



HYPERION
FLAGSHIP
INVESTMENTS

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR
ENDED 31 DECEMBER 2008

Portfolios that perform

Hyperion Flagship Investments Limited

ABN 99 080 135 913

Table of Contents

3

Highlights

4

Directors' Report

6

Auditors' Independence
Declaration

7

Condensed Income Statement
for the half-year ended
31 December 2008

8

Condensed Balance Sheet as at
31 December 2008

9

Condensed Statement of
Changes in Equity for the
half-year ended
31 December 2008

10

Condensed Statement of Cash
Flows for the half-year ended
31 December 2008

11–12

Notes to the Condensed
Financial Statement for the
half-year ended
31 December 2008

13

Directors' Declaration

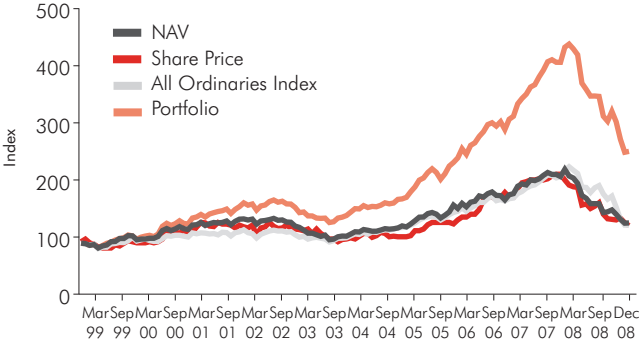
14–15

Independent Review Report
to the Members

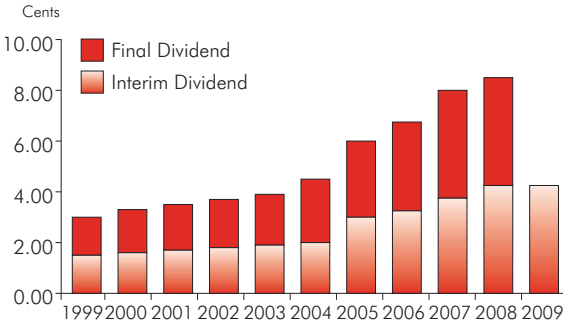
This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by Hyperion Flagship Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Highlights

PERFORMANCE HISTORY

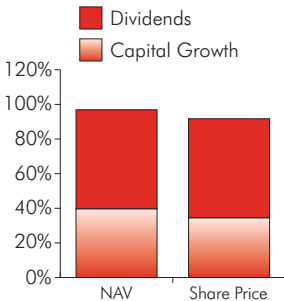


DIVIDENDS PER SHARE



RETURNS SINCE INCEPTION

Return since inception
(adjusted for rights issue)



Directors' Report

Your Directors submit the Financial Report of the Company for the half-year ended 31 December 2008.

DIRECTORS

The following persons were Directors of Hyperion Flagship Investments Limited since 30 June 2007 and up to the date of this report.

- ☉ Mr Henry R Smerdon (Chairman)
- ☉ Dr Emmanuel C Pohl (Managing Director)
- ☉ Ms Justine S Hickey
- ☉ Ms Sophie A Mitchell
- ☉ Mr Steven M Wilson

PRINCIPAL ACTIVITY

The principal activity of the Company is making investments in listed and unlisted companies. No change in this activity took place during the half-year or is planned in the future.

REVIEW OF OPERATIONS

The investment climate over the past six months has been extremely bearish as a result of the meltdown of the world's credit markets. World equity markets have performed poorly during the first half of this financial year with the MSCI (as measured in US dollar terms) declining by 34.4% in the six months to December 2008, after declining by 11.7% in the six months to June 2008. However, when measured in Australian dollar terms, the MSCI declined by only 10.8% over the six months to December 2008 reflecting the weakening of the Australian dollar during this period.

The Australian market performed slightly better than the international markets, with the All Ordinaries Index declining by 31.4% over the six month period to the end of December 2008. The Australian market performance, while in line with other world equity markets, did not reflect the relative strength of the local economy, the strong fiscal position of the Australian Federal Government nor the sound management of the financial system by ASIC and the Australian Reserve Bank.

The portfolio decline of 19.7% for the six months to the end of December 2008 was substantially better than that of the All Ordinaries Index which declined by 31.4%. Tax benefits offset some of the decline with the NAV per share declining by 15.2%.

While the outlook is for a weak economy over the next twelve months, the five year expected return from our portfolio is at the highest level in Hyperion's twelve year history. Hyperion's investment focus on high quality companies with earnings certainty, low levels of debt and sustainable competitive advantages means that the portfolio is well positioned to generate strong returns over a three to five year time horizon.

The continued growth in the dividend receipts from the companies in which we invest, in contrast to much of the market, has enabled the Directors of Hyperion Flagship Investments Limited to announce an interim dividend of 4.25 cents per share fully franked (2008 Interim: 4.25 cents per share fully franked). The 4.25 cent interim dividend will be paid on 9 April 2009 with the books closing on 6 March 2009.

The Dividend Reinvestment Plan raised \$290,000 following the allotment of 221,478 shares at \$1.31 per share.

An on-market buy-back facility to acquire up to 2,728,365 of the Company's shares is in place. During the half-year the Company bought back 625,116 shares for a total cost of \$790,000 at an average price of \$1.26 per share.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes to the investments were made during the period:

- An increase of 133,737 AMP
- An increase of 250,572 Count Financial
- A reduction of 12,474 BHP
- A reduction of 50,000 Billabong
- The sale of 80,000 Aristocrat Leisure
- The sale of 78,733 Babcock & Brown
- The sale of 90,000 Cabcharge
- The sale of 166,976 Nick Scali
- The sale of 405,586 Mortgage Choice
- The sale of 187,567 Queensland Gas

DIVIDEND DECLARED

A fully franked interim dividend of 4.25 cents per share in respect to the half-year ended 31 December 2008 is to be paid on 9 April 2009.

A final dividend of 4.25 cents per share was declared on 20 August 2008 in respect to the year ended 30 June 2008 and paid on 19 September 2008.

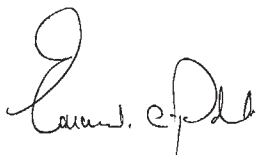
ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

AUDITORS' INDEPENDENCE DECLARATION

The Auditors' Independence Declaration under section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2008.

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



E C Pohl

Director

BRISBANE

12 February 2009

BDO Kendalls

BDO Kendalls
Chartered Accountants
& Advisers
www.bdokendalls.com.au
enquiries@bdokendalls.com.au

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

Telephone + 61 7 3237 5999
Facsimile + 61 7 3221 9227

12 February 2009

Mr Henry Smerdon
Chairman
Hyperion Flagship Investments Limited
Level 22
307 Queen Street
BRISBANE Qld 4000

Dear Henry

AUDITORS' INDEPENDENCE DECLARATION

In relation to our review of the Interim Financial Report of Hyperion Flagship Investments Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours sincerely
BDO Kendalls (Qld)



P J Gallagher
Partner

Condensed Income Statement

For the half-year ended 31 December 2008

	Note	31 Dec 2008 \$'000	31 Dec 2007 \$'000
Realised Profits/(Losses) on investments sold		(2,553)	1,601
Other Revenue	2	898	771
Other expenses		(134)	(176)
Profit/(Loss) before income tax		(1,789)	2,196
Income tax (expense)/benefit		779	(472)
Net profit after income tax expense attributable to shareholders of the Company		(1,010)	1,724
		Cents	Cents
Basic earnings per share based on net profit		(3.66)	6.05
Diluted earnings per share based on net profit		(3.66)	6.05

The above Condensed Income Statement should be read in conjunction with the Notes to the Condensed Financial Statements.

Condensed Balance Sheet

As at 31 December 2008

	Note	31 Dec 2008 \$'000	30 Jun 2008 \$'000
Assets			
Cash and Cash Equivalents		842	258
Trade and Other Receivables		19	17
Available for Sale Financial Assets		28,938	38,609
Deferred Tax Assets		4,439	1,974
Total Assets		34,238	40,858
Liabilities			
Trade & Other Payables		22	40
Current Tax Liabilities		685	685
Total Liabilities		707	725
Net Assets		33,531	40,133
Equity			
Issued Capital		37,174	37,674
Reserves		(7,915)	(3,979)
Retained Earnings		4,272	6,438
Total Equity		33,531	40,133
Net Tangible Assets per share (after tax on realised gains only)		\$1.25	\$1.47
Net Tangible Assets per share (after tax on realised and unrealised gains)		\$1.08	\$1.40

The above Condensed Balance Sheet should be read in conjunction with the Notes to the Condensed Financial Statements.

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2008

	Note	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	TOTAL \$'000
Balance at 1 July 2007		18,834	5,129	8,921	32,884
Shares issued during period	6	19,693			19,693
Payments for share issue costs	6	(668)			(668)
Shares bought back on market	6	(189)			(189)
Profit attributable to members			1,724		1,724
Revaluation increment (net of tax)				(1,722)	(1,722)
Sub-total		37,670	6,853	7,199	51,722
Dividends paid or provided for	5		(729)		(729)
Balance at 31 December 2007		37,670	6,124	7,199	50,993
Balance at 1 January 2008					
Shares issued during period		293			293
Shares bought back on market		(289)			(289)
Profit attributable to members			1,471		1,471
Revaluation increment (net of tax)				(11,178)	(11,178)
Sub-total		37,674	7,595	(3,979)	41,290
Dividends paid or provided for			(1,157)		(1,157)
Balance at 30 June 2008		37,674	6,438	(3,979)	40,133
Balance at 1 July 2008					
Shares issued during period	6	290			290
Shares bought back on market	6	(790)			(790)
Profit attributable to members			(1,010)		(1,010)
Revaluation increment (net of tax)				(3,936)	(3,936)
Sub-total		37,174	5,428	(7,915)	34,687
Dividends paid or provided for	5		(1,156)		(1,156)
Balance at 31 December 2008		37,174	4,272	(7,915)	33,531

The above Condensed Statement of Changes in Equity should be read in conjunction with the Notes to the Condensed Financial Statements.

Condensed Statement of Cash Flows

For the half-year ended 31 December 2008

	31 Dec 2008 \$'000	31 Dec 2007 \$'000
NET CASH FLOWS PROVIDED BY/(USED IN)		
OPERATING ACTIVITIES		
Interest received	12	84
Dividends received	886	687
Other receipts	-	94
Other payments	(151)	(1,806)
Net cash flows provided by operating activities	<u>747</u>	<u>(941)</u>
NET CASH FLOWS PROVIDED BY/(USED IN)		
INVESTING ACTIVITIES		
Proceeds from sales of investment securities	3,747	4,517
Payments for investment securities	(2,254)	(21,882)
Net cash flows used in long-term investing activities	<u>1,493</u>	<u>(17,365)</u>
NET CASH FLOWS PROVIDED BY/(USED IN)		
FINANCING ACTIVITIES		
Dividend paid on ordinary shares	(866)	(468)
Payments for share buy-back	(790)	(188)
Proceeds from share issues	-	19,431
Payments for share issue costs	-	(668)
Net cash flows used in financing activities	<u>(1,656)</u>	<u>18,107</u>
Net increase/(decrease) in cash held	584	(199)
Cash at beginning of the financial period	<u>258</u>	<u>911</u>
Cash at the end of the financial period	<u><u>842</u></u>	<u><u>712</u></u>

The above Condensed Statement of Cash Flows should be read in conjunction with the Notes to the Condensed Financial Statements.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2008

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR INTERIM FINANCIAL REPORT

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Equivalents to International Financial Reporting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report.

Accordingly, it is recommended that this Interim Financial Report be read in conjunction with the Annual Financial Report for the year ended 30 June 2008 and any public announcements made by Hyperion Flagship Investments Limited during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied and are consistent with those in the 30 June 2008 Annual Report.

Compliance with Australian Equivalents to IFRS ensures that the Interim Financial Report comprising of the Financial Statements and Notes, complies with International Financial Reporting Standards.

Rounding of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 and in accordance with that class order, amounts in the Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Comparative Figures

When required by Australian Equivalents to International Financial Reporting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 2 OTHER REVENUE

	31 Dec 2008 \$'000	31 Dec 2007 \$'000
Dividends	886	687
Interest	12	84
	898	771

NOTE 3 CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are no contingent liabilities or contingent assets.

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2008

NOTE 4 EVENTS OCCURRING AFTER REPORTING DATE

The Directors are not aware of any matter or circumstance which has arisen since balance date that has significantly or may significantly affect the operations of the Company other than the volatility in the Australian stock market.

NOTE 5 DIVIDENDS

	31 Dec 2008 \$'000	31 Dec 2007 \$'000
Dividends provided for or paid during the half-year		
– final dividend of 4.25 cents per share paid September 2008	1,156	
– final dividend of 4.25 cents per share paid September 2007		729

Since the end of the half-year, the Directors have declared an interim dividend of 4.25c per share fully franked at 30% payable on 9 April 2009.

NOTE 6 MOVEMENTS IN ISSUED CAPITAL

	31 Dec 2008 \$'000	31 Dec 2007 \$'000
Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan	290	261
Capital raising		19,432
Capital raising costs		(669)
On-market buy-back of ordinary shares	(790)	(188)
	<u>(500)</u>	<u>18,836</u>

NOTE 7 SEGMENT INFORMATION

Business 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.

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

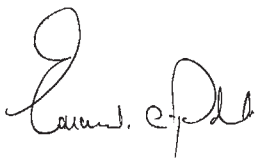
Directors' Declaration

The Directors declare that the Financial Statements and Notes as set out on pages 7 to 12:

- (a) comply with Australian Equivalents to International Financial Reporting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
- (b) give a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Hyperion Flagship Investments Limited will be able to pay its debts as and when they become due and payable.

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



E C Pohl

Director

BRISBANE

12 February 2009

Independent Review Report to the Members of Hyperion Flagship Investments Limited

REPORT ON THE HALF-YEAR INTERIM FINANCIAL REPORT

We have reviewed the accompanying half-year Interim Financial Report of Hyperion Flagship Investments Limited, which comprises the Condensed Balance Sheet as at 31 December 2008, and the Condensed Income Statement, Condensed Statement of Changes in Equity and Condensed Cash Flow Statement for the half-year ended on that date, other selected explanatory notes and the Directors' Declaration of the disclosing entity in order for the disclosing entity to lodge the half-year Interim Financial Report with the Australian Securities and Investments Commission and Australian Securities Exchange.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR INTERIM FINANCIAL REPORT

The Directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year Interim Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year Interim Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year Interim Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Hyperion Flagship Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the Interim Financial Report.

A review of a half-year Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report to the Members of Hyperion Flagship Investments Limited

INDEPENDENCE

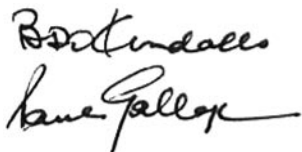
We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We confirm the Independence Declaration required by the *Corporations Act 2001*, provided to the Directors of Hyperion Flagship Investments Limited on 11 February 2009, would be in the same terms if provided to the Directors as at the date of this review report.

STATEMENT

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year Interim Financial Report of Hyperion Flagship Investments Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Kendalls (Qld)
Chartered Accountants



P J Gallagher
Partner
Brisbane
12 February 2009

Board of Directors

Henry R Smerdon
Chairman

Emmanuel ('Manny') C Pohl
Managing Director

Justine S Hickey
Non-Executive Director

Sophie A Mitchell
Non-Executive Director

Steven M Wilson
Non-Executive Director

Secretary

Ian W Harrison

Manager

Hyperion Asset
Management Limited
ABN 80 080 135 897
Level 22
307 Queen Street
Brisbane Qld 4000
Tel: (07) 3020 3718
Fax: (07) 3020 3701
Toll free: 1300 550 293

Solicitors

McCullough Robertson
Solicitors
Level 11
Central Plaza Two
66 Eagle Street
Brisbane Qld 4000
Tel: (07) 3233 8888
Fax: (07) 3229 9949

Auditors

BDO Kendalls (Qld)
Chartered Accountants
Level 18
300 Queen Street
Brisbane Qld 4000
Tel: (07) 3237 5999
Fax: (07) 3221 9227

Share Register

Computershare Investor
Services Pty Ltd
Level 19
307 Queen Street
Brisbane Qld 4000
Tel: (07) 3237 2100
Fax: (07) 3229 9860

Registered Office

Level 22
307 Queen Street
Brisbane Qld 4000
Tel: (07) 3020 3718
Fax: (07) 3020 3701
Toll free: 1300 550 293

Website Address

www.hyperionfi.com.au



**HYPERION
FLAGSHIP
INVESTMENTS**

**Hyperion Flagship
Investments Limited**

ABN 99 080 135 913
Registered in Queensland
on 23 September 1997