
		(2,817)	(2,239)	–	(5,056)
Balance at 30 June 2011		**34,293**	**944**	**(116)**	**35,121**

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 2011

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Dividends received		1,477	1,379
Interest received		11	11
Sub-underwriting fees received		–	15
Income taxes paid		–	–
Other payments		(1,122)	(326)
Net cash inflow/(outflow) from operating activities	18	366	1,079
Cash flows from investing activities			
Proceeds from sale of investments		6,732	10,196
Payment for investments		(1,933)	(8,936)
Net cash inflow/(outflow) from investing activities		4,799	1,260
Cash flows from financing activities			
Dividends paid	14(a)	(1,759)	(1,879)
Buy-back of shares		(3,296)	(343)
Net cash inflow/(outflow) from financing activities		(5,055)	(2,222)
Net increase/(decrease) in cash and cash equivalents		110	117
Cash and cash equivalents at the beginning of the year		516	400
Cash and cash equivalents at end of period	7	626	516

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 2011

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, Australian Accounting 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 Revenue**
Interest revenue 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 revenue. Interest revenue 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 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

These investments are measured at fair value. The carrying amount is assessed by Directors regularly to ensure that the carrying value is not materially different from its fair value.

Unrealised gains and losses arising from changes in the fair value of these assets are taken directly to other comprehensive income and accumulated in the Available-For-Sale Reserve.

When these financial ssets are sold, the accumulated fair value adjustments are reclassified from the Available-For-Sale Reserve to the Profit or Loss as gains and losses on sale.

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.

Any cumulative impairment loss in respect of an Available-For-Sale Financial Assets previously recognised in equity is reclassified 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.

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 profit or loss in other expenses.

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) CONTRIBUTED EQUITY

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.

(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 Note 10. 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.

The Company has an investment process (see below for explanation) which is anticipated will deliver medium to long term capital growth - minimum investment period is five years. The deferred tax asset has been carried forward as it believed that this process will deliver growth over this period to utilise the deferred tax asset.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

The Company does not hold any securities for short term trading purposes. Therefore the investment portfolio is classified as Available-For-Sale Financial Assets.

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

(N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW AND AMENDED STANDARDS AND INTERPERATIONS

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues;
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and related amendments; and
- AASB 201-3 Amendments to Australian Accounting Standards arising from Annual Improvements Project.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2011 , and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

(i) AASB 9 Financial Instruments (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on:

(a) the objective of the entity's business model for managing the financial assets; and

(b) the characteristics of the contractual cash flows.

This replaces the numerous categories of financial assets in AASB 139. The Economic Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

In addition to the above, new and amended standards dealing with Consolidated Financial Statements, Separate Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities and Fair Value Measurement have recently been released. These standards are effective from 1 January 2013. The Economic Entity does not plan to adopt these standards early nor has the extent of their impact been determined.

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 2011 $'000	30 June 2010 $'000
Financial assets		
Cash and cash equivalents	**626**	516
Trade and Other Receivables	**162**	273
Available-For-Sale Financial Assets	**32,961**	37,229
Total	**33,749**	38,018
Financial liabilities		
Trade and Other Payables	**37**	788
Total	**37**	788

(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 other comprehensive income and 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:

	2011	2010
Portfolio five year return	**4.6%**	10.1%
All Ordinaries Index five year return	**-1.5%**	0.4%

Sensitivity Analysis

Increases/decreases in an equity securities price, affect the Company's asset revaluation reserve and other comprehensive income for the year. The analysis is based on the assumption that the Available-For-Sale Financial Assets had increased/decreased by 5% (2010 5%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index.

Impact on equity and other comprehensive income for the year:-

2011 +/- $1,648,000

2010 +/- $1,861,000

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 2011: Balance $626,000
Weighted average interest rate 3.16%

30 June 2010: Balance $516,000
Weighted average interest rate 3.54%

(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 and Available-For-Sale-Financial Assets. 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.

The maximum credit risk exposure of the Company at year end is the carrying value of the assets in the Statement of Financial Position.

There is no concentration of credit risk with respect to financial assets in the Statement of Financial Position.

(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.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(E) Fair value measurements

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

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 2011. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

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

Company – at 30 June 2011 Assets	Level 1 $'000	Level 2 $'000	Level 3 $'000
Available-For-Sale Financial Assets			
Listed Equity Securities	32,961	–	–
Total	**32,961**	**–**	**–**

(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 equity attributable to members of the Company. 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.

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 Asset Value of the Company.

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

3. SEGMENT INFORMATION

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.

Operating segments have been determined on the basis of reports reviewed by the Managing Director. The Managing Director is considered to be the chief operating decision maker of the company. The Managing Director considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The Managing Director considers the business to consist of just one reportable segment.

	Notes	2011 $'000	2010 $'000

4. REVENUE

	Notes	2011 $'000	2010 $'000
Dividends		**1,484**	1,398
Interest		**11**	11
Other		**5**	15
Total		**1,500**	1,424

5. EXPENSES

	Notes	2011 $'000	2010 $'000
Profit/(Loss) before income tax includes the following specific expenses:			
Performance fees		**–**	684
ASX listing and other fees		**35**	32
Audit fees		**22**	21
Directors fees		**145**	112
Insurance		**32**	31
Share registry		**29**	27
Other		**163**	115
Total		**426**	1,022

6. INCOME TAX EXPENSE

	Notes	2011 $'000	2010 $'000
(a) Income tax expense			
Deferred tax		**(155)**	(41)
Under/(over) provided in prior years		**–**	2
Total income tax expense in profit or loss		**(155)**	(39)
Deferred income tax (benefit)/expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	10	**(159)**	(47)
(Decrease) increase in deferred tax liabilities	10	**4**	8
		(155)	(39)
(b) Reconciliation of income tax expense to prima facie tax payable			
Profit/(Loss) before income tax expense		**717**	1,057
Tax at the Australian tax rate of 30% (2010 – 30%)		**215**	317
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Dividend franking credits		**(373)**	(363)
Other		**3**	5
		(155)	(41)
Under/(over) provision in prior years		**–**	2
Total income tax expense (benefit)		**(155)**	(39)
(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	**247**	1,559
		247	1,559

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
7. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**626**	516
	626	516

The deposits are bearing floating interest rates between 3.00% and 3.25%.
These deposits are available at call.

	2011 $'000	2010 $'000
8. TRADE AND OTHER RECEIVABLES		
GST receivable	–	53
Other receivables	**162**	220
	162	273
9. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Listed Securities, at fair value		
At beginning of year	**37,229**	32,699
Additions (at cost)	**1,938**	8,936
Revaluation	**822**	5,197
Disposals (at fair value)	**(7,028)**	(9,603)
Closing Balance at 30 June	**32,961**	37,229
Australian listed equity securities	**32,961**	37,229

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

	2011 $'000	2010 $'000

10. DEFERRED TAX ASSETS

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Amortisation of share issue expense	(291)	(233)
Accruals	8	9
Tax losses - revenue	521	408
Tax losses - capital	785	680
	1,023	864
Amounts recognised in other comprehensive income		
Share issue expenses	350	350
Unrealised loss on Available-For-Sale Investments	50	296
Total	400	646
Net deferred tax assets	1,423	1,510
Reconciliations		
(i) **Gross Movements:**		
The overall movement in deferred tax asset accounts is as follows:		
Opening balance	1,510	3,022
(Credited)/charged to the profit or loss	159	47
(Credited)/charged to other comprehensive income	(246)	(1,559)
Closing balance at 30 June	1,423	1,510
(ii) **The movement in deferred tax assets for each temporary difference during the year is as follows:**		
Share issue expenses		
Opening balance	117	188
(Charged)/credited directly to the income statement	(58)	(71)
Closing balance	59	117
Accruals		
Opening balance	9	11
(Charged)/credited directly to the profit or loss	(1)	(2)
Closing Balance	8	9
Tax losses-revenue		
Opening balance	408	91
(Charged)/credited directly to profit or loss	113	317
Closing Balance	521	408
Tax losses - capital		
Opening balance	680	877
(Charged)/credited directly to profit or loss	105	(197)
Closing balance	785	680
Available-For-Sale Investments		
Opening balance	296	1,855
(Charged)/credited directly to other comprehensive income	(246)	(1,559)
Closing balance	50	296

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
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	**14**	10
Net deferred tax liabilities	**14**	10
Reconciliations		
(i) **Gross Movements:**		
The Overall movement in the deferred tax liability account is as follows:		
Opening balance	**10**	2
Charged/(credited) to profit or loss	**4**	8
Closing balance	**14**	10
(ii) **The movement in deferred tax liability for each temporary difference during the year is as follows:**		
Unrealised gain on investments		
Opening balance	**10**	2
Charged/(credited) directly to other comprehensive income	**4**	8
Closing balance	**14**	**10**
Net deferred tax asset adjusted for deferred tax liabilities	**1,409**	**1,500**

11. TRADE AND OTHER PAYABLES

Accured expenses	**37**	36
Performance Fee Payable	**–**	752
Total	**37**	788

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.

	2011 Shares	2010 Shares	2011 $'000	2010 $'000

12. CONTRIBUTED EQUITY

(a) Share Capital

	2011 Shares	2010 Shares	2011 $'000	2010 $'000
Ordinary shares Fully paid	**24,752,257**	26,818,549	**34,293**	37,110
Total Share Capital	**24,752,257**	26,818,549	**34,293**	37,110

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 2009	**Balance**	**26,779,551**		**37,060**
20 July 2009 to 24 May 2010	Cancellation of shares under the buy-back scheme	(243,273)	$1.41 (average price)	(344)
9 October 2009	Divided Reinvestment Plan issues (see note (d) below	147, 536	$1.36	200
19 March 2010	Dividend Reinvestment Plan issues (d) below	134,735	$1.44	194
30 June 2010	**Balance**	**26,818,549**		**37,110**
20 July 2010 to 29 June 2011	Cancellation of shares under the buy-back scheme	(2,416,656)	$1.36 (average price)	(3,296)
28 September 2010	Divided Reinvestment Plan issues (see note (d) below	149,929	$1.45	216
11 March 2011	Dividend Reinvestment Plan issues (d) below	200,435	$1.31	263
30 June 2011	**Balance**	**24,752,257**		**34,293**

(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.

(d) Share buy-back

On 16 July 2010 the company announced to the Australian Securities Exchange that it intended to buy-back up to a maximum of 10% of its issued capital within one year, subject to market conditions. The buy-backs reflect the Company's focus on maintaining an efficient balance sheet through active capital management.

13. OTHER RESERVES

	2011 $'000	2010 $'000
Available-For-Sale Reserve	**(116)**	(691)
	(116)	(691)

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.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000

14. DIVIDENDS

(a) Dividends paid

	2011 $'000	2010 $'000
Final dividend of 4.25 cents (2010– 4.25 cents) per fully paid share paid on 28 September 2010 (2010 – 9 October 2009)		
Fully franked based on tax paid @ 30% – 4.25 cents per share	**1,119**	1,137
Interim dividend of 4.25 cents (2010 – 4.25 cents) per fully paid share paid on 11 March 2011 (2010 – 19 March 2010)		
Fully franked based on tax paid @ 30% – 4.25 cents per share	**1,120**	1,136
Total dividends provided for or paid	**2,239**	2,273
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2011 and 2010 were as follows:		
Paid in cash	**1,760**	1,879
Satisfied by issue of shares	**479**	394
	2,239	2,273

(b) Listed Investment Company capital gain account

Balance of the Listed Investment Company (LIC) capital gain account	–	879

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 2011 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 2012.

Balance as at 30 June 2011 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.	**1,761**	2,189

(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, (2010 – 4.25 cents) partially franked to 3.75 cents based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 9 September 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year end.	**1,049**	1,119
The impact on the franking account of dividends recommended after year end but before the financial statements were authorised for issue and not recognised as a liability at year end will be a reduction on the franking account.	**397**	480

	2011 $'000	2010 $'000

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Other Key Management Personnel

The Company's Secretary and Chief Financial Officer (Ian Harrison) is employed by Hyperion Asset Management Limited. He was previously employed by Wilson HTM Investment Group. Ian has not received any form of direct remuneration from the Company. Instead Wilson HTM Investment Group received fees from Hyperion Asset Management Limited designed to cover the cost of provision of these services during the period of his employment with them. Hyperion Asset Management Limited as the Manager receives a performance fee from the Company as detailed in Note 20. 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 17.

(b) Key Management Personnel Compensation

	2011 $'000	2010 $'000
Short-term Employment benefits	145	112
Post-Employment Benefits	–	–
Long-term Benefits	–	–
Total remuneration	**145**	112

Detailed remuneration disclosures are provided in sections (A)-(D) of the remuneration report on pages 14 and 15.

(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.

2011	Balance at the Start of the Year	Received During the Year by Exercise of Rights	Other Changes During the Year	Balance at the End of the Year
H R Smerdon AM	48,740	–	3,060	51,800
E C Pohl	7,423,403	–	121,207	7,544,610
S A Mitchell	10,000	–	20,000	30,000
P Corrigan AM	1,773,391	–	282,132	2,055,523
D M McGann	–	–	–	–

2010	Balance at the Start of the Year	Received During the Year by Exercise 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
S A Mitchell	10,000	–	–	10,000
P Corrigan AM	870,300	–	903,091	1,773,391
D M McGann	–	–	–	–
J S Hickey*	49,000	–	–	49,000

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

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000

16. 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

	2011 $'000	2010 $'000
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**22**	21
Total remuneration of auditors	**22**	21

17. RELATED PARTY TRANSACTIONS

The following transactions occurred with other related parties:

	2011 $'000	2010 $'000
Expenses paid or payable by the Company to:		
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.

	2011 $'000	2010 $'000
D M McGann is a partner of McCullough Robertson Lawyers. The Company uses McCullough Robertson Lawyers for the provision of legal services	**6**	–

All related party transactions are made on an arms length basis using the standard terms and conditions.

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

	2011 $'000	2010 $'000
Profit/(Loss) for the year	**872**	1,096
Sundry Income	**(5)**	–
Net (Gain)/Loss on sale of Available-For-Sale Financial Assets	**357**	(655)
Changes in Operating Assets/Liabilities	**(155)**	–
(Increase)/Decrease in trade and other receivables	**46**	(135)
(Increase)/Decrease in prepayment	**3**	–
(Increase)/Decrease in deferred tax assets	**–**	15
Increase/(Decrease) in trade and other payables	**(752)**	750
Increase in deferred tax liabilities	**–**	8
Net cash inflow/(outflow) from operating activities	**366**	1,079

	2011 $'000	2010 $'000
19. 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	**872**	1,096
(b) Basic and Diluted earnings per share	**Cents**	Cents
	3.35	4.09
(c) Weighted average number of ordinary shares used in the calculation of earnings per share	**Number**	Number
	26,056,043	26,793,297

20. MANAGEMENT SERVICES AGREEMENT

In accordance with a Management Services Agreement approved by shareholders at the AGM on 12 November 2010, the Company has agreed to engage the Manager (Hyperion Asset Management Limited) to provide primary and secondary management services, including:

1) Managing the investment of the Company's portfolio, including keeping it under review;
2) Ensuring investments by the Company are only made in authorised investments;
3) Complying with the investment policy of the Company;
4) Identifying, evaluating and implementing the acquisition and disposal of authorised investments;
5) Provide the Company with monthly investment performance reporting;
6) Manage the company's public and regulatory announcements and notices;
7) Promoting investment in the Company by the general investment community;
8) Providing investor relationship services; and
9) Provision of accounting, human resources, corporate and information technology services support.

The agreement has a term of five years from the agreement date of 12 November 2010.

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 notice 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.
h) In recognition of the roles and personal expertise of senior executives retained by the Manager for the purpose of providing the primary services described in clause 3 of the Agreement, the parties agree that the agreement may be terminated, at the option of the Company, if there are major changes to senior executives (or their roles) providing the primary services. The Company shall be entitled to give the Manager a written termination notice upon or after the occurrence of a major change of the kind mentioned and such notice, if given, shall be effective at the end of the calendar month next following the giving of such notice unless the Company and the Manager mutually agree upon another date at which this agreement will terminate.

HYPERION FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

20. MANAGEMENT SERVICES AGREEMENT (CONTINUED)

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 $NIL (excl GST) was paid or payable during the year ended 30 June 2011 (2010–$683,625). While no specific costing of the services provided by Hyperion Asset Management Limited in accordance with point 9 above is obtainable, the Company has determined that to obtain these services from another third party would have a value in excess of $200,000.

21. SUBSEQUENT EVENTS

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

22. CONTINGENT ASSETS AND LIABILITIES

The Company has no known contingent assets or liabilities.

23.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 23 to 42 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2011 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 2011 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
22 August 2011

Phone: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen Street
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

To the members of
Hyperion Flagship Investments Limited

Report on the Financial Report

We have audited the accompanying financial report of Hyperion Flagship Investments Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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, which has been given to the directors of Hyperion Flagship Investments Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the Financial Report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Hyperion Flagship Investments Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.

BDO Audit (QLD) Pty Ltd

BDO

PAUL GALLAGHER
Director
Brisbane, 22 August 2011

Shareholder Information

The Shareholder information set out below was applicable as at 26 July 2011.

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	%
Pohl Pty Ltd <Gap Investments Unit a/c>	2,677,000	10.83
HSBC Custody Nominees (Australia) Limited	1,889,454	7.64
Barclay Super Pty Ltd <Don Barclay Super Fund a/c>	1,651,840	6.68
Polka Management Services Pty Ltd <The Corrigan Settlement a/c>	1,235,223	5.00
Polka Management Services Pty Ltd <Pat Corrigan Super Fund a/c>	820,300	3.32
Mary Van Lieshout	799,254	3.15
Global Masters Fund Limited	730,892	2.96
Dr John Kristof Basson and Helga Basson	677,118	2.74
Mrs Sylvia Maria Valmadre	674,137	2.73
Citadel Bank and Trust Inc <The Fragrance a/c>	490,545	1.98
Accessories Com Pty Ltd <TRS Securities S/Fund a/c>	406,878	1.65
Aletha Elizabeth and Ramus Elardus Laubscher <Dr AE & REE Laubscher a/c>	402,986	1.63
Mrs Loris Elizabeth Tys	356,203	1.44
Bruce Robert & Erika Haberfield	307,520	1.24
Hank Van Lieshout	303,900	1.23
Edwin H & Enid O Buckland <Buckland Super Fund a/c>	292,599	1.18
Hank Van Lieshout and Joyce Van Lieshout	260,000	1.05
Mr Hiroshi Kudo	257,905	1.04
Rennin Pty Ltd <Reynard Super Fund a/c>	250,000	1.01
Mr Christopher Andrew Beard <Est George E Beard No.2 a/c>	242,299	0.98
Total	**14,706,053**	**59.48**

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	7,539,540	30.5
Wilson HTM Investment Group Ltd	2,781,107	11.2
Hyperion Asset Management Limited	2,352,879	8.9
P Corrigan AM	2,003,753	8.1
Barclay Super Pty Ltd <Don Barclay Super Fund a/c>	1,651,840	6.7

Note 1: E C Pohl has a relevant interest in 7,539,540 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 2011

Individual investments at 30 June 2011 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	250,000	1,222.5	3.64
ANZ	Australia and New Zealand Banking Group Limited	62,002	1,364.0	4.06
BHP	BHP Billiton Limited	51,133	2,239.6	6.67
BXB	Brambles Limited	117,063	845.2	2.52
CBA	Commonwealth Bank of Australia	47,000	2,458.1	7.32
CMJ	Consolidated Media Holdings Limited	176,000	459.4	1.37
COH	Cochlear Limited	27,000	1,944.0	5.79
COU	Count Financial Limited	485,572	480.7	1.43
CRZ	Carsales.com Limited	280,000	1,316.0	3.92
IRE	IRESS Market Technology Limited	216,000	1,946.2	5.79
JBH	JB Hi-Fi Limited	60,000	1,024.2	3.05
MQG	Macquarie Group Limited	45,000	1,406.2	4.19
NVT	Navitas Limited	161,536	651.0	1.94
PTM	Platinum Asset Management Limited	365,000	1,503.8	4.48
REA	REA Group Limited	110,000	1,309.0	3.90
RIO	Rio Tinto Limited	30,542	2,534.7	7.54
SEK	Seek Limited	312,283	2,011.1	5.99
SKT	Sky Network Television Limited	131,000	563.3	1.68
TRS	The Reject Shop Limited	31,000	361.1	1.07
WBC	Westpac Banking Corporation	58,930	1,311.8	3.90
WOR	WorleyParsons Limited	63,000	1,779.1	5.30
WOW	Woolworths Limited	80,000	2,220.0	6.61
WPL	Woodside Petroleum Limited	25,000	1,025.0	3.05
WTF	Wotif.com Holdings Limited	210,000	984.9	2.93
			32,960.9	**98.14**
	OPTIONS			
	Options		0.0	0.00
	CASH			
	Cash		626.3	1.86
	TOTAL		**33,587.2**	**100.00**

2. TRANSACTIONS AND BROKERAGE

There were 50 (2010: 80) transactions in securities during the year on which brokerage of $25,353 (2010: $40,814) 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

Sophie A Mitchell
Non-Executive Director

Patrick Corrigan AM
Non-Executive Director

Dominic M McGann
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
GPO Box 2975
Melbourne VIC 3001
Toll Free: 1300 850 505
International: +61 (0) 3 9415 4000
Fax: +61 (0) 3 9473 2500

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

Hyperion Flagship Investments Limited
ABN 99 080 135 913
Level 22
307 Queen Street, Brisbane QLD 4000
Telephone +61 (0) 7 3020 3718
Facsimile +61 (0) 7 3020 3701
Toll Free 1300 HYPERION (1300 497 374)
www.hyperionfi.com.au

HYPERION
FLAGSHIP
INVESTMENTS