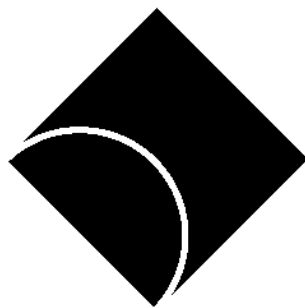




HYPERION
FLAGSHIP
INVESTMENTS

ANNUAL REPORT
2005

A different horizon

Hyperion Flagship Investments Limited (Formerly Wilson Investments Taurine Fund Limited)

ABN 99 080 135 913

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Financial Calendar

Financial Year End
30 June 2005

Securities Traded Ex-Dividend

1 September 2005

Books Close

7 September 2005

Dividend Payment

16 September 2005

Notice of Annual General Meeting

The Annual General Meeting of Hyperion
Flagship Investments Limited:

Will be held at:

The office of
Hyperion Flagship Investments Limited
Level 38 Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

Time:

5.00 pm

Date:

Wednesday 9 November 2005

Investing in Hyperion Flagship Investments Limited

Investors can purchase shares in Hyperion
Flagship Investments Limited through the
Australian Stock Exchange.

ASX code: HIP

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



HYPERION FLAGSHIP INVESTMENTS LIMITED DIRECTORS

(From left to right)

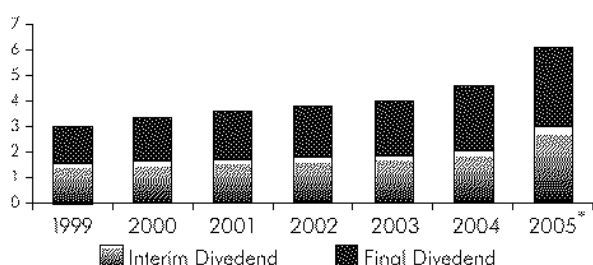
Deon Huysamer, Dr Manny Pohl, Russell McCrory, Grace Grace,
Steven Wilson and Henry Smerdon

2005 Highlights

- ☉ A 20% increase in the final dividend from 2.5 cents per share to 3.0 cents per share for the year to 30 June 2005.
- ☉ The annual dividend increased by 33.3%, exceeding the rate of inflation again, as it has done every year since inception.
- ☉ Net Asset Value per share increased by 23.7% from \$1.22 at 30 June 2004 to \$1.52 at 30 June 2005.

DIVIDENDS PER SHARE

Cents

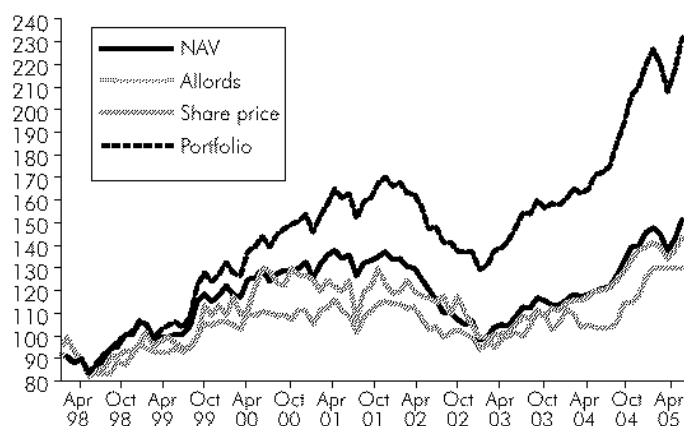


FIVE MAJOR INVESTMENTS JUNE 2005

	June 05	June 04
Macquarie Bank	8.0%	6.0%
Perpetual Trustees	6.1%	6.6%
Rio Tinto	6.0%	8.1%
ANZ Banking Group	5.9%	5.5%
Woolworths	5.6%	4.5%
Total	31.6%	30.7%

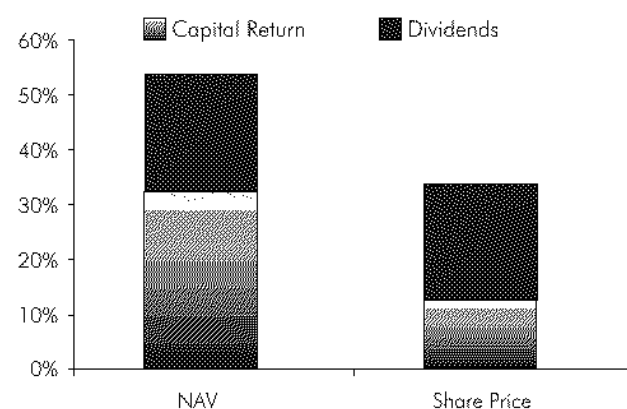
RELATIVE PERFORMANCE HISTORY

(After adjusting for the rights issue)



TOTAL RETURNS SINCE INCEPTION TO JUNE 2005

(Adjusted for rights issue)



HYPERION FLAGSHIP INVESTMENTS PERFORMANCE VS. THE ALL ORDINARIES INDEX

ANNUAL PERCENTAGE CHANGE				
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NAV**	All Ordinaries Index
Jun-99	16.4%	14.4%	12.9%	10.1%
Jun-00	33.6%	31.3%	25.5%	12.9%
Jun-01	20.0%	15.2%	8.9%	5.1%
Jun-02	-5.0%	-6.3%	-9.5%	-7.6%
Jun-03	-9.4%	-10.2%	-13.3%	-5.2%
Jun-04	20.5%	19.0%	12.0%	17.7%
Jun-05	35.1%	31.0%	26.3%	19.8%
Overall Gain*	161.6%	127.0%	71.5%	61.4%

* This is after adjusting for the one for three rights issue in 2000

** The NAV return is after adjusting the NAV for the payment of a final dividend.

The Portfolio performance and the All Ordinaries Index returns are pre-tax while the NAV return is after tax on realised gains and fees.

Company Profile

Hyperion Flagship Investments Limited (the "Company") (formerly Wilson Investments Taurine Fund Limited) is a listed investment company providing investors with access to a diversified Australian investment portfolio managed by Hyperion Asset Management Limited (the "Manager") (formerly WHTM Asset Management Limited).

The composition and performance of the investment portfolio is monitored by the Board of Directors, which comprises business people with many years of experience in the investment and funds management industry.

The Manager's investment strategy centres on the view that investing in high quality business franchises with the ability to grow sales and earnings at rates above GDP will produce superior investment returns over the long-term. The Company's portfolio of investments comprises companies whose operations cover a wide spectrum of business activities.

The portfolio is constructed from the perspective of a business owner by investing in well managed companies and not simply by tracking the index weighting of various component stocks.

There is no fixed management fee. The Manager receives a fee which is performance based and payable annually in arrears if the Company's investments outperform the returns on a cash investment. If the Company's net performance is less than the returns on a cash investment, no performance fee is payable.

The shareholders at the Annual General Meeting last year approved a change in the calculation of the performance fee to being calculated and paid annually.

OBJECTIVES

The investment objectives of Hyperion Flagship Investments Limited are:

- ☐ To achieve medium to long-term capital growth and income through investing in a diversified portfolio of Australian companies;
- ☐ To preserve and enhance the real value of investments after allowing for inflation; and
- ☐ To provide shareholders with a fully franked dividend, which, over time, will grow at a rate in excess of the rate of inflation.

INVESTOR BENEFITS

The benefits for investors in Hyperion Flagship Investments Limited are:

- ☐ Reduced share investment risk through a diversified investment portfolio
- ☐ Professional, disciplined management of an investment portfolio by an experienced Fund Manager
- ☐ Growth in a fully franked dividend income
- ☐ Access to a Dividend Reinvestment Plan
- ☐ No fixed management fees - the Fund Manager is only remunerated on a performance basis
- ☐ No entry or exit charges made by the Company
- ☐ Easy access to information via the Company's head office or website

INVESTMENT MANAGER

The management of the Company's investment portfolio is undertaken by the Manager. The Manager is associated with the Wilson HTM Investment Group. Until 30 June 2004, the Manager was a wholly owned subsidiary of Wilson HTM Investment Group.

From 30 June 2004 the executives of the Manager effectively own 34% of the Manager through a holding company.

Manny Pohl as an executive of the Manager has an effective 15.4% interest in the Manager.

Chairman's Report

I am pleased to present the eighth Annual Report of the Company for the year ended 30 June 2005.

This year has been very strong in that our Manager has returned 31.0% after fees which reduces to 26.3% after tax on realised gains. This compares with 19.8% for the All Ordinaries Index.

The longer term performance history graph contained in the highlights section of this report shows that the underlying NAV after tax on realised gains since inception is ahead of the All Ordinaries which is pre-tax. This is the most important result and confirms your Board's confidence in the long-term performance of our Manager. We commend Hyperion Asset Management for that.

What is not pleasing is the size of the gap between the share price and the NAV. Your Directors are treating this seriously and have implemented a series of measures to increase share market support for our Company. These measures are detailed in the Directors' Report.

One of the measures is a \$3m fundraising with the intention of increasing liquidity in our Company. This has been very successful with a 97% take up showing the support, you our shareholders show for the future of our Company.

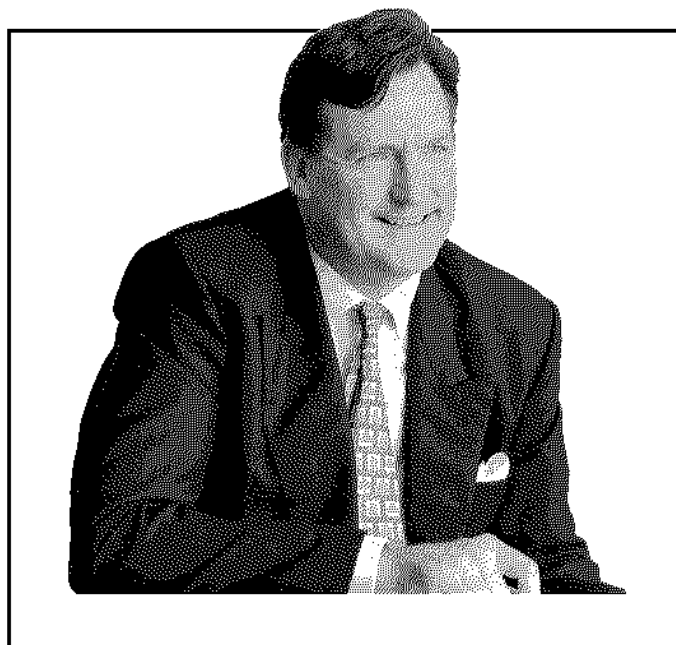
Your Board is focussed on the long-term increment in the NAV caused by the Manager's investment process. The Managing Director has spelt out in some detail his team's investment process. This has been assessed by some of the country's leading asset consultants who have given it good reviews. We as Directors continue to monitor the performance and process.

We have increased the dividend this year by 33% to 6 cents per share which brings the total dividend paid since inception to 27.9 cents per share.

In closing, my fellow Board members, the Manager and I would like to thank all Shareholders for your support over the year. We look forward to seeing as many of you as possible at the Annual General Meeting on Wednesday, 9 November 2005.



Steven M. Wilson
Chairman



HIP Growth Managers Survey

	6/2005 1 y return	6/2004 1 y return	6/2003 1 y return	6/2002 1 y return	6/2001 1 y return	6/2000 1 y Return
Aberdeen	22.0 (15)	20.7 (10)	2.2 (1)	1.4 (1)		
Alliance Capital	30.0 (5)	21.2 (9)	-4.2 (9)	-11.6 (13)	10.0 (11)	
Alpha	25.8 (12)	20.0 (13)	1.0 (2)	-4.2 (6)	19.1 (2)	25.0 (6)
AMAP - Capital Approach	29.0 (9)	22.4 (7)	-2.9 (7)	-8.9 (10)	12.8 (6)	26.2 (5)
BT	29.4 (7)	27.0 (2)	-2.5 (6)	-9.2 (11)	11.9 (7)	21.2 (7)
Colonial First State	30.1 (4)	17.7 (14)	0.0 (3)	-7.7 (8)	11.1 (9)	18.6 (8)
Credit Suisse	24.1 (13)	15.1 (15)	-6.9 (14)	-12.0 (14)	4.5 (13)	18.1 (9)
Deutsche Alpha	29.3 (8)	21.8 (8)	-3.3 (8)	-11.1 (12)	14.8 (4)	30.1 (2)
HSBC Active	27.4 (11)	24.2 (5)	-4.5 (10)	-2.8 (3)		
Hyperion Flagship Investments	35.1 (1)	20.5 (12)	-9.4 (15)	-5.0 (7)	20.0 (1)	33.6 (1)
ING	31.5 (2)	20.5 (11)	-2.5 (5)	-4.0 (4)	16.9 (3)	11.5 (12)
JF Capital Partners	30.5 (3)	25.7 (3)	-5.5 (12)	-13.8 (15)	7.5 (12)	28.3 (3)
Perennial Growth	29.6 (6)	23.4 (6)	-5.2 (11)	-8.9 (9)	10.9 (10)	13.3 (10)
Portfolio Partners	23.0 (14)	27.7 (1)	-1.5 (4)	-4.2 (5)	11.7 (8)	12.2 (11)
Schroders	27.8 (10)	25.3 (4)	-6.4 (13)	-1.7 (2)	13.3 (5)	26.7 (4)
Funds	15	15	15	15	13	12
Investor index						
Upper quartile	30.0	24.8	-2.0	-4.1	14.8	27.1
Median	29.3	21.8	-3.3	-7.7	11.9	23.1
Lower quartile	26.6	20.5	-5.4	-10.2	10.9	16.9
Average	28.3	22.2	-3.4	-6.9	12.6	22.1
Asset-weighted	28.3	20.6	-3.1	-8.2	11.4	16.6
S&P/ASX 300 (Accumulation)	26.4	21.6	-1.7	-4.7	9.1	15.5
Produced with the Intech Desktop consultant Returns are gross of tax and ongoing fees Created on: 24 August 2005						
						intech investment consultants

Managing Director's Report

Over the past twelve months the equity market has rewarded investors with a healthy return. This 20% improvement in the general market, as measured by the All Ordinaries Index, compares to the ten-year average increase in the All Ordinaries Index of around 8% (excluding dividends). Dividends received from our portfolio of investments increased to \$779,000 in the 2005 financial year. This has enabled the Board of Directors to increase the final dividend to shareholders by 20% over the previous year. This growth in dividend income is due to investing in quality companies identified by our three-stage investment process which filters out non-compliant companies. Our investment portfolio comprises low capital intensive growth companies and currently has a small to mid-cap bias.

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

- Historical Sales Growth,
- Return on Equity and
- Interest Cover.

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

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

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

When these three filters are applied together to all the Australian listed companies, we are left with around 150 companies to consider for investment. The common traits these companies share are that they are growth orientated with a strong business franchise, and in particular, those that we believe have a sustainable competitive advantage.

A sustainable competitive advantage is like having a moat around a company's business. It protects a business from competitors and new entrants to its market. Companies with a sustainable competitive advantage usually have workforces that are incentivised for business success. The company's suppliers are not usually in a dominant bargaining position, so the company has access to well priced and consistent inputs.

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

However, we will consider selling at certain times. For example:

- ☞ If there is a major change in management and we feel that there is insufficient continuity of management to be associated with the track record, we may sell.
- ☞ If there is a major takeover or merger.
- ☞ If the company loses its sustainable competitive advantage we will sell its shares.
- ☞ If the market valuation of the company exceeds certain thresholds, then we may sell the shares to achieve a lower weighting.
- ☞ If a company's balance sheet deteriorates. For example, if their level of debt moves significantly higher, we would seek to understand why and if the answer was unacceptable, then we may sell the shares.

The overall portfolio distribution of assets is shown in Chart 1. In the portfolio there are a number of new investments, all of which comply with our investment philosophy. In keeping with my intention of providing shareholders with information on our investments, I have included a comment on Cabcharge and Woolworths in this report.

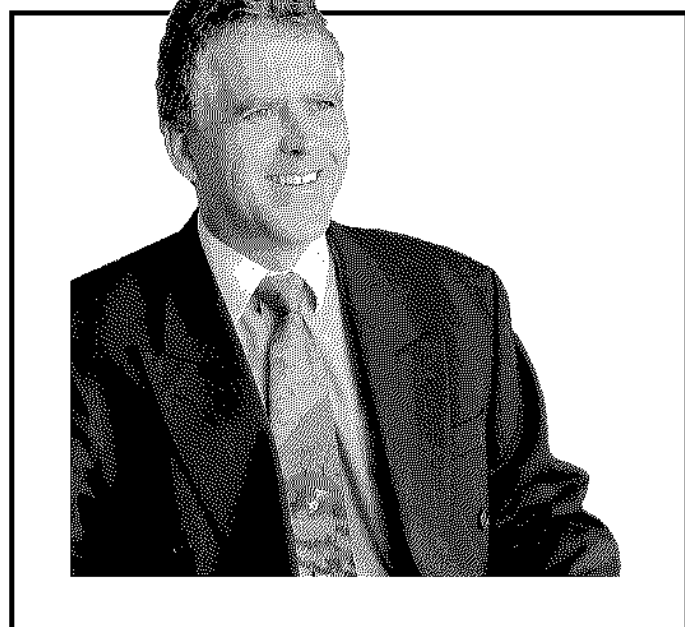
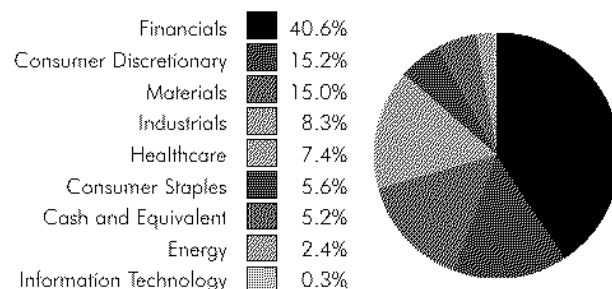


Chart 1: DISTRIBUTION OF ASSETS AS AT 30 JUNE 2005



CABCHARGE

ASX Code: CAB

Cabcharge operates a national charge facility (covering 96% of all taxis in Australia) for the payment of taxi fares. The bulk of Cabcharge's revenue is derived from a 10% service fee on taxi fares paid through Cabcharge cards or dockets. The service fee on the use of debit cards and credit cards should prove to be an increasing revenue stream. Cabcharge is also involved in the communications business of managing the dispatch of taxis following the acquisitions of Combined Communications Network and Black Cabs.

Sustainable Competitive Advantage

Cabcharge has a defendable monopoly position in the non-cash taxi payment market in Australia. The relationships that Cabcharge has formed over the years with the taxi companies and operators, as well as the ownership of market leading taxi companies in Sydney and Melbourne, has resulted in large barriers to entry. For a non-cash payment system to be effective a large number of taxi companies or operators would have to accept the system which would be very difficult for a new entrant to duplicate.

WOOLWORTHS

ASX Code: WOW

Woolworths is an Australian retailer whose principal activity is its supermarket operations. Other operations include liquor retailing, Woolworths Plus Petrol, Big W general merchandise stores, as well as consumer electronics through Dick Smith Electronics, Powerhouse and Tandy.

Woolworths has established itself as the leading supplier of food, liquor, groceries and petrol. Woolworths has the leading share of the national grocery market estimated to be approximately 30%. Woolworths is totally focused on maintaining its position as a low cost retailer with its on-going implementation of 'Project Refresh' to achieve lower costs and deliver savings to customers.

Sustainable Competitive Advantage

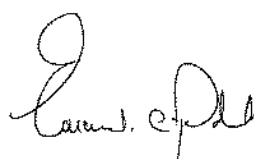
As a low cost retailer, Woolworths has a leading market position in supermarket sales in Australia having branded itself as the "Fresh Food People". Woolworth's high quality management team is exploiting this market position and thereby ensuring return on capital and earnings growth is consistently above average. Barriers to entry in the Australian supermarket industry due to the large geographic spread are high and the availability of quality appropriate sites in the major urban areas is limited.

CLOSING COMMENTS

The details of all the investments that were held at the end of the financial year are provided later in the Annual Report. Suffice to say that Macquarie Bank (8.0%), Perpetual Trustees (6.1%) and Rio Tinto (6.0%) were the three major investments held at the June 2005 year-end and it is these three investments that we believe have the best risk adjusted return profiles.

When looking at the market in general, the industrial sector (including banks but excluding News Corporation) is selling on a historical (2005 financial year) earnings yield of approximately 7%. At this level we believe the industrial sector of the market looks to be representing fair value and if anything, is undervalued.

Our expected return for the Australian equity portfolio is 12% (we normally use 9% for the market) per annum over the next five years. However, over shorter time period actual returns could vary markedly each year from this 12% per annum forecast. This volatility of returns over shorter time periods is the fundamental reason why we encourage investors to have a minimum 5 year time horizon when investing in Hyperion Flagship Investments Limited.



Dr Emmanuel (Manny) C Pohl
Managing Director

Directors' Report

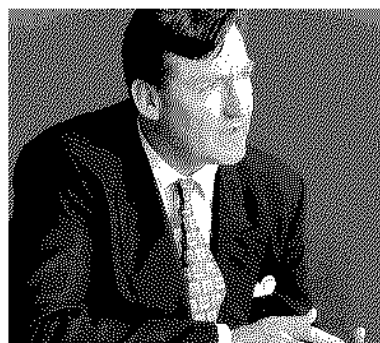
This report in relation to the financial year ended 30 June 2005 is presented by the directors.

1. DIRECTORS

The following persons were directors of Hyperion Flagship Investments Limited from the beginning of the financial year until the date of this report, unless otherwise stated:

S Wilson	E Pohl
H Smerdon	I Grace
G Huysamer	R McCrory

2. INFORMATION ON DIRECTORS



Steven M Wilson

B.Com. LLB, Hon PHD, FSIA, FAICD, FAIM, MSDIA
Chairman

Experience and expertise

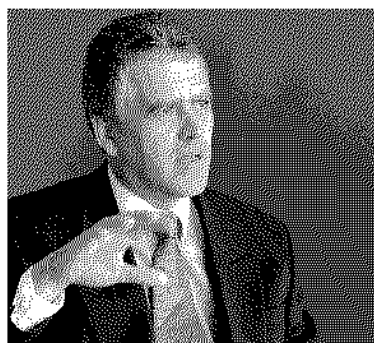
Chairman since 2003. Director since the inception of the Company in 1997. Extensive experience in stock-broking and funds management.

Other current directorships

Executive Chairman of Wilson HTM Investment Group Ltd (appointed 2003)
Chairman of South Bank Corporation (appointed 1996)
Director of Hyperion Asset Management Limited (appointed 1997)
Director of Hyperion Holdings Limited (appointed 2004)
Director of WHTM Funds Management Holdings Pty Ltd (appointed 2004)
Director of The Centre for Independent Studies (appointed 2004)
Director of Nona Badu Pty Ltd (appointed 2004)
Trustee for University of Queensland Rugby Union Foundation (appointed 2004)

Former directorships in last 3 years

Director of Great Barrier Reef Research Foundation from 2002 to 2004.



Dr Emmanuel (Manny) C Pohl

Pr Eng, BSc (Eng), MBA, DBA, FAICD, MSDIA, SIA (Aff)
Managing Director

Experience and expertise

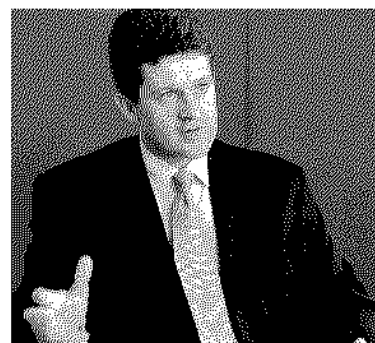
Managing Director since the inception of the Company in 1997. Extensive experience in the funds management industry.

Other current directorships

Managing Director of Hyperion Asset Management Limited (appointed 1997)
Managing Director of Hyperion Holdings Limited (appointed 2004)
Director Huysamer Capital Investments (Pty) Ltd (appointed 2002)
Director US Masters Fund Limited (appointed 2005)

Former directorships in last 3 years

Alternate Director of The Great Barrier Reef Research Foundation from 2003 to 2004.
Director of The Great Barrier Reef Research Foundation from 2004 to 2004
Non-executive director of Queensland Gas Company Ltd from 2004 to 2005.
Non-executive director of Growth Equities Corporation Limited from 2003 to 2004
Board Member of La Boite Theatre Inc from 2002 to 2004
Managing Director of WHTM Capital Management Limited from 2002 to 2004



George G (Deon) Huysamer

BA, LLB
Non-Executive Director

Experience and expertise

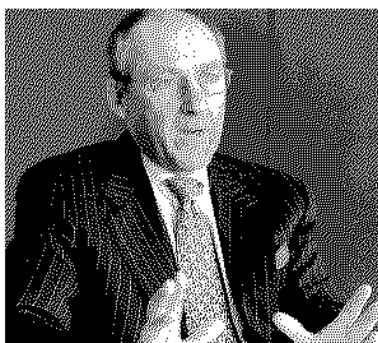
Non-Executive Director since the inception of the Company in 1997. Extensive experience in the stock-broking and funds management industry in South Africa. Member of the Johannesburg Stock Exchange.

Other current directorships

Chairman of National Provincial AHI Council (appointed 2005)
Chairman of Global Business Excellence (Pty) Ltd (appointed 2004)
Deputy Chairman AHI Western Cape (appointed 2003)
Managing Director Huysamer Capital Investments (Pty) Ltd (appointed 2002)
Director Eastgate Airport Pty Ltd (appointed 2001)
Director Maxx Communications Pty Ltd (appointed 2001)
Director of MAD (Registered Charity Organisation) (appointed 2003)
Executive Committee Member of Klaserie Private Nature Reserve (appointed 2002)

Former directorships in last 3 years

Former Managing Director of South African stock-broking firm ABN AMRO Securities (South Africa) (Pty) Ltd from 1997 to Sept 2002.



Mr Russell B McCrory

ASIA, FAICD, MSDIA
Non-Executive Director

Experience and expertise

Director since 1998. Extensive experience in the stock-broking industry.

Other current directorships

Director Wilson HTM Charities Ltd (appointed 2000)

Director Securities & Derivatives Industry Association (appointed 1998)



Ms Ignazia (Grace) Grace

B LS, ADIR, ASFA Certification
Non-Executive Director, Member - Audit and Compliance Committee

Experience and expertise

Director since 2000. Extensive director experience in the funds management industry.

Other current directorships

General Secretary of the Queensland Council of Unions (appointed 2000)

Chairperson of Sunsuper (appointed Chair 2005 - Director 2000)

Director of Energex Ltd (appointed 1999)

Director of ESI Super (appointed 2005)

Proxy Trustee of Qsuper - Queensland Government Superannuation Schemes (appointed 2001)

Member of South Bank Corporation Board (appointed 1999)

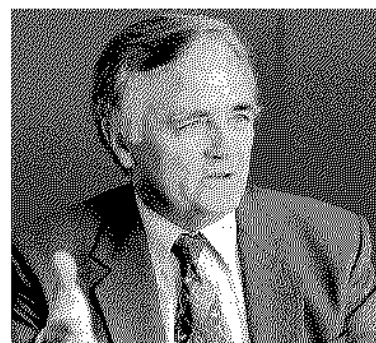
Member of Jupiters Casino Community Benefit Fund (appointed 1995)

Member of the Workplace Health & Safety Board (appointed 1997)

Member of Qcomp Board (appointed 2003)

Director of Ezi Super (appointed 2005)

Building and Construction Industry Training Fund - (Trustee since Nov. 2000, reappointed as Director 2003)



Henry R Smerdon

B.Com, B.Econ, FCPA, MAICD, Fdn DFP

Non-Executive Director, Chairman - Audit and Compliance Committee

Experience and expertise

Director since 2000. Extensive experience as a board member/CEO of Queensland Investment Corporation, Chairman of Q-Invest Ltd, member of various private and Government boards and as Under Treasurer of the Queensland Treasury.

Other current directorships

Chairman Brisbane Cruise Wharf Pty Ltd (appointed 2003)

Deputy Chairman of the Queensland Performing Arts Trust (appointed 2000)

Deputy Chancellor of Griffith University (appointed 1997)

Member of Advisory Board of Currumbin Wildlife Sanctuary (appointed 2004)

Member of Public Trust Office Investment Board (appointed 1999)

Member of Motor Accident Insurance Commission CTP Advisory Committee (appointed 1999)

Directors' Report (Continued)

3. PRINCIPAL ACTIVITIES

The principal activity of the Company is investing in securities listed on the Australian Stock Exchange. There have been no significant changes in the nature of this activity during the year.

4. REVIEW OF OPERATIONS

Over the past twelve months the equity market has rewarded investors with a healthy return.

This is reflected in:

- ☐ Dividends received up 6%
- ☐ Interest received up 176%
- ☐ The portfolio increasing by 35% resulting in a \$3,561,000 increase in the asset revaluation reserve
- ☐ An increase in the asset realisation reserve (before tax and dividends) of \$1,747,000 from the realisation of profits on the disposal of a number of securities
- ☐ Total dividends for the year increased by 33.3% to 6.0 cents per share

Following the strong performance of the portfolio, the performance fee payable to the Manager is substantially higher than previous years with a fee of \$743,000 payable.

The directors are committed to increasing the value of the Company and to reducing the discount between the market price and the Net Tangible Assets of the Company.

In keeping with this commitment, the following announcements have been made:

- ☐ November 2004 - changed the fee structure from a quarterly to an annual basis
- ☐ May 2005 - on-market buy-back of shares for the next 12 months
- ☐ June 2005 - Shareholder notice to change name of Company
- ☐ July 2005 - 1 for 5 rights issue @ \$1.20 per share to raise \$3.3m and suspension of on-market buy-back for duration of rights issue

The share price has increased by 25% to \$1.30 at 30 June 2005.

Directors do not expect any significant developments to occur in the operations of the Company, which will adversely affect the results in subsequent years. Any general decline in equity markets may have an adverse effect on results in future years.

5. DIVIDENDS PAID

Type	Cents per share	Total amount \$'000's	Date of payment
The Dividends paid to members during the financial year were as follows:			
Final	2.5c	343	September 2004
Interim	3.0c	416	March 2005
	5.5c	759	

Dividends paid by the Company during the preceding year were:

Final	2.0c	267	September 2003
Interim	2.0c	269	March 2004
	4.0c	536	

All the dividends paid or declared by the Company and referred to above were 100% franked.

In addition to the above dividends since the end of the financial year the directors have recommended the payment of a final dividend of \$419,474 (3.0 cents per share) to be paid on 16 September 2005.

Arising from the sale of a number of securities, the Company has made LIC capital gains for the year. Part of this year's final dividend will be sourced from these gains.

6. EARNINGS PER SHARE

	2005 Cents	2004 Cents
Basic earnings per share	0.41	2.13
Diluted earnings per share	0.41	2.13

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the entity during the financial year were as follows:

An increase in contributed equity of \$316,802 (from \$14,745,947 to \$15,062,749) as a result of an issue of 268,669 fully paid ordinary shares under the Dividend Reinvestment Plan. (147,374 @ \$1.04 and 121,295 @ \$1.35)

8. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2005 the directors have announced a 1 for 5 rights issue at a price of \$1.20 per share to raise \$3.3m. The issue is underwritten and applications were required by 15 August 2005.

The directors have also announced the suspension of the on-market buy-back which was announced on 10 May 2005 for the duration of the rights issue.

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

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no planned changes to principal activities.

10. ENVIRONMENTAL ISSUES

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

11. COMPANY SECRETARY

The Company Secretary is Mr I W Harrison BBus (Acc), FCPA. Mr Harrison has 26 years experience in the accounting and finance industries and has been the Company Secretary since the inception of the Company in 1997. He is also the Company Secretary for Hyperion Asset Management Limited and the Wilson HTM Investment Group Ltd.

12. MEETINGS OF DIRECTORS

The numbers of directors' meetings attended by each of the directors of the Company during the financial year are:

	Board		Audit Sub Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
S M Wilson	7	7	-	-
E C Pohl	7	7	-	-
G G Huysamer	7	7	3	3
R B McCrory	7	7	-	-
I Grace	7	4	3	1
H R Smerdon	7	7	3	3

Mr G G Huysamer is a resident of South Africa.

13. REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Equity Holdings
- F General Transactions
- G Loans

A Principles used to determine the nature and amount of remuneration

Fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. The board has delegated the responsibility for determining the remuneration of directors to the Chairman and Managing Director. The remuneration is reviewed annually.

Remuneration of Directors is determined by the Board within the maximum amount of \$200,000 previously approved by the Shareholders.

The Board had previously agreed that Steven Wilson, Manny Pohl and Russell McCrory will not receive any Directors' fees. From 1 July 2004, all of the directors, including the directors associated with the Wilson HTM Investment Group have been paid directors' fees.

The director fees paid to Steven Wilson, Manny Pohl and Russell McCrory are paid to their employer in accordance with Wilson HTM Investment Group policy.

B Details of remuneration

Details of the remuneration of each director of Hyperion Flagship Investments Limited and the executives of the Company are set out in the following table.

Name	Primary			Post-Employment	Equity		Total
	Fees \$	Performance Fees \$	Non-monetary benefits \$	Superannuation \$	Retirement Benefits \$	Options \$	
<i>S M Wilson Non-Executive Chairman</i>							
2005	30,000	-	-	-	-	-	30,000
2004	-	-	-	-	-	-	-
<i>E C Pohl Managing Director</i>							
2005	12,000	-	-	-	-	-	12,000
2004	-	-	-	-	-	-	-
<i>H R Smerdon Non-executive Director</i>							
2005	12,000	-	-	-	-	-	12,000
2004	12,000	-	-	-	-	-	12,000
<i>I Grace Non-executive Director</i>							
2005	12,000	-	-	-	-	-	12,000
2004	12,000	-	-	-	-	-	12,000
<i>G G Huysamer Non-executive Director</i>							
2005	12,000	-	-	-	-	-	12,000
2004	12,000	-	-	-	-	-	12,000
<i>R B McCrory Non-executive Director</i>							
2005	12,000	-	-	-	-	-	12,000
2004	-	-	-	-	-	-	-
Total Directors Remuneration							
2005	90,000	-	-	-	-	-	90,000
2004	36,000	-	-	-	-	-	36,000

The Company pays a premium for Directors and Officers Liability insurance to which the directors receive the benefit. This insurance forms part of the definition of directors' remuneration, but due to impracticality, the insurance premium has not been allocated to each director.

Directors' Report (Continued)

C Service agreements

As the company does not employ any staff there are no service agreements entered into by the company.

The Chairman, Managing Director and Company Secretary are employed by entities associated with the Company.

D Share-based compensation

No share-based compensation exists.

E Equity Holdings

As at the date of this report, directors who hold shares issued by the Company for their own benefit or who have an interest in holdings in the name of another party, and the total number of such securities, are as follows:

	Shares Held	Direct	In-direct (i)
E C Pohl	3,931,772	1,293,593	2,638,179
S M Wilson	1,512,284	1,128,284	384,000
G G Huysamer	70,391	70,391	-
R B McCrory	42,000	42,000	-
H R Smerdon	19,252	19,252	-
I Grace	13,940	13,940	-

- (i) Shares indirectly held are managed by Hyperion Asset Management Limited as per a Discretionary Funds Management Agreement. E C Pohl has a separate Power of Attorney arrangement with a number of clients.

F General Transactions

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

G Loans

There are no loans issued to any of the Directors (30 June 2004 - Nil).

14. OPTIONS

No options have been issued during or since the financial year (30 June 2004 - Nil).

15. INSURANCE OF OFFICERS AND/OR AUDITORS

During the financial year the Company paid a premium to insure the directors and secretary of the Company. The insurance policy does not allow the premium to be disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of the information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between the amounts relating to the insurance against legal costs and those relating to other liabilities.

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

16. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring procedures on behalf of the Company, or to intervene in any procedure to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the procedures.

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

17. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (BDO Kendalls) for audit and non-audit services provided during the year are set out below:

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- ☐ All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- ☐ None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

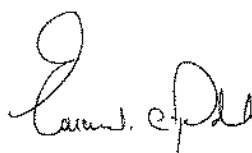
A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 13.

During the year the Company obtained advice from the Company's auditor, Tim Kendall from BDO Kendalls regarding the implementation of Australian Equivalents of International Reporting Standards. The amount paid for the service was \$1,400.00. The directors are satisfied that the independence of the auditor was not compromised as the advice provided was only technical guidance and the Company Secretary independently assessed this advice.

18. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 issued by the Australian Securities and Investments Commission. Accordingly amounts in the Financial Statements and Directors' report have been rounded to the nearest \$1,000.

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



Dr Emmanuel (Manny) C Pohl
Director
BRISBANE
7 September 2005

Auditors Independence Declaration



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

7 September 2005

Mr Steven Wilson
Chairman
Hyperion Flagship Investments Limited
Level 38
Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Dear Steven

AUDITOR'S INDEPENDENCE DECLARATION

In relation to our review of the Financial Report of Hyperion Flagship Investments Limited for the year ended 30 June 2005, 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

A handwritten signature in black ink that reads 'Tim Kendall'.

Tim Kendall
Partner

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2005

This statement outlines the main corporate governance practices that were in place throughout the financial year unless otherwise stated.

The ASX Listing Rules require listed companies to include in their annual report a statement detailing the extent to which they have followed the 28 ASX best practice recommendations in their reporting period. Listed companies must identify the recommendations that have not been followed and provide reasons for the Company's action.

A checklist summarising the ASX recommendations and compliance is on pages 15 and 16.

1. BOARD OF DIRECTORS

The board is responsible for the overall corporate governance of the entity and its overriding objective is to protect and increase shareholder value. The board guides and monitors the business to ensure that the Company is properly managed in the best interest of Shareholders. The board is accountable to its Shareholders.

A charter setting out the board's role and responsibilities, composition etc has been established. The charter is available on the Company's website.

During the year, the board comprised 5 non-executive directors (including the Chairman) and 1 executive director (being the Managing Director). All directors have a personal financial interest in the Company.

For Corporate Governance purposes there are 3 independent directors and 3 non-independent directors associated with the Manager. The Directors associated with the Manager are:

Manny Pohl - The Managing Director of the Manager.

Steven Wilson - The Executive Chairman and a shareholder in Wilson HTM Investment Group Ltd, which is the ultimate owner of 50% of the Manager, and a shareholder in the Manager.

Russell McCrory - A Shareholder in Wilson HTM Investment Group Ltd, which is the ultimate owner of 50% of the Manager, and a shareholder in the Manager.

The Directors believe that the current board structure and Chairman is the most appropriate for the Company at the present time.

The names and details of the current directors are set out below:

Steven M Wilson

Chairman

Mr Wilson is Executive Chairman of the Wilson HTM Investment Group and Chairman of Southbank Corporation. He has extensive experience in the stockbroking and funds management industry. Mr Wilson has been the Chairman of the Company since the Company was established in 1997.

Dr Emmanuel (Manny) C Pohl

Managing Director

Dr Pohl is Managing Director of Hyperion Asset Management Limited. He has extensive experience in the stockbroking and funds management industry in Australia and South Africa. Dr Pohl has been the Managing Director of the Company since the Company was established in 1997.

Mr Russell B McCrory

Mr McCrory has extensive experience in the stockbroking industry. He has been a Director since 1998.

Mr Henry R Smerdon

Chairman of the Audit and Compliance Committee

Mr Smerdon is a Company Director and has been a Director since 2000.

Mr George G (Deon) Huysamer

Member of the Audit and Compliance Committee

Mr Huysamer is a Company Director in South Africa and has extensive experience in the South African stockbroking and funds management industry. He has been a Director since the Company was established in 1997.

Ms Ignazia (Grace) Grace

Member of the Audit and Compliance Committee

Ms Grace is the General Secretary of the Queensland Council of Unions and a member of a number of Government boards. Ms Grace has been a Director since 2000.

The Company's board reviews board effectiveness and membership on an ongoing basis and retains flexible criteria for nominations to fill board vacancies in the light of the Company's current circumstances and the skills, knowledge and experience of the current board members.

A formal review (written survey) of the board and audit committee is undertaken yearly. The board and audit committee are continually reviewing the performance of the Managing Director and the Manager.

The Company's constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

There are no set terms of office or retirement ages for individual directors.

2. INDEPENDENT PROFESSIONAL ADVICE

Each director has the right to seek independent professional advice in relation to the execution of the board's responsibilities at the Company's expense. Prior approval of the Chairman, which will not be unreasonably withheld, is required.

3. DEALINGS IN THE COMPANY'S SHARES

The constitution permits directors to acquire shares in the Company. The Company has established a policy that requires all directors and officers to receive approval from the Chairman in respect to any dealings. The Chairman requires prior approval by the Chairman of the Audit and Compliance Committee in advance of any proposed dealing in Company shares.

4. COMMITTEES

Due to the size and nature of the operations of the Company, the board as a whole carries out the roles often assigned to committees. Accordingly, there are currently no remuneration, nomination and ethics committees.

☞ Audit and Compliance Committee

The board has established an audit and compliance committee. This committee consists of the following independent directors:

H R Smerdon (Chairman)

G G Huysamer

G Grace

Details of the directors' qualifications and experience are set out in the directors' report on pages 8 to 9.

A charter, setting out the committee's role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate has been established. Included in its role is an ongoing review of the performance of the Manager and the service it provides. This charter is available on the Company's website.

All matters determined by the committee are submitted to the full board as recommendations for board decision.

Minutes of the committee meetings are tabled at the subsequent board meeting.

5. REMUNERATION

Directors

The total quantum of directors' fees payable by the Company has been determined by shareholders in general meeting.

The board has delegated the responsibility for determining the remuneration of directors to the Chairman and Managing Director.

Executives

The only executive of the Company is the Managing Director. During the year the Managing Director did not receive any remuneration from the Company as an executive, but did receive remuneration as a Director. The Managing Director is employed and paid by the Manager.

6. ETHICAL STANDARDS

The board supports the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors, managers and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Company.

7. COMPLIANCE AND CONTINUOUS DISCLOSURE

The Company is committed to maintaining the highest standard of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company keeps the market advised of all information required to be disclosed under the rules which it believes would have a material affect on the price or value of the Company's securities.

The Company aims to keep shareholders informed of the Company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- ☞ The annual report, which is distributed to all shareholders (unless specifically requested otherwise).
- ☞ The interim financial report contains summarised financial information and review of the operations of the entity during the period. The report is reviewed by the auditors and is prepared in accordance with the requirements of the applicable accounting standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the ASX.

- ☞ Quarterly shareholder newsletters.
- ☞ Other correspondence regarding matters impacting on shareholders, as required.

All documents that are released publicly are made available on the Company's website.

Shareholders are also encouraged to participate in the annual general meeting to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions.

The shareholders are responsible for voting on the appointment and aggregate remuneration of directors, any changes to the Company's constitution and changes to the entity which may impact on share ownership rights.

8. RISK MANAGEMENT

The Company seeks to reduce investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

Other risk management issues, for example disaster recovery, credit and counter-party risk, are considered by the board.

The Board receives regular reports about the financial condition and operational results of the Company.

The CEO and CFO are required to provide formal statements to the Board that in all material respects:

- ☞ The Company's financial statements present a true and fair view of the Company's financial condition and operational results, and
- ☞ The risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

9. EXTERNAL AUDITORS

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO Kendalls were appointed as the external auditors in 1998.

The Company's external auditor attends the annual general meeting and is available to answer shareholder questions.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 4 to the financial statements.

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS

Principle		Recommendation	
Principle 1:	Lay solid foundations for management and oversight		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	1	Comply
Principle 2:	Structure the board to add value		
2.1	A majority of the board should be independent directors.	1	Non-comply
2.2	The chairperson should be an independent director.	1	Non-comply
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	1	Comply
2.4	The board should establish a nomination committee.	4	Non-comply
2.5	Provide the information indicated in Guide to reporting on Principle 2.	1 and 2 and Directors' report	Comply
Principle 3:	Promote ethical and responsible decision-making		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executive as to:		
	3.1.1 the practices necessary to maintain confidence in the company's integrity	1	Comply
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	1	Comply
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	3	Comply
3.3	Provide the information indicated in Guide to reporting on Principle 3.	1	Comply

Corporate Governance Statement (Continued)

FOR THE YEAR ENDED 30 JUNE 2005

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS (Continued)

CORPORATE GOVERNANCE		RELEVANT REPORTS	
Principle 4:	Safeguard integrity in financial reporting		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	8	Comply
4.2	The board should establish an audit committee.	4	Comply
4.3	Structure the audit committee so that it consists of: ☐ only non-executive directors ☐ a majority of independent directors ☐ an independent chairperson, who is not chairperson of the board ☐ at least three members.	4	Comply
4.4	The audit committee should have a formal charter.	4	Comply
4.5	Provide the information indicated in Guide to reporting on Principle 4.	4 and Directors' Report	Comply
Principle 5:	Make timely and balanced disclosure		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	7	Comply
5.2	Provide the information indicated in Guide to reporting on Principle 5.	7	Comply
Principle 6:	Respect the rights of shareholders		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	7	Comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	9	Comply
Principle 7:	Recognise and manage risk		
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	8	Comply
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	8 8	Comply Comply
7.3	Provide the information indicated in Guide to reporting on Principle 7.	8	Comply
Principle 8:	Encourage enhanced performance		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	1	Comply
Principle 9:	Remunerate fairly and responsibly		
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	5	Comply
9.2	The board should establish a remuneration committee.	4	Non-comply
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	5	Comply
9.4	Ensure the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	5 and Directors Report	N/A
9.5	Provide the information indicated in Guide to reporting on Principle 9.	4 and 5	Comply
Principle 10:	Recognise the legitimate interests of stakeholders		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations.	1	Comply

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

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Statement of Financial Position	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	33
Independent Audit Report	34
Shareholder Information	35

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

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

Hyperion Flagship Investments Limited
Level 38
Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

A description of the nature of the entity's operations and its principal activities is included in the Managing Director's report on page 6.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All media releases, financial reports and other information are available from the Company at the above address or from our website: www.hyperionfi.com.au

FOR THE YEAR ENDED 30 JUNE 2005

The above Statement of Financial Performance should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Assets			
Cash assets	6	334	754
Receivables		1	-
Other assets		73	21
Other financial assets	7	21,876	16,103
Deferred tax assets		6	6
Total Assets		22,290	16,884
Liabilities			
Payables	8	840	75
Current tax liabilities	9	227	10
Total Liabilities		1,067	85
NET ASSETS		21,223	16,799
Equity			
Contributed equity	10	15,063	14,746
Reserves	11(a)	6,133	2,084
Retained profits	11(b)	27	(31)
TOTAL EQUITY		21,223	16,799
NAV (after tax on realised gains only)		\$1.52	\$1.22
NAV (after tax on realised and unrealised gains)		\$1.40	\$1.18

The above Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000 Inflows/ (Outflows)	2004 \$'000 Inflows/ (Outflows)
Cash flows from operating activities			
Payment for bank bills		-	10
Income tax paid		(3)	(2)
GST refunds		-	1
Interest received		46	18
Dividends received		779	751
Other payments		(260)	(504)
Net cash flows provided by/(used in) operating activities	18	<u>562</u>	<u>274</u>
Cash flows from long-term investing activities			
Proceeds from sales of investment securities		4,679	4,094
Payment for investment securities		(4,584)	(3,870)
Payment of bank bills		(635)	-
Net cash flows provided by/(used in) long-term investing activities		<u>(540)</u>	<u>224</u>
Cash flows from financing activities			
Proceeds from share issues		-	135
Dividends paid on ordinary shares		(442)	(294)
Net cash flows from financing activities		<u>(442)</u>	<u>(159)</u>
Net increase/(decrease) in cash held		(420)	339
Cash at the beginning of the financial year		754	415
Cash at the end of the financial year	6	<u>334</u>	<u>754</u>

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Hyperion Flagship Investments Limited is a public company, limited by shares, incorporated in Australia and listed on the Australian Stock Exchange.

(a) Basis of accounting

The financial report has been prepared on an accruals basis using the historical cost basis and does not take into account changing money values or, except where stated, current valuations of assets.

(b) Other financial assets

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".

Investments are brought to account at cost or at fair value being Directors' Valuation. The carrying amount of investments recognised at fair value is assessed by Directors annually to ensure that the carrying value is not materially different from its fair value. The carrying amount of investments is reviewed annually by Directors to ensure that it is not in excess of the recoverable amount of these investments.

The recoverable amount is assessed from the shares' current market value or the underlying net assets in their particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts, except where stated.

(c) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities, adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as future income tax benefits at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse changes will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Cash

For the purpose of the statement of cash flows, 'cash' includes cash, deposits held at call and investments in short term financial instruments.

(e) 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.

(f) Revenue

Revenue from the sale of investments is recognised at the date the sale of the investments took place.

Dividends are brought to account in the Statement of Financial Performance on the dates the dividends are received by the company.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(g) Comparatives

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(h) Director and Executive Disclosures

Information about the remuneration of Directors and Executives which is currently required under section 300A of the Corporations Act 2001 and under Australian Accounting Standard AASB 1046 "Director and executive Disclosures by Disclosing Entities" is included in the Remuneration Report within the Directors' Report. The company has taken the relief provided by Corporations Amendments Regulation 2005 (No.4) released on 5 July 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(ii) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

	Note	2005 \$'000	2004 \$'000
2. REVENUE			
Revenue from operating activities			
Interest		47	17
Dividend		779	735
Income from dealing in securities		(76)	(165)
Revenue from ordinary activities		<u>750</u>	<u>587</u>

3. OTHER EXPENSES FROM ORDINARY ACTIVITIES

ASX Fees	23	21
Audit Fees	16	19
Directors Fees	90	36
Insurance	25	16
Share Registry	13	16
Other	60	41
	<u>227</u>	<u>149</u>

	2005 \$	2004 \$
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4. AUDITORS REMUNERATION

During the year the auditors of the entity earned the following remuneration:

- an audit or review of the financial report of the entity	15,250	19,218
- other advisory services	1,400	-
	<u>16,650</u>	<u>19,218</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$'000	2004 \$'000
5. INCOME TAX		
The amount of income tax attributable to the financial period differs from the prima facie amount payable on the profit from ordinary activities. The difference is reconciled as set out below:		
Profit/(Loss) from ordinary activities before income tax	(220)	156
Prima facie tax payable on Profit/(Loss) from ordinary activity at 30%	(66)	47
Tax effect of permanent differences which increase (reduce) tax payable		
☞ realised capital gains	22	50
☞ intercorporate dividend rebate	(230)	(211)
Income tax adjusted for permanent differences	(274)	(114)
Benefit of tax losses of prior years recouped	-	(26)
Under (over) provision in previous year	(4)	7
Income tax (benefit)/expense attributable to profit from ordinary activities	(278)	(133)
Comprising...		
☞ current year tax payable	225	7
☞ movement in provision for deferred income tax	(4)	-
☞ movement in future income tax benefit	-	(2)
☞ movement in realised profits reserve	(499)	(138)
	(278)	(133)
Future income tax benefit reflects the future benefit at 30% on the following items:		
☞ non-deductible accruals	6	6
	6	6
6. ASSETS - CASH ASSETS		
Cash at bank	(1)	17
Deposits at call	335	737
	334	754
7. ASSETS - OTHER FINANCIAL ASSETS		
- Listed securities at market value (cost value 30 June 2005 - \$15,635,000) (cost value 30 June 2004 - \$14,059,000)	21,241	16,103
- Bank Bills	635	-
Total other financial assets	21,876	16,103

If investments had been sold at balance date a net capital gains tax liability of not more than \$1,682,000 (2004: \$613,000) would have arisen. However, directors do not intend to dispose of this portfolio and therefore do not expect that the tax associated with such disposal will be incurred.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
8. LIABILITIES - PAYABLES			
Performance fee payable		817	46
Accrued expenses		23	29
		840	75

9. LIABILITIES - CURRENT TAX LIABILITIES

Income Tax		227	10
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10. CONTRIBUTED EQUITY

(a) Share capital			
Ordinary shares fully paid	(c)	15,063	14,746
(b) Movements in ordinary share capital			

Date	Details	Notes	Number of Shares	Issue Price	\$'000
	Opening balance		13,713,808		14,746
17 Sept 2004	Dividend Reinvestment Plan Issue	(d)	147,374	1.04	153
26 March 2005	Dividend Reinvestment Plan Issue	(d)	121,295	1.35	164
	Balance at end of the financial year		13,982,477		15,063

(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 and amounts paid on the 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) Dividend Reinvestment Plan

The company has established a Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by cash. Shares are issued at a price determined by the directors.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
11. RESERVES AND RETAINED PROFITS			
11(a) Reserves			
Asset Revaluation Reserve	11(i)	5,605	2,044
Asset Realisation Reserve	11(ii)	528	40
		6,133	2,084
Movements			
(i) Asset Revaluation Reserve			
Opening balance		2,044	189
Revaluation of long-term investments		5,308	2,478
Transfer to asset realisation reserve		(1,747)	(623)
Balance at the end of the financial year		5,605	2,044
(ii) Asset Realisation Reserve			
Opening balance		40	91
Transfer from asset revaluation reserve		1,747	623
Tax on disposal of long-term investments		(500)	(137)
Dividends paid		(759)	(537)
Balance at the end of the financial year		528	40
11(b) Retained Profits/(Accumulated Losses)			
Retained Profits/(Accumulated Losses) at the beginning of the year		(31)	(320)
Net profit attributable to members of Hyperion Flagship Investments Limited		58	289
Dividends provided for or paid		-	-
Retained Profits/(Accumulated Losses) at the end of the financial year		27	(31)
11(c) Nature and purpose of reserves			
(i) Asset Revaluation Reserve			
This reserve is used to record increments and decrements or the re-valuation of other financial assets.			
(ii) Asset Realisation reserve			
This reserve records gains or losses arising from disposal of long-term investments. It is adjusted for applicable tax on such disposal, if any. As the balance relates to net realised gains it may be distributed as cash dividends at the discretion of directors.			

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
12. DIVIDENDS			
(a) Dividends paid during year			
Final dividend of 2.5 cents (2004 - 2.0 cents) per share paid			
17 September 2004 (2004 - 19 September 2003)			
Fully franked @ 30% - 2.5 cents per share		343	
Fully franked @ 30% - 2.0 cents per share			267
Interim dividend of 3.0 cents (2004: 2.0 cents) per share paid			
18 March 2005 (2004 - 26 March 2004)			
Fully franked @ 30% - 3.0 cents per share		416	
Fully franked @ 30% - 2.0 cents per share			269
TOTAL DIVIDENDS PROVIDED FOR OR PAID		759	536
Dividend paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2005 and 2004 were as follows:			
Paid in cash		442	293
Satisfied by issue of shares		317	243
		759	536
(b) Dividends declared after balance date			
Since the end of the year, directors have declared a final dividend of 3.0 cents per share, franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2005 to be paid on 16 September, 2005, but not recognised as a liability at the end of the financial year.		419	343
(c) Franking credits			
Balance as at 30 June 2005 on the franking account after allowing for tax payable in respect of the current year's profits, the receipt of dividends recognised as receivables and the payment of dividends recognised as a liability at the reporting date.		600	373
(d) Listed Investment Company capital gain account			
Balance of the Listed Investment Company (LIC) capital gain account		1,622	484
Distributed LIC capital gains may entitle certain shareholders to a special deduction in their tax return, as set out in the dividend statement.			
LIC capital gains available for distribution are dependent upon:			
(i) the disposal of investment portfolio holdings which qualify for LIC capital gains			
(ii) or the receipt of LIC distributions from LIC securities held in the portfolio.			

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

13. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

	Weighted Average Interest Rate %		Floating Interest \$'000		Fixed Interest Rate Maturing								Total	
					Within 1 Year \$'000		1-5 Years \$'000		Over 5 Years \$'000		Non-Interest Bearing \$'000		\$'000	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Financial Assets														
Cash Assets	4.37	3.85	970	737	-	-	-	-	-	-	(1)	17	969	754
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	21,241	16,103	21,241	16,103
Total Financial Assets	4.37	3.85	970	737	-	-	-	-	-	-	21,240	16,120	22,210	16,857
Financial Liabilities														
Payables	-	-	-	-	-	-	-	-	-	-	840	75	840	75
Total Financial Liabilities	-	-	-	-	-	-	-	-	-	-	840	75	840	75

All other financial assets and financial liabilities are held at their net fair value and disclosed elsewhere in the financial statements. These financial assets and financial liabilities are not subject to interest risks.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk exposures to the company arise in relation to convertible notes to the extent of their carrying values in the event of a shortfall or winding-up of the issuing companies.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

(c) Net Fair Values

The net fair values of listed investments have been valued at the last quoted market sale price at balance date. For other assets and liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

14. SPECIFIED EXECUTIVES REMUNERATION

The Company's Secretary (Ian Harrison) is employed by Wilson HTM Investment Group and does not receive any form of direct remuneration from this company. Instead Wilson HTM Investment Group receives fees from Hyperion Asset Management Limited designed to cover the cost of provision of that service. Hyperion Asset Management Limited as the Manager receives a performance fee from the company as detailed in note 19. The company has no other staff and therefore has no specified executives.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

15. DIRECTOR SHAREHOLDINGS

(a) Directly

The following are the number of shares held directly by directors as at 30 June 2005

Director	Held at start of reporting period	Granted as Remuneration	Other changes	Held at 30 June 2005
Emmanuel Clive Pohl	691,739	-	236,753	928,492
Steven Monteith Wilson	617,500	-	310,000	927,500
Russell Bruce McCrory	38,500	-	(3,500)	35,000
George G Huysamer	52,418	-	9,107	61,525
Ignazia (Grace) Grace	10,902	-	715	11,617
Henry R Smerdon	15,136	-	907	16,043
Total	1,426,195	-	553,982	1,980,177

(b) Indirectly

Emmanuel Pohl as Managing Director of the Manager has an indirect beneficial interest in shares held by clients of the Manager. This is in respect to shares which are managed by the Manager in accordance with the Discretionary Funds Management Agreements with those clients. At 30 June 2005 this interest was in respect to 2,490,020 shares.

Steven Wilson has been appointed as a fund manager by a client of Wilson HTM Ltd in accordance with a Discretionary Funds Management Agreement with that client. At 30 June 2005 this interest was in respect to 320,000 shares.

16. RELATED PARTIES

All transactions with related parties were made on normal commercial terms and conditions.

	2005 \$'000	2004 \$'000
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(a) Expenses paid or payable by the Company to...

Wilson HTM Ltd for broking expenses	40	29
Hyperion Asset Management Limited for performance fees (excluding GST)	743	282

(b) Amounts remaining payable at balance date

743 46

S M Wilson is interested in the above transactions as a director and shareholder of Hyperion Asset Management Limited and as a director and shareholder of Wilson HTM Investment Group Ltd.

E C Pohl is interested in the above transactions as a shareholder, director and employee of Hyperion Asset Management Limited and as a shareholder of Wilson HTM Investment Group Ltd.

R B McCrory is interested in the above transactions as a shareholder of Wilson HTM Investment Group Ltd and Hyperion Asset Management Limited.

Wilson HTM Ltd is a wholly owned subsidiary of Wilson HTM Investment Group Ltd. Hyperion Asset Management Limited is owned 50% by Wilson HTM Investment Group Limited.

Prior to 29 June 2004, Hyperion Asset Management Limited was a wholly owned subsidiary of Wilson HTM Ltd with Wilson HTM Investment Group Ltd as the ultimate holding company.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
16. RELATED PARTIES (Continued)			
(c) Share transactions			
The aggregate number of shares acquired by directors of the Company during the financial year were:			
- directors		554	288
- director related entities		(568)	31
Total		(14)	319
Ordinary shares held at balance date:			
		No.	No.
- by directors		1,980	1,426
- by director related entities		2,810	3,378
Total		4,790	4,804

17. EVENTS OCCURRING AFTER REPORTING DATE

Since 30 June 2005 to the date of this report the following has occurred:

- ☞ The approval by shareholders of the change of name of the Company.
- ☞ The announcement and completion of an underwritten 1 for 5 rights issue to raise \$3.3m
- ☞ The suspension of the on-market buy back for the period of the rights issue

Except for the above there has been no event of which the directors are aware which has had a material effect on the company or its financial position.

18. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES

Profit/(Loss) from ordinary activities after income tax expense	58	289
Less Non-Cash flows		
☞ Realised Loss/(Profit) on non-current other financial assets	76	165
☞ Income Tax Benefit from current year	(501)	(129)
Changes in Assets/Liabilities		
☞ Decrease/(Increase) in receivables	(1)	18
☞ Decrease/(Increase) in other assets	(52)	(9)
☞ Decrease/(Increase) in deferred tax assets	-	(2)
☞ Increase/(Decrease) in current payables	765	(63)
☞ Increase/(Decrease) in current tax liabilities	217	5
Net cash flows from operating activities	562	274

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

19. MANAGEMENT AGREEMENT

Under an agreement dated 5 December 1997, the Company has agreed to engage the Manager (Hyperion Asset Management Limited), a company associated with Steven Wilson, Manny Pohl and Russell McCrory, to provide primary and secondary management services, including:

- ☞ managing the investment of the Company's portfolio (including keeping it under review);
- ☞ ensuring investments by the Company are only made in authorised investments;
- ☞ complying with the investment policy of the Company;
- ☞ identifying, evaluating and implementing the acquisition and disposal of authorised investments; and
- ☞ the provision of accounting, human resources, corporate and information technology services support.

Under the agreement the Manager will receive a performance fee, payable annually in arrears, equal to 15% of the amount by which the Company's net performance before tax (that is, after all costs and outlays but before the calculation of the performance fee) exceeds the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year. If the Company's net performance in the year is less than the interest rate payable on bank bills as represented by the UBS Bank Bill Index for that year, then no performance fee will be payable.

Under the terms of this agreement a performance fee of \$743,000 was paid or payable during the year ended 30 June 2005 (2004 - \$282,000).

This agreement expired on 30 June 2005. The terms of the agreement imply that the agreement can continue after this date. The parties agreed to continue Hyperion's appointment to provide management services on the terms of the Agreement until a new agreement has been finalised.

A new agreement with similar terms in respect to the provision of services as the previous agreement has been entered into. This agreement is for a term of 5 years from 1 July 2005.

	2005 Cents	2004 Cents
20. EARNINGS PER SHARE		
Basic earnings per share	0.41	2.13
Diluted earnings per share	0.41	2.13
(a) Reconciliation of earnings to net profit or loss		
Net Profit/(Loss) attributable to members	58	289
Net profit attributable to outside equity interest	-	-
Earnings used in the calculation of basic EPS	58	289
(b) Weighted average number of ordinary shares outstanding during the year (adjusted for bonus elements in ordinary shares issued during the year) used in the calculation of basic earnings per share	13,863,845	13,545,716

21. SEGMENT INFORMATION

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

22. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting Australian Equivalents to International Financial Reporting Standards (AIFRS) for application to reporting periods beginning on or after 1 January 2005. The adoption of AIFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Management will oversee the transition process and report to the audit committee.

The Company is in the process of analysing the full impact of AIFRS. The actual impacts will depend on the particular circumstances and conditions prevailing at the time of application of AIFRS.

The directors are of the opinion that the key material differences in the company accounting policies on conversion to AIFRS and the final affect of the differences, where known, are as detailed below in sections a) to d). Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard setters to the current AIFRS or interpretation of the AIFRS requirements or changes from the continuing work of management on implantation of AIFRS.

SUMMARY OF IMPACT OF ADOPTING AIFRS

a) Profit and Loss Statement for the Year Ended 30 June 2005

	\$000's
Profit/(Loss) from ordinary activities after tax	58
AIFRS adjustments	
- Realised Gains/(Losses)	1,747
- Income tax effect	(500)
Adjusted profit for AIFRS at 30 June 2005	1,305
Dividend expense	(759)
Opening retained earnings AIFRS balance 1 July 2004	9
Closing retained earnings AIFRS balance 30 June 2005	555

b) Balance Sheet

	30/06/04			30/06/05			
	As per Balance Sheet	AIFRS Adjust	As per AIFRS	1/07/04 AIFRS	T/actions for year	AIFRS Adjust	AIFRS Bal
Cash Assets	754		754	754	(420)		334
Receivables	-		-	-	1		1
Other Assets	21		21	21	52		73
Other Financial Assets	16,103		16,103	16,103	5,773		21,876
Deferred Tax Assets	6		6	6	-		6
Total Assets	16,884	-	16,884	16,884	5,406	-	22,290
Payables	75		75	75	765		840
Current tax liabilities	10	613	623	623	217	1,069	1,909
Total Liabilities	85	613	698	698	982	1,069	2,749
Net Assets	16,799	(613)	16,186	16,186	4,424	(1,069)	19,541
Shareholders' Equity							
Contributed Equity	14,746		14,746	14,746	317		15,063
Reserves	2,084	(653)	1,431	1,431	4,049	(1,557)	3,923
Retained Earnings	-31	40	9	9	58	488	555
Total shareholders' equity	16,799	(613)	16,186	16,186	4,424	(1,069)	19,541

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

22. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

c) Cash Flow

There are no cash flow impacts when adopting AIFRS.

d) Accounting policies

The significant accounting policies affected by AIFRS are:

Financial Assets

(i) Trading Portfolio

Currently movements in the trading portfolio are accounted for by charging income and expense to the Statement of Financial Performance.

Under the new accounting standards, there is no change to the accounting treatment of the movements of the portfolio.

(ii) Investment Portfolio

With respect to non-traded investments, unrealised gains and realised gains are recognised directly as an increase in the asset revaluation reserve and asset realisation reserve respectively, unless they reverse a prior unrealised loss, in which case they are reversed against the expense in the Statement of Financial Performance.

Under AIFRS, realised gains of the investment portfolio (net of tax) will be included in Net Profit, rather than treated as a direct equity adjustment. Net unrealised gains on investments will continue to be recognised through the Asset Revaluation Reserve, and the Asset Realisation Reserve will cease to exist.

The net realised gains (after tax) of \$1.247 million would be shown in profit for 2005.

Taxation

Under AIFRS, the company must recognise an additional deferred tax liability amount for the capital gains tax payable on unrealised gains in the investment portfolio as disclosed in Note 7. This additional deferred tax liability is offset against the unrealised gains on the investment portfolio recognised in the Asset Revaluation Reserve of the Company.

At balance date this would require recognition on an additional deferred tax liability of \$1.682 million with a corresponding reduction in the Asset Revaluation Reserve. During the year, the change to the Asset Revaluation Reserve would have been \$1.069 million.

First Time

Any adjustments required as a result of first time adoption will be recognised directly in retained earnings.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Company has no known contingent assets or contingent liabilities.

Directors' Declaration

1. The directors of the Company declare that the financial statements and notes set out on pages 17 to 32 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2005 and performance as represented by the results of the operations and the cash flows for the financial year ended on that date.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with S286 of the Corporations Act 2001
 - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards
 - (c) the financial statements and notes for the financial year give a true and fair view
3. In the Directors' opinion there are reasonable grounds to believe that the company 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.

James. C. Phillips

Dr Emmanuel (Manny) C Pohl
Director
BRISBANE
7 September 2005

Independent Audit report

TO THE MEMBERS OF HYPERION FLAGSHIP INVESTMENTS LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, notes to the financial statements and the directors' declaration for Hyperion Flagship Investments Limited (the company), for the year ended 30 June 2005.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Australian Accounting Standard AASB1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in the directors' report as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Australian Accounting Standard AASB1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB1046 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable 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 7 September 2005, would be in the same terms if provided to the directors as at the date of this audit report.

AUDIT OPINION

In our opinion:

- 1) the financial report of Hyperion Flagship Investments Limited is in accordance with:
 - (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Hyperion Flagship Investments Limited's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia.
- 2) the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB1046 and the Corporations Regulations 2001.

BDO Kendalls

BDO Kendalls
Chartered Accountants



T J Kendall
Partner

Brisbane
7 September 2005

Shareholder Information

The shareholder information set out below was applicable as at 30 August 2005.

a) Distribution of equities securities:

		No. of Shareholders
1	to 1,000	33
1,001	to 5,000	139
5,001	to 10,000	71
10,001	to 100,000	177
100,001	and over	27
Total		447

Holdings of less than 100 ordinary shares (number) 20

b) Twenty largest shareholders

	Ordinary Shares	%
Farallon Capital Pty Ltd (Nunn Investment Trust A/C)	2,878,194	17.15
D E & L J Barclay (Don Barclay Super Fund A/C)	1,572,840	9.37
Kinauld Pty Ltd	576,000	3.43
Mary Van Lieshout	533,081	3.18
Earlston Nominees Pty Ltd (Steven Wilson Investment A/C)	528,000	3.15
Robert James Wilson	508,315	3.03
Rubicon Nominees Pty Ltd	446,000	2.66
Robert James Wilson (No.2 A/C)	384,000	2.29
Pohl Pty Ltd (HJJ Superannuation Fund)	352,663	2.10
Citadel Bank and Trust Inc (The Fragrance A/C)	345,366	2.06
Bruce Robert & Erika Haberfield	289,062	1.72
Edwin H & Enid O Buckland (Buckland Super Fund A/C)	258,436	1.54
Pohl Pty Ltd (GAP Investments Unit A/C)	231,848	1.38
Hank Van Lieshout	220,000	1.31
Pohl Pty Ltd (The Manny Pohl Family A/C)	218,031	1.30
Mercantile Investments P/L (Korber Super Fund A/C)	214,326	1.28
Mayfield Trustees Pty Ltd (The Ascot Settlement A/C)	185,788	1.11
Christopher Andrew Beard (Estate of GEP Beard A/C)	180,000	1.07
ANZ Nominees Limited (Cash Income A/C)	173,075	1.03
Quantum Electronics Pty Ltd (Super A/C)	165,931	0.99
Total	10,260,956	61.15

CONTINUED

The following have advised that they have a relevant interest in the capital of Hyperion Flagship Investments Limited. The holding of a relevant interest does not necessarily infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

d) Voting Rights

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(a) Holdings of Securities as at 30 June 2005

Individual investments at 30 June 2005 are listed below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share at other dates. Individual holdings in the portfolio may change during the course of the year.

(a) Holdings of Securities as at 30 June 2005 (Continued)

ORDINARY SHARES		Market Value	Shares \$'000	%
ANZ	Australia & New Zealand Banking Group Ltd	60,000	1,305.0	5.88
ASR	Australian Rural Group Ltd	288,785	0.0	0.00
ASX	Australian Stock Exchange Ltd	25,500	589.8	2.66
BNB	Babcock & Brown Ltd	60,000	828.6	3.73
BEI	Babcock & Brown Environmental Investments	108,167	151.4	0.68
BHP	BHP Billiton Ltd	63,304	1,149.0	5.17
BBG	Billabong International Ltd	50,000	681.5	3.07
BKL	Blackmores Limited	30,000	388.5	1.75
BIL	Brambles Industries Ltd	110,000	898.7	4.05
CAB	Cabcharge Australia Ltd	120,000	540.0	2.43
COH	Cochlear Ltd	27,019	1,059.1	4.77
CDO	Colorado Group Ltd	50,000	228.0	1.03
CBA	Commonwealth Bank of Australia	23,800	903.2	4.07
COU	Count Financial Ltd	400,000	540.0	2.43
FAN	Fantastic Holdings Ltd	200,000	714.0	3.22
FLT	Flight Centre Ltd	40,000	560.0	2.52
GTP	Great Southern Plantations Ltd	200,000	842.0	3.79
JBH	JB Hi-Fi Limited	150,000	534.0	2.41
MBL	Macquarie Bank Limited	29,885	1,785.6	8.04
NAB	National Australia Bank Ltd	10,000	307.6	1.38
NCK	Nick Scali Limited	50,000	75.0	0.34
ORL	Oroton Group Ltd	53,000	107.6	0.48
PPT	Perpetual Trustees Ltd	23,800	1,366.8	6.15
QGC	Queensland Gas Corporation Ltd	1,235,619	543.7	2.45
RIO	Rio Tinto Ltd	30,000	1,344.6	6.05
SEK	Seek Limited	30,000	71.4	0.32
SFE	SFECorporation Limited	54,000	575.1	2.59
SGN	STW Communications Group Ltd	113,800	318.7	1.43
SAQ	Sydney Aquarium Ltd	30,000	166.6	0.75
VGH	Vision Group Holdings Limited	50,000	199.0	0.90
WES	Wesfarmers Limited	10,000	400.1	1.80
WBC	Westpac Banking Corporation Ltd	41,500	827.9	3.73
WOW	Woolworths Ltd	75,000	1,238.2	5.57
			21,240.7	95.64
OPTIONS	Options		0.0	0.00
CASH	Cash		969.3	4.36
			22,210.0	100.00%

(b) Transactions and Brokerage

There were 55 (2004: 56) transactions in securities during the year on which brokerage of \$40,400 (2004: \$28,800) was paid.

REGISTERED IN QUEENSLAND ON 23 SEPTEMBER 1997

BOARD OF DIRECTORS

Steven M Wilson
Chairman
Dr Emmanuel ('Manny') C Pohl
Managing Director
George ('Deon') G Huysamer
Non-Executive Director
Ignazia ('Grace') Grace
Non-Executive Director
Russell B McCrory
Non-Executive Director
Henry R Smerdon
Non-Executive Director

SECRETARY

Ian W Harrison

PRINCIPAL PLACE OF BUSINESS

Level 38
Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

MANAGER

Hyperion Asset Management Limited
ABN 99 080 135 897
Level 38
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Toll Free: 1300 550 293
Fax: (07) 3212 1060

SOLICITORS

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Solicitors
Central Plaza Two
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Fax: (07) 3229 9949

AUDITORS

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

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 27 Central Plaza One
345 Queen Street
Brisbane Qld 4000
Tel: (07) 3237 2100
Fax: (07) 3229 9860

REGISTERED OFFICE

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WEBSITE ADDRESS

www.hyperionfi.com.au

BOUTIQUE INVESTMENT MANAGER

ALPHA FOCUSED

AUSTRALIAN EQUITY SPECIALIST

COMMITTED TO QUALITY

FOCUSED ON MEETING INVESTOR'S PERFORMANCE OBJECTIVES

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