



A.B.N. 99 080 135 913

APPENDIX 4E STATEMENT

Preliminary Final Report

For the year ended 30 June 2011

(Previous corresponding period is year ended 30 June 2010)

CONTENTS

- Results for announcement to the market
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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The preliminary results are based on un-audited financial statements.

The reporting period is the year ended 30 June 2011 with the corresponding period being the year ended 30 June 2010.

The following statutory information is provided:

⊗ Investment Portfolio increased by 4.6% compared with All Ordinaries Index increase of 7.7%	
⊗ Other Revenue (1)	Up 5.3% to \$1,500,000
⊗ Profit after tax and after realised losses on long term investments	Decrease 20% to \$872,000
⊗ Net Profit (after tax) attributable to members	Decrease 20% to \$872,000
⊗ Final Dividend per share	Remains unchanged at 4.25 cents

Explanations

1. Other revenue includes dividends, interest and sub-underwriting fees.

COMPREHENSIVE INCOME

Comprehensive Income comprises Operating Profits / (Losses) and unrealised gains/losses on the investment portfolio.

Compared to the previous corresponding period, Comprehensive Income decreased by 69.4% to \$1,447,000.

DIVIDEND

Final Dividend per share

Final Partially Franked Dividend – payable on 9 September 2011:	4.25 cents
The record date to determine entitlements to the final dividend	19 August 2011

This dividend will be franked to 3.75 cents.

The final dividend has been partially franked to ensure compliance with a recently issued ATO fact sheet which states that a franked dividend can only be paid out of revenue accounts. If the dividend is sourced directly or indirectly from a share capital account, the dividend will be unfranked. While the Company has significant franking credits, it does not have a sufficient amount in the revenue accounts to be in a position to be able to pay a fully franked dividend consistent with the ATO fact sheet.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will apply to this final dividend with the price determined by the Directors guided by the weighted average market price of ordinary shares of the Company sold on the ASX on the first day on which those shares are quoted ex dividend in relation to the dividend to which the allotment under the Plan relates and the following four business days.

The last date for the receipt of an election notice for participation in the dividend reinvestment plan will be 19 August 2011.

There is no foreign conduit income attributable to the dividend.

Previous corresponding period

Final Fully Franked Dividend paid 28 September 2010:	4.25 cents
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Capital Gains Components

As previously advised, 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 generate capital profits. The current market conditions have constrained capital profits.

Therefore the final dividend will not include any capital gain component. The inclusion of a capital gains component in future dividends will be dependent on the extent of any realised capital gains exceeding the current capital losses.

NET ASSET BACKING

The net asset backing per share (tax on realised gains only) at 30 June 2011 was \$1.419 per share compared with \$1.444 at 30 June 2010.

The net asset backing per share (tax on realised and unrealised gains) at 30 June 2011 was \$1.361 per share compared with \$1.388 at 30 June 2010.

The financial information detailed below is in the process of being audited.

MANAGING DIRECTOR'S COMMENTS

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.

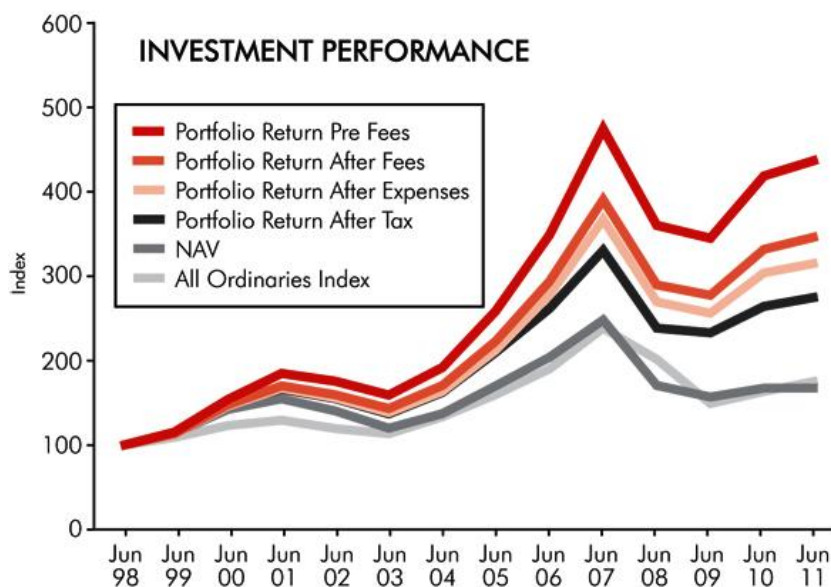
As an indicator of global market performance, the MSCI (as measured in US dollar terms) peaked at 1391.9 in April 2011 only to close at 1331.2 in June 2011 which was an overall increase of 27.8% for the twelve months to 30 June 2011. In Australian dollar terms, the MSCI increased by 0.3% over the same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

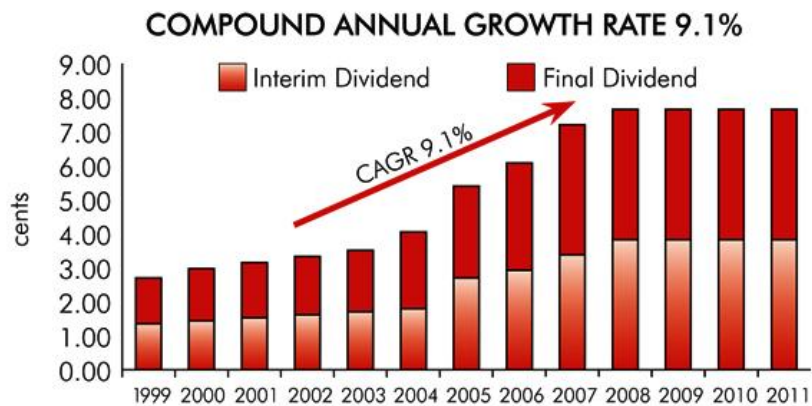
When this happens, in addition to the growth in earnings and dividends, our portfolios will receive a further boost from the re-establishment of the price earnings premium that high quality growth businesses normally enjoy.

RELATIVE PERFORMANCE HISTORY



MANAGING DIRECTOR'S COMMENTS

DIVIDENDS PER SHARE



FIVE 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%

ANNUAL PERCENTAGE CHANGE				
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NAV	All Ordinaries Index
Jun-99	16.4%	14.4%	14.6%	10.1%
Jun-00	33.6%	30.4%	25.3%	12.9%
Jun-01	20.0%	15.2%	8.8%	5.1%
Jun-02	-5.0%	-6.3%	-9.3%	-7.6%
Jun-03	-9.4%	-10.2%	-14.6%	-5.2%
Jun-04	20.5%	19.0%	14.4%	17.7%
Jun-05	35.1%	31.0%	24.1%	19.8%
Jun 06	34.7%	31.6%	19.8%	19.0%
Jun-07	35.9%	32.8%	21.6%	25.4%
Jun-08	-24.1%	-25.8%	-31.3%	-15.5%
Jun-09	-4.2%	-4.2%	-8.0%	-26.0%
Jun-10	21.4%	19.6%	6.7%	9.5%
Jun-11	4.7%	4.7%	-1.7%	7.7%

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

APPENDIX 4E ACCOUNTS

INVESTMENTS AS AT 30 JUNE 2011

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

APPENDIX 4E ACCOUNTS

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.

APPENDIX 4E ACCOUNTS

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

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2011

	Note	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.

APPENDIX 4E ACCOUNTS

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	15	366	1,079
Cash flows from investing activities			
Proceeds from sale of investments		6,732	10,196
Payments 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			
Cash and cash equivalents at the beginning of the year		516	400
Cash and cash equivalents at end of year	7	626	516

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

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited
NOTES TO THE 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) STATEMENT OF FINANCIAL POSITION 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.

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

(E) FINANCIAL INSTRUMENTS (continued)

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 assets 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.

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2011

(J) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(K) ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

(L) KEY JUDGEMENTS

The preparation of financial reports in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. This requires the Board to exercise their judgement in the process of applying the Company's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112 *Income Taxes*, deferred tax liabilities and deferred tax assets have been recognised for Capital Gains Tax (CGT) on the unrealised gains/losses in the investment portfolio at current tax rates.

As the Directors do not intend to dispose of the portfolio, this tax liability/benefit may not be crystallised at the amount disclosed in Notes 10 and 12. 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.

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 interpretations

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2010:

- 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

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

(N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

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

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.

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2011

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) Cash flow 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.

(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:

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2011

(E) FAIR VALUE MEASUREMENTS (continued)

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	Level 1	Level 2	Level 3
Assets	\$'000	\$'000	\$'000
Available-For-Sale Financial Assets			
Listed Equity Securities	37,229	-	-
Total	37,229	-	-

Company – at 30 June 2011	Level 1	Level 2	Level 3
Assets	\$'000	\$'000	\$'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 buyback 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.

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
4. REVENUE			
Dividends		1,484	1,398
Interest		11	11
Other		5	15
		<u>1,500</u>	<u>1,424</u>
5. EXPENSES			
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
		<u>426</u>	<u>1,022</u>
6. INCOME TAX EXPENSE			
(a) Income tax expense			
Deferred tax		(155)	(41)
Under / (over) provided in prior years		-	2
Total income tax expense in profit or loss		<u>(155)</u>	<u>(39)</u>
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
		<u>(155)</u>	<u>(39)</u>
(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
		<u>(155)</u>	<u>(41)</u>
Under / (over) provision in prior years		-	2
Income tax expense / (benefit)		<u>(155)</u>	<u>(39)</u>
(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
		<u>247</u>	<u>1,559</u>

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
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7. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	626	516
	<u>626</u>	<u>516</u>

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

8. TRADE AND OTHER RECEIVABLES

GST receivable	-	53
Other receivables	162	220
	<u>162</u>	<u>273</u>

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	<u>32,961</u>	<u>37,229</u>

Australian listed equity securities	<u>32,961</u>	<u>37,229</u>
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For listed equity securities, fair value is determined by reference to closing bid prices on the Australian Securities Exchange.

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
10. DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Amortisation of share issue expense	(291)	(233)
Accruals	8	9
Tax losses - revenue	521	408
Tax losses - capital	785	680
	1,023	864
<i>Amounts recognised in other comprehensive income</i>		
Share issue expenses	350	350
Unrealised loss on Available-For-Sale Investments	50	296
	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:		
<i>Share issue expenses</i>		
Opening balance	117	188
(Charged)/credited directly to profit or loss	(58)	(71)
Closing balance	59	117
<i>Accruals</i>		
Opening balance	9	11
(Charged)/credited directly to profit or loss	(1)	(2)
Closing Balance	8	9
<i>Tax losses - revenue</i>		
Opening balance	408	91
(Charged)/credited directly to profit or loss	113	317
Closing Balance	521	408

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
10. DEFERRED TAX ASSETS (continued)		
<i>Tax losses - capital</i>		
Opening balance	680	877
(Charged)/credited directly to profit or loss	105	(197)
Closing Balance	785	680
<i>Available-For-Sale Investments</i>		
Opening balance	296	1,855
(Charged)/credited directly to other comprehensive income	(246)	(1,559)
Closing Balance	50	296
DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in other comprehensive income</i>		
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:		
<i>Unrealised gain on investments</i>		
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

Accrued expenses	37	36
Performance Fee Payable	-	752
	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.

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 30 June 2011

	2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
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12. CONTRIBUTED EQUITY

(a) Share Capital

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	Dividend Reinvestment Plan issues (see note (d) below)	147,536	\$1.36	200
19 March 2010	Dividend Reinvestment Plan issues (see note (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	Dividend Reinvestment Plan issues (see note (d) below)	149,929	\$1.45	216
11 March 2011	Dividend Reinvestment Plan issues (see note (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

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.

APPENDIX 4E ACCOUNTS

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		
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 of 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

APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
15. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year	822	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

16. 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
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	Cents	Cents
(b) Basic and diluted earnings per share	3.35	4.09

	Number	Number
(c) Weighted average number of ordinary shares used in the calculation of earnings per share	26,056,043	26,793,297