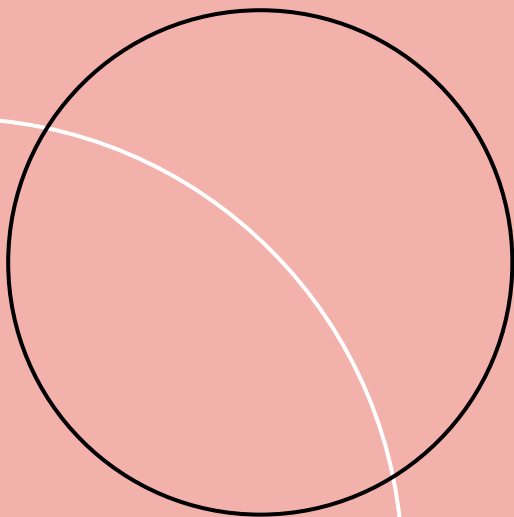




HYPERION  
FLAGSHIP  
INVESTMENTS

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR  
ENDED 31 DECEMBER 2010



**Hyperion Flagship Investments Limited**

ABN 99 080 135 913

# Table of Contents

3

Highlights

4

Directors' Report

6

Auditor's Declaration of Independence

7

Condensed Statement of Comprehensive Income for the half-year ended 31 December 2010

8

Condensed Statement of Financial Position as at 31 December 2010

9

Condensed Statement of Changes in Equity for the half-year ended 31 December 2010

10

Condensed Statement of Cash Flows for the half-year ended 31 December 2010

11-12

Notes to the Condensed Financial Statements for the half-year ended 31 December 2010

13

Directors' Declaration

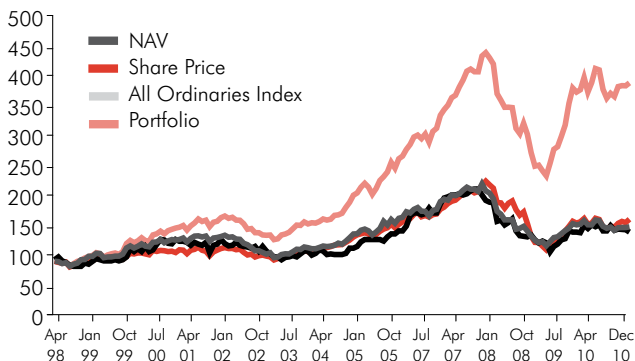
14-15

Independent Auditor's Review Report

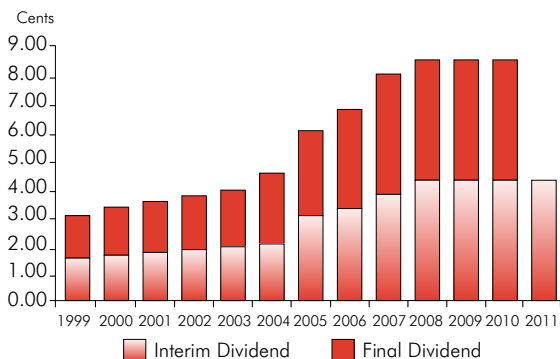
This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by Hyperion Flagship Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# Highlights

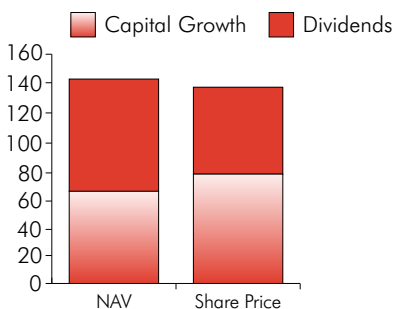
## PERFORMANCE HISTORY



## DIVIDENDS PER SHARE



## RETURNS SINCE INCEPTION (adjusted for rights issue-2007)



# Directors' Report

Your Directors submit the Interim Financial Report of the Company for the half-year ended 31 December 2010.

## DIRECTORS

The following persons were Directors of Hyperion Flagship Investments Limited since 30 June 2010 and up to the date of this report.

- ☉ Mr Henry R Smerdon AM (Chairman)
- ☉ Dr Emmanuel C Pohl (Managing Director)
- ☉ Mr Patrick Corrigan AM
- ☉ Mr Dominic McGann
- ☉ Ms Sophie A Mitchell

## PRINCIPAL ACTIVITY

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 period.

## REVIEW OF OPERATIONS

The world equity markets have improved during the first half of this financial year with the MSCI (as measured in US dollar terms) increasing by 22.6% in the six months to December 2010, after declining by 10.9% in the six months to June 2010. However, when measured in Australian dollar terms, the MSCI increased by only 0.7% over the six months to December 2010 reflecting the continued strengthening of the Australian dollar during this period.

The Australian market under-performed the international markets when measured in local currency, with the All Ordinaries Index increasing by 12.1% over the six month period to the end of December 2010. The Australian share market performance reflected the sluggishness in the domestic economy which stalled in the September quarter as a result of an interest rate increase putting pressure on house-hold consumption. Growth in the economy during the September quarter was measured at 0.2% over the previous period.

The portfolio increase of 7.1% for the six months to the end of December 2010 was lower than that of the All Ordinaries Index which increased by 12.1%, primarily due to a lower exposure to mining related companies. Tax and a modest performance fee resulted in the NAV per share increasing by 4.7% over the six month period after adjusting the June 2010 NAV for the payment of the dividend.

The outlook for the portfolio is for strong earnings per share growth over the next twelve months. The five year expected return from the portfolio is 19% per annum which has reduced from the all time high of 30% in March 2009 but is above the long-term average of 15% and suggests good value. Hyperion's investment focus on high quality companies with earnings certainty and organic growth options, low levels of debt and sustainable competitive advantages means that the portfolio is well positioned to generate above-average returns over a three to five year time horizon for our shareholders.

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.

The Dividend Reinvestment Plan raised \$216,000 following the allotment of 149,929 shares at \$1.445 per share in September 2010.

An on-market buy-back facility to acquire up to 2,677,955 of the Company's shares is in place. During the half-year the Company bought back 581,937 shares for a total cost of \$817,506 at an average price of \$1.405 per share.

## NET ASSET BACKING

The net asset backing per share (tax on realised gains only) at 31 December 2010 was \$1.47 per share compared with \$1.44 at 30 June 2010.

The net asset backing per share (tax on realised and unrealised gains) at 31 December 2010 was \$1.40 per share compared with \$1.39 at 30 June 2010.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- ☉ A purchase of 3,828 Commonwealth Bank shares
- ☉ A purchase of 5,510 Macquarie Bank shares
- ☉ A purchase of 3,213 Rio Tinto shares
- ☉ The sale of 17,998 ANZ shares
- ☉ The sale of 16,022 Westpac shares
- ☉ The sale of 7,000 BHP shares
- ☉ The sale of 168,500 Fantastic Furniture shares

## DIVIDEND DECLARED

A fully franked interim dividend of 4.25 cents per share in respect to the half-year ended 31 December 2010 is to be paid on 11 March 2011.

A final dividend of 4.25 cents per share was declared on 27 August 2010 in respect to the year ended 30 June 2010 and paid on 28 September 2010.

## CAPITAL GAINS COMPONENT OF DIVIDEND

As advised at the AGM, the capacity of the Company to continue to facilitate access to the capital gain benefit of the dividend will depend on the Company's capacity to continue to generate capital profits. The GFC has constrained capital profits.

Therefore the interim dividend will not include any capital gain component. The inclusion of a capital gains component in future dividends will be dependent on the current capital losses being exhausted and sufficient capital profits being generated.

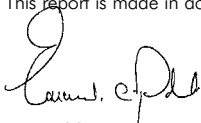
## ROUNDING OF AMOUNTS

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.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's 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 2010.

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



**E C Pohl**

Director

**BRISBANE**

**11 February 2011**



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

Tel: + 61 7 3237 5999

Fax: + 61 7 3221 9227

[www.bdo.com.au](http://www.bdo.com.au)

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

As lead auditor for the review of Hyperion Flagship Investments Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

**BDO Audit (QLD) Pty Ltd**

**Paul Gallagher**

*Director*

**Brisbane 11 February 2011**

# Condensed Statement of Comprehensive Income

For the half-year ended 31 December 2010

	Note	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Revenue	2	767	690
Net gain/(loss) on sale of Available-for-Sale Financial Assets		(1,069)	(101)
Performance fee		(220)	(1,330)
Other expenses		(247)	(177)
Profit/(Loss) before income tax		(769)	(918)
Income tax (expense)/benefit		423	441
<b>Net Profit/(Loss) after income tax attributable to shareholders of the Company</b>		<b>(346)</b>	<b>(447)</b>
<b>Other Comprehensive Income</b>			
Changes in fair value of Available-for-Sale Financial Assets		2,908	10,254
Income Tax (expense)/benefit relating to components of Other Comprehensive Income		(873)	(3,076)
Total Other Comprehensive Income for the half-year		2,035	7,178
<b>Total Comprehensive Income/(Loss) for the half-year attributable to Shareholders of the Company <sup>1</sup></b>		<b>1,689</b>	<b>6,701</b>

<sup>1</sup> This is the Company's Net Return for the half-year, which includes the Net Operating Profit plus the net realised and unrealised gains or losses on the Company's investment portfolio.

	Cents	Cents
Basic earnings per share based on net profit/(loss)	(1.30)	(1.78)
Diluted earnings per share based on net profit/(loss)	(1.30)	(1.78)

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

# Condensed Statement of Financial Position

As at 31 December 2010

	31 Dec 2010 \$'000	30 Dec 2009 \$'000
<b>Assets</b>		
Cash and Cash Equivalents	172	516
Trade and Other Receivables	77	273
Available for Sale Financial Assets	37,680	37,229
Deferred Tax Assets	1,050	1,500
<b>Total Assets</b>	<b>38,979</b>	<b>39,518</b>
<b>Liabilities</b>		
Trade & Other Payables	281	788
<b>Total Liabilities</b>	<b>281</b>	<b>788</b>
<b>Net Assets</b>	<b>38,698</b>	<b>38,730</b>
<b>Equity</b>		
Contributed Equity	36,508	37,110
Reserves	1,344	(691)
Retained Earnings	846	2,311
<b>Total Equity</b>	<b>38,698</b>	<b>38,730</b>

*The above Condensed Statement of Financial Position 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 2010

	Note	Contributed Equity \$'000	Retained Earnings \$'000	Available- for-Sale Reserves \$'000	TOTAL \$'000
<b>Balance at 1 July 2009</b>		37,060	3,488	(4,329)	36,219
Comprehensive Income for the half-year					
Profit/(Loss) for the half-year		-	(477)	-	(477)
Changes in fair value of Available- for-Sale Financial Assets		-	-	7,178	7,178
<b>Total Comprehensive Income for the half-year</b>		-	(477)	7,178	6,701
Dividends paid	3	-	(1,137)	-	(1,137)
Shares issued during period	4	200	-	-	200
Shares bought back on market	4	(167)	-	-	(167)
<b>Balance at 31 December 2009</b>		<b>37,093</b>	<b>1,874</b>	<b>2,849</b>	<b>41,816</b>
<b>Balance at 1 July 2010</b>		37,110	2,311	(691)	38,730
Comprehensive Income for the half-year					
Profit/(Loss) for the half-year		-	(346)	-	(346)
Changes in fair value of Available-for-Sale Financial Assets		-	-	2,035	2,035
<b>Total Comprehensive Income for the half-year</b>		-	(346)	2,035	1,689
Dividends paid	3	-	(1,119)	-	(1,119)
Shares issued during period	4	216	-	-	216
Shares bought back on market	4	(818)	-	-	(818)
<b>Balance at 31 December 2010</b>		<b>36,508</b>	<b>846</b>	<b>1,344</b>	<b>38,698</b>

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 2010

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dividends received	888	688
Interest received	7	4
Sub-Underwriting fees received	-	15
Income taxes paid	-	-
Other payments to suppliers	(973)	(58)
Net cash inflows/(outflows) from operating activities	(78)	649
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	2,682	3,913
Payments for investments	(1,277)	(3,471)
Net cash inflows/(outflows) from investing activities	1,455	442
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(903)	(937)
Buy-Back of shares	(818)	(167)
Net cash (outflows)/inflows from financing activities	(1,721)	(1,104)
Net (decrease)/increase in cash and cash equivalents	(344)	(13)
Cash at beginning of the financial period	516	400
Cash at the end of the financial period	172	387

*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 2010

## **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 Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included in an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

Accordingly, it is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Hyperion Flagship Investments Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure requirements of the ASX listing rules.

The accounting policies and methods of computation have been consistently applied and are consistent with those in the 30 June 2010 Annual Report except as noted below.

### **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 Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

### **Changes in Accounting Policy**

There are no changes in accounting policy that apply for the half-year ended 31 December 2010.

# Notes to the Condensed Financial Statements

For the half-year ended 31 December 2010

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
--	--------------------------	--------------------------

## NOTE 2 REVENUE

Dividends	755	671
Interest	7	4
Sub-Underwriting	-	15
Other	5	-
	<u>767</u>	<u>690</u>

## NOTE 3 DIVIDENDS

Dividends paid during the half-year

- final dividend of 4.25 cents per share paid September 2010	1,119	
- final dividend of 4.25 cents per share paid October 2009		1,137

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 11 March 2011.

## NOTE 4 MOVEMENTS IN CONTRIBUTED EQUITY

Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan	216	200
On-market Buy-Back of ordinary shares	(818)	(167)
	<u>(602)</u>	<u>33</u>

## NOTE 5 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has no known contingent liabilities or contingent assets.

## NOTE 6 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 7 SEGMENT INFORMATION

### Operating Segment

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

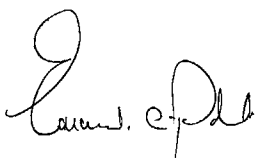
## Directors' Declaration

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

- (a) Comply with Accounting Standard AASB134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the Company's financial position as at 31 December 2010 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 Directors.



**E C Pohl**

*Director*

**BRISBANE**

**11 February 2011**



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

Tel: + 61 7 3237 5999

Fax: + 61 7 3221 9227

[www.bdo.com.au](http://www.bdo.com.au)

## Independent Auditor's Review Report

To the Members of Hyperion Flagship Investments Limited.

### REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year Financial Report of Hyperion Flagship Investments Limited, which comprises the Condensed Statement of Financial Position as at 31 December 2010, and the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity and Condensed Statement of Cash Flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the Directors' Declaration.

### DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The Directors of the disclosing entity are responsible for the preparation of the half-year Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year Financial Report that is free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 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 2010 and its performance for the half-year ended on that date; and complying with 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 Annual Financial Report.

# Independent Auditor's Review Report

(continued)

A review of a half-year 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.

## INDEPENDENCE

In conducting our review, 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 it had been given to the Directors as at the time of this auditor's report.

## CONCLUSION

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 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 disclosing entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date;
- and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd



Paul Gallagher

Director

Brisbane 11 February 2011

**Board of Directors**

Henry R Smerdon AM  
*Chairman*

Emmanuel ('Manny') C Pohl  
*Managing Director*

Patrick Corrigan AM  
*Non-Executive Director*

Dominic McGann  
*Non-Executive Director*

Sophie A Mitchell  
*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  
Lawyers  
Level 11  
Central Plaza Two  
66 Eagle Street  
Brisbane Qld 4000  
Tel: (07) 3233 8888  
Fax: (07) 3229 9949

**Auditors**

BDO Audit (Qld) Pty Ltd  
Level 18  
300 Queen Street  
Brisbane Qld 4000  
GPO Box 457  
Brisbane Qld 4001  
Tel: (07) 3237 5999  
Fax: (07) 3221 9227  
[www.bdo.com.au](http://www.bdo.com.au)

**Share Register**

Computershare Investor  
Services Pty Ltd  
Level 19  
307 Queen Street  
Brisbane Qld 4000  
Toll Free: 1300 552 270  
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 HYPERION  
1300 497 374

**Website Address**

[www.hyperionfi.com.au](http://www.hyperionfi.com.au)

**Hyperion Flagship Investments Limited**

**HYPERION**  
**FLAGSHIP**  
**INVESTMENTS**

ABN 99 080 135 913  
Registered in Queensland  
on 23 September 1997  
Listed on Australian Securities  
Exchange Limited  
on 20 December 2000.  
ASX Code: HIP