



A.B.N. 99 080 135 913

## APPENDIX 4E STATEMENT

Preliminary Final Report

For the year ended 30 June 2012

(Previous corresponding period is year ended 30 June 2011)

## CONTENTS

- Results for announcement to the market
- Managing Director's Comments
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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

The reporting period is the year ended 30 June 2012 with the corresponding period being the year ended 30 June 2011.

The following statutory information is provided:

|   |               |                |
|---|---------------|----------------|
| ☉ Investment Portfolio declined by 4.9% compared with the All Ordinaries Index decline of 11.3% |               |                |
| ☉ Other Revenue (1)   | Down 5.2%     | to \$1,422,000 |
| ☉ Net Profit (after tax) and after realised losses on long term investments                     | Increased 19% | to \$1,038,000 |
| ☉ Net Profit (after tax) attributable to members  | Increased 19% | to \$1,038,000 |
| ☉ Final Dividend per share  | Down 29%      | to 3.0 cents   |

### Explanations

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

## COMPREHENSIVE INCOME

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

Compared to the previous corresponding period, Comprehensive Income decreased by 179.5% to (\$1,150,000).

This was due to the decline in the portfolio value during the year which resulted in an unrealised loss of \$3,147,000.

## DIVIDEND

### Final Dividend per share

|   |                   |
|---|-------------------|
| Final Fully Franked Dividend – payable on 12 October 2012:      | 3.0 cents         |
| The record date to determine entitlements to the final dividend | 28 September 2012 |

### Dividend Reinvestment Plan

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

The last date for the receipt of an election notice for participation in the dividend reinvestment plan will be 28 September 2012. There is no foreign conduit income attributable to the dividend.

### Previous corresponding period

|   |            |
|---|------------|
| Final Partially Franked Dividend – payable on 9 September 2011: | 4.25 cents |
| This dividend was franked to 3.75 cents.                        |            |

### Capital Gains Components

As previously advised, the capacity of the Company to facilitate access to the capital gain benefit of the dividend will depend on the Company's capacity to generate capital profits. The current market conditions have constrained capital profits.

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

## NET ASSET BACKING

The net asset backing per share (tax on realised gains only) at 30 June 2012 was \$1.302 per share compared with \$1.419 at 30 June 2011.

The net asset backing per share (tax on realised and unrealised gains) at 30 June 2012 was \$1.204 per share compared with \$1.361 at 30 June 2011.

## FUTURE DIRECTION

Our Investment Manager since inception has been Hyperion Asset Management Limited ("Hyperion"). A new five year Management Services Agreement (MSA) covering the relationship was approved by Shareholders at the 2010 AGM.

Hyperion was originally set up by our Managing Director Dr Manny Pohl and has consistently reflected Dr Pohl's investment beliefs.

Dr Pohl has taken the decision to resign from Hyperion effective from 2 July 2012, since he believed that he had taken Hyperion to the point where it now had a long-term sustainable position in the market place. He believed he could now devote his time to areas where his skills and talents in building a business might be better employed on a more personal basis with various Individually Managed Accounts (IMAs) as well as taking advantage of what were in his view, increasingly attractive opportunities in the private equity space.

The Board has been examining the option of agreeing to a novation of the current MSA from Hyperion to Dr Pohl. Under such arrangements, Dr Pohl would continue to manage the portfolio as he has done since inception and for the remaining period of the MSA. Hyperion would continue to provide investment research to Dr Pohl as well as carry out the obligations under the MSA on Dr Pohl's behalf.

Hyperion has reassured the Board that it is happy with the arrangement and that it would be happy to continue to provide all of the services under the MSA, if the Company so chooses. Hyperion understands and appreciates the long direct association of the Company with Dr Pohl.

In discussions with Dr Pohl, the Board is satisfied that with any new arrangement with Dr Pohl, there will be no change to the investment strategy, but there will be greater opportunity to take advantage of up to 10% of the portfolio being invested in unlisted entities.

The Board intends to recommend to Shareholders at the AGM that the current MSA be novated from Hyperion to Dr Pohl.

To reflect the proposed change in arrangements, the Board is also intending to recommend to shareholders that the Company change its name to "Flagship Investments Limited".

## MANAGING DIRECTOR'S COMMENTS

During the past year, sentiment in the Australian share market was little changed from that of the previous year when politics in the Eurozone failed to find a solution to the reality of borrowing in a market where liquidity is tight and the economy is slowly edging towards a period of decline. On the international front, the market once again reflected concern about the potential default of Greece, Italy, Portugal and Spain on their sovereign and bank debt repayments. Locally, the Australian Parliament passed the carbon and mining tax legislation, while nervous consumers and companies continued to strengthen their balance sheets by reducing consumption expenditure and paying off debt. All of these factors set the scene for a very subdued world and Australian economy.

As an indicator of global market performance, the MSCI (as measured in US dollar terms) closed at 1235.7 in June 2012 which was an overall decline of 7.2% for the twelve months to 30 June 2012. In Australian dollar terms, the MSCI declined by 2.9% over the same period, reflecting the slight weakening in the Australian dollar compared to the US dollar over the twelve months. The US market performed relatively better than the other major markets with the S&P 500 increasing by 3.1% in US dollar terms for the twelve months to the end of June 2012.

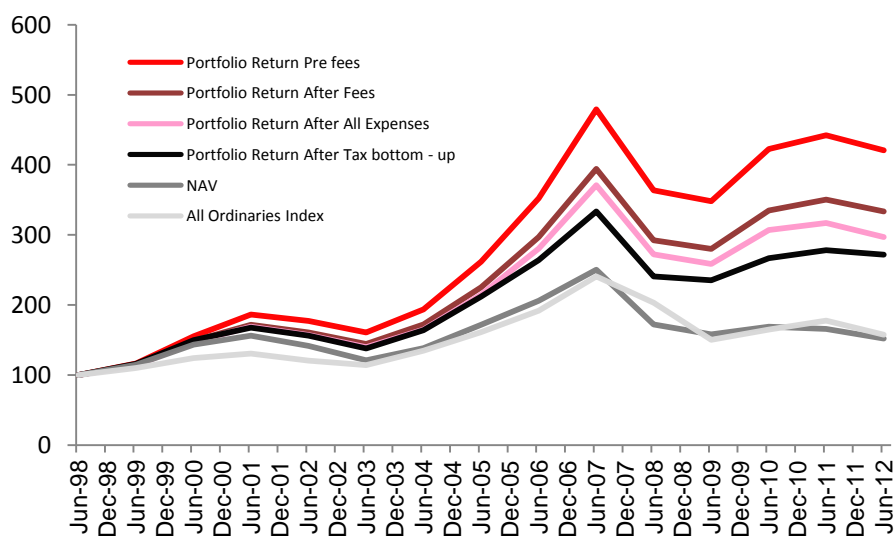
During the same twelve month period, the Australian share market, as represented by the All Ordinaries Index, declined by 11.3%. By comparison our portfolio outperformed the market, declining by only 4.9% over the twelve months while the NAV declined by 8.2% after paying a dividend of 7.25 cents per share to shareholders during the year.

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

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

Our investment horizon of five years is longer than most investors and we believe there is significant capital appreciation potential for the portfolio with the portfolio return profile remaining attractive in historical terms.

### RELATIVE PERFORMANCE HISTORY



## MANAGING DIRECTOR'S COMMENTS

### MAJOR INVESTMENTS % PORTFOLIO JUNE 2012

| MAJOR INVESTMENTS % OF PORTFOLIO |              |              |
|----------------------------------|--------------|--------------|
|                                  | Jun 12       | Jun 11       |
| Commonwealth Bank                | 7.5%         | 7.3%         |
| Woolworths                       | 7.3%         | 6.6%         |
| SEEK                             | 6.7%         | 6.0%         |
| Cochlear                         | 6.0%         | 5.8%         |
| BHP Billiton                     | 6.0%         | 6.7%         |
| Rio Tinto                        | 5.8%         | 7.5%         |
| Carsales.Com                     | 5.7%         | 3.9%         |
| ANZ Banking Group                | 5.6%         | 4.0%         |
| REA Group                        | 5.1%         | 3.9%         |
| <b>TOTAL</b>                     | <b>55.7%</b> | <b>51.7%</b> |

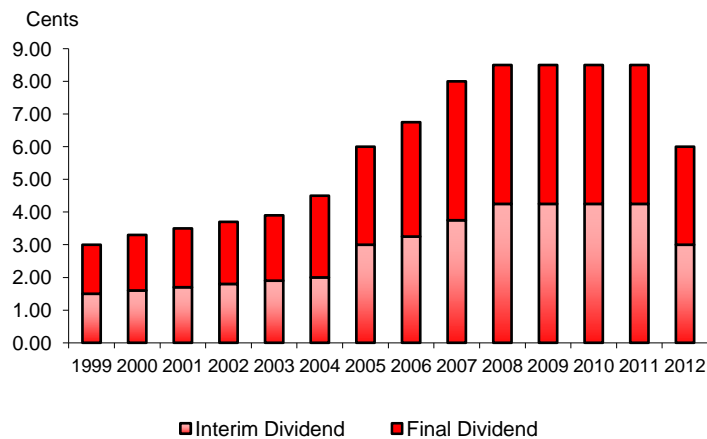
| ANNUAL PERCENTAGE CHANGE |                           |                             |        |                      |
|--------------------------|---------------------------|-----------------------------|--------|----------------------|
| Year to                  | Portfolio Return Pre Fees | Portfolio Return After Fees | NAV    | All Ordinaries Index |
| Jun-99                   | 16.4%                     | 14.4%                       | 14.6%  | 10.1%                |
| Jun-00                   | 33.6%                     | 30.4%                       | 25.3%  | 12.9%                |
| Jun-01                   | 20.0%                     | 15.2%                       | 8.8%   | 5.1%                 |
| Jun-02                   | -5.0%                     | -6.3%                       | -9.3%  | -7.6%                |
| Jun-03                   | -9.4%                     | -10.2%                      | -14.6% | -5.2%                |
| Jun-04                   | 20.5%                     | 19.0%                       | 14.4%  | 17.7%                |
| Jun-05                   | 35.1%                     | 31.0%                       | 24.1%  | 19.8%                |
| Jun 06                   | 34.7%                     | 31.6%                       | 19.8%  | 19.0%                |
| Jun-07                   | 35.9%                     | 32.8%                       | 21.6%  | 25.4%                |
| Jun-08                   | -24.1%                    | -25.8%                      | -31.3% | -15.5%               |
| Jun-09                   | -4.2%                     | -4.2%                       | -8.0%  | -26.0%               |
| Jun-10                   | 21.4%                     | 19.6%                       | 6.7%   | 9.5%                 |
| Jun-11                   | 4.7%                      | 4.7%                        | -1.7%  | 7.7%                 |
| Jun-12                   | -4.9%                     | -4.9%                       | -8.2%  | -11.3%               |

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

## MANAGING DIRECTOR'S COMMENTS

### DIVIDENDS PER SHARE

COMPOUND ANNUAL GROWTH RATE 5.5%



### INVESTMENTS AS AT 30 JUNE 2012

| Company                |   | Shares  | Market Value \$'000 | %             |
|------------------------|---|---------|---------------------|---------------|
| <b>ORDINARY SHARES</b> |   |         |                     |               |
| AMP                    | AMP Limited                                     | 294,027 | 1,132.0             | 3.86          |
| ANZ                    | Australia and New Zealand Banking Group Limited | 75,000  | 1,652.3             | 5.63          |
| BHP                    | BHP Billiton Limited                            | 56,341  | 1,771.9             | 6.03          |
| BXB                    | Brambles Limited                                | 117,063 | 721.1               | 2.46          |
| CBA                    | Commonwealth Bank of Australia                  | 41,700  | 2,214.3             | 7.54          |
| CMJ                    | Consolidated Media Holdings Limited             | 176,000 | 593.1               | 2.02          |
| COH                    | Cochlear Limited                                | 27,000  | 1,777.7             | 6.05          |
| CRZ                    | Carsales.com Limited                            | 280,000 | 1,680.0             | 5.72          |
| DMP                    | Dominos Pizza Enterprises Limited               | 56,000  | 562.8               | 1.92          |
| IRE                    | IRESS Market Technology Limited                 | 200,000 | 1,310.0             | 4.46          |
| MQG                    | Macquarie Group Limited                         | 41,000  | 1,066.0             | 3.63          |
| NVT                    | Navitas Limited                                 | 232,000 | 1,006.9             | 3.43          |
| PTM                    | Platinum Asset Management Limited               | 278,000 | 1,081.4             | 3.68          |
| REA                    | REA Group Limited                               | 110,000 | 1,508.1             | 5.14          |
| RIO                    | Rio Tinto Limited                               | 30,000  | 1,695.0             | 5.77          |
| SEK                    | SEEK Limited                                    | 312,283 | 1,979.9             | 6.74          |
| SKT                    | Sky Network Television Limited                  | 131,000 | 497.8               | 1.70          |
| TRS                    | The Reject Shop Limited                         | 31,000  | 283.6               | 0.97          |
| WBC                    | Westpac Banking Corporation                     | 58,930  | 1,245.2             | 4.24          |
| WOR                    | WorleyParsons Limited                           | 53,000  | 1,330.3             | 4.53          |
| WOW                    | Woolworths Limited                              | 80,000  | 2,144.0             | 7.30          |
| WPL                    | Woodside Petroleum Limited                      | 20,000  | 620.4               | 2.11          |
| WTF                    | Wotif.com Holdings Limited                      | 210,000 | 884.1               | 3.01          |
|                        |   |         | <b>28,757.9</b>     | <b>97.94</b>  |
| <b>OPTIONS</b>         |   |         |                     |               |
|                        | Options   |         | 0.0                 | 0.00          |
| <b>CASH</b>            |   |         |                     |               |
|                        | Cash  |         | 604.3               | 2.06          |
|                        | <b>TOTAL</b>                                    |         | <b>29,362.2</b>     | <b>100.00</b> |

## APPENDIX 4E ACCOUNTS

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

Hyperion Flagship Investments Limited  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2012

|  | Notes | 2012<br>\$'000 | 2011<br>\$'000 |
|--|-------|----------------|----------------|
| Gains/(Losses) on sale of Available-For-Sale Financial Assets                              |       | -              | (357)          |
| Other Revenue  | 4     | 1,422          | 1,500          |
| Performance Fee  |       | -              | -              |
| Other expenses   | 5     | (422)          | (426)          |
| <b>Profit/(Loss) before income tax</b>   |       | <b>1,000</b>   | <b>717</b>     |
| Income tax (Expense)/Benefit   | 6     | 38             | 155            |
| <b>Net Profit/(loss) for the year</b>  |       | <b>1,038</b>   | <b>872</b>     |
| <b>Other Comprehensive Income</b>  |       |                |                |
| Changes in fair value of Financial Assets at fair value through Other Comprehensive Income |       | (3,147)        | -              |
| Changes in Fair Value of Available-For-Sale Financial Assets                               |       | -              | 822            |
| Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income          |       | 937            | (247)          |
| <b>Other Comprehensive Income/(Loss) for the year</b>                                      |       | <b>(2,188)</b> | <b>575</b>     |
| <b>Total Comprehensive Income/(Loss) for the year</b>                                      |       | <b>(1,150)</b> | <b>1,447</b>   |

**Earnings per share:**

|                            |    | Cents | Cents |
|----------------------------|----|-------|-------|
| Basic earnings per share   | 18 | 4.22  | 3.35  |
| Diluted earnings per share | 18 | 4.22  | 3.35  |

*The above statement of comprehensive income should be read in conjunction with the notes to the financial statements.*

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
STATEMENT OF FINANCIAL POSITION  
As at 30 June 2012

|   | Notes | 2012<br>\$'000 | 2011<br>\$'000 |
|---|-------|----------------|----------------|
| <b>ASSETS</b>   |       |                |                |
| Cash and Cash Equivalents   | 7     | 604            | 626            |
| Trade and Other Receivables                                       | 8     | 151            | 162            |
| Financial Assets at fair value through Other Comprehensive Income | 9     | 28,758         | -              |
| Available-For-Sale Financial Assets                               | 10    | -              | 32,961         |
| Deferred Tax Assets   | 11    | 2,384          | 1,409          |
| <b>Total Assets</b>   |       | <b>31,897</b>  | <b>35,158</b>  |
| <b>LIABILITIES</b>  |       |                |                |
| Trade and Other Payables  | 12    | 57             | 37             |
| <b>Total Liabilities</b>  |       | <b>57</b>      | <b>37</b>      |
| <b>Net Assets</b>   |       | <b>31,840</b>  | <b>35,121</b>  |
| <b>EQUITY</b>   |       |                |                |
| Contributed Equity  | 13    | 33,941         | 34,293         |
| Other Reserves  | 14    | (2,304)        | (116)          |
| Retained earnings   |       | 203            | 944            |
| <b>Total equity</b>   |       | <b>31,840</b>  | <b>35,121</b>  |

*The above statement of financial position should be read in conjunction with the notes to the financial statements*



## APPENDIX 4E ACCOUNTS

### Hyperion Flagship Investments Limited STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2012

|   | Note  | Contributed<br>Equity | Retained<br>Earnings | Asset<br>Revaluation<br>Reserve | Asset<br>Realisation<br>Reserve | TOTAL         |
|---|-------|-----------------------|----------------------|---------------------------------|---------------------------------|---------------|
|   |       | \$'000                | \$'000               | \$'000                          | \$'000                          | \$'000        |
| <b>Balance at 1 July 2010</b>                               |       | 37,110                | 2,311                | (691)                           | -                               | 38,730        |
| <b>Total Comprehensive Income</b>                           |       | -                     | -                    | -                               | -                               | -             |
| Profit for Year   |       | -                     | 872                  | -                               | -                               | 872           |
| Other Comprehensive Income                                  |       | -                     | -                    | 575                             | -                               | 575           |
| <b>Total Comprehensive Income</b>                           |       | -                     | 872                  | 575                             | -                               | 1,447         |
| <b>Transactions with Owners in their capacity as owners</b> |       |                       |                      |                                 |                                 |               |
| Shares issued during period                                 | 13(b) | 479                   | -                    | -                               | -                               | 479           |
| Shares bought back on market                                | 13(b) | (3,296)               | -                    | -                               | -                               | (3,296)       |
| Dividends paid or provided for                              | 15(a) | -                     | (2,239)              | -                               | -                               | (2,239)       |
|   |       | (2,817)               | (2,239)              | -                               | -                               | (5,056)       |
| <b>Balance at 30 June 2011</b>                              |       | <b>34,293</b>         | <b>944</b>           | <b>(116)</b>                    | -                               | <b>35,121</b> |
| <b>Balance at 1 July 2011</b>                               |       | 34,293                | 944                  | (116)                           | -                               | 35,121        |
| <b>Total Comprehensive Income</b>                           |       |                       |                      |                                 |                                 |               |
| Profit for Year   |       | -                     | 1,038                | -                               | -                               | 1,038         |
| Other Comprehensive Income                                  |       | -                     | -                    | (2,188)                         | -                               | (2,188)       |
| <b>Total Comprehensive Income</b>                           |       | -                     | 1,038                | (2,188)                         | -                               | (1,150)       |
| <b>Transfers between Reserves</b>                           |       |                       |                      |                                 |                                 |               |
| Transfer to Asset Realisation Reserve                       |       | -                     | -                    | (15)                            | 15                              | -             |
| <b>Total Transfers between Reserves</b>                     |       | -                     | -                    | (15)                            | 15                              | -             |
| <b>Transactions with Owners in their capacity as owners</b> |       |                       |                      |                                 |                                 |               |
| Shares issued during period                                 | 13(b) | 474                   | -                    | -                               | -                               | 474           |
| Shares bought back on market                                | 13(b) | (826)                 | -                    | -                               | -                               | (826)         |
| Dividends paid or provided for                              | 15(a) | -                     | (1,779)              | -                               | -                               | (1,779)       |
|   |       | (352)                 | (1,779)              | -                               | -                               | (2,131)       |
| <b>Balance at 30 June 2012</b>                              |       | <b>33,941</b>         | <b>203</b>           | <b>(2,319)</b>                  | <b>15</b>                       | <b>31,840</b> |

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

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
STATEMENT OF CASH FLOWS  
For the year ended 30 June 2012

|   | Notes | 2012<br>\$'000 | 2011<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>                 |       |                |                |
| Dividends received  |       | 1,427          | 1,477          |
| Interest received   |       | 6              | 11             |
| Other payments  |       | (402)          | (1,122)        |
| <b>Net cash inflow/(outflow) from operating activities</b>  | 17    | <b>1,031</b>   | <b>366</b>     |
| <b>Cash flows from investing activities</b>                 |       |                |                |
| Proceeds from sale of investments                           |       | 2,739          | 6,732          |
| Payments for investments                                    |       | (1,661)        | (1,933)        |
| <b>Net cash inflow/(outflow) from investing activities</b>  |       | <b>1,078</b>   | <b>4,799</b>   |
| <b>Cash flows from financing activities</b>                 |       |                |                |
| Dividends paid  | 15(a) | (1,305)        | (1,759)        |
| Buy-back of shares  |       | (826)          | (3,296)        |
| <b>Net cash inflow/(outflow) from financing activities</b>  |       | <b>(2,131)</b> | <b>(5,055)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       |                |                |
| Cash and cash equivalents at the beginning of the year      |       | 626            | 516            |
| <b>Cash and cash equivalents at end of year</b>             | 7     | <b>604</b>     | <b>626</b>     |

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

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Hyperion Flagship Investments complies with International Financial Reporting Standards (IFRS).

These financial statements have been prepared under the historical cost convention, except for Financial Assets at fair value through Other Comprehensive Income and Available-For-Sale Financial Assets, which are measured at fair value.

Unless otherwise stated, all amounts are presented in Australian dollars. Hyperion Flagship Investments Limited is a for-profit entity for the purpose of preparing these financial statements.

#### (B) STATEMENT OF FINANCIAL POSITION FORMAT

The Statement of Financial Position is in a liquidity format. The adoption of a liquidity format results in the removal of the terms "current asset" and "non-current asset" from the Statement of Financial Position, in favour of the general term "assets".

#### (C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax (GST). The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

##### (i) Dividend revenue

Dividend revenue is recognised when the right to receive the dividend has been established.

##### (ii) Interest Revenue

Interest revenue is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest revenue.

Interest revenue on impaired loans is recognised using the original effective interest rate.

#### (D) INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and tax liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### (E) FINANCIAL INSTRUMENTS

##### Financial Assets At Fair Value Through Profit Or Loss

Financial assets at fair value through profit or loss are assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, or if so designated by management and within the requirement of AASB 9 *Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

##### Financial Assets At Fair Value Through Other Comprehensive Income

The Company is a long-term investor in equity instruments. Under AASB 9, these investments are classified as fair value through Other Comprehensive Income. After initial recognition at fair value (being cost), the Company has elected to present in Other Comprehensive Income changes in the fair value of equity instrument investments.

Unrealised gains and losses on investments are recognised in the Asset Revaluation Reserve until the investment is sold or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 9. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the realisation reserve.

## APPENDIX 4E ACCOUNTS

### Hyperion Flagship Investments Limited NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

#### (E) FINANCIAL INSTRUMENTS (continued)

##### Available-For-Sale Financial Assets

These investments are measured at fair value.

Unrealised gains and losses arising from changes in the fair value of these assets are taken directly to other comprehensive income and accumulated in equity.

When these financial assets are sold, the accumulated fair value adjustments are reclassified from equity to the Profit or Loss as gains and losses on sale.

Available-For-Sale Financial Assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. In the case of Available-For-Sale Financial Instruments, a significant or prolonged decline in the value of the instrument below cost is considered to be evidence of whether or not impairment has arisen.

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For Available-For-Sale Financial Assets that are debt securities, the reversal is recognised in profit or loss. For equity securities, the reversal is recognised in other comprehensive income.

##### Loans and Receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the profit or loss in other expenses.

##### *Fair value estimation*

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

#### (F) CASH AND CASH EQUIVALENTS

For Statement of Cash Flows purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

#### (G) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities are measured at amortised cost using the effective interest method.

#### (H) CONTRIBUTED EQUITY

Ordinary shares are classified as Equity.

Incremental costs directly attributable to the issue of new shares or options are shown in Equity as a deduction, net of tax, from the proceeds.

#### (I) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### (J) GOODS AND SERVICES TAX (GST)

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

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

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

## APPENDIX 4E ACCOUNTS

### Hyperion Flagship Investments NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

#### (K) ROUNDING OF AMOUNTS

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

#### (L) KEY JUDGEMENTS

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

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

As the Directors do not intend to dispose of the portfolio, this tax liability/benefit may not be crystallised at the amount disclosed in Note 11. In addition, the tax liability/benefit that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains/losses at the time of disposal.

The Company has an investment process (see below for explanation) which is anticipated will deliver medium to long term capital growth - minimum investment period is five years.

The deferred tax asset has been carried forward as it believed that this process will deliver growth over this period to utilise the deferred tax asset.

The Company does not hold any securities for short term trading purposes. Therefore the investment portfolio is classified as Financial Assets at fair value through Other Comprehensive Income.

#### (M) KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY

There are no key assumptions or sources of estimation uncertainty that have a risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period as investments are carried at their market value.

#### (N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

##### NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company has early adopted AASB 9 Financial Instruments (AASB 9) with initial application from 1 July 2011. The Standard has not been applied retrospectively in accordance with AASB 9's transitional provisions.

In accordance with AASB 9 the Company has designated its investments in equity securities that were formerly designated as "Available-For-Sale", as "fair value through Other Comprehensive Income" as disclosed in Note 1. (E). This results in all realised and unrealised gains and losses from the investment portfolio being recognised directly through "Other Comprehensive Income" in the

Statement of Comprehensive Income. Dividend income is recognised in the profit and loss.

In 2011 and prior years the investments in equity securities were designated as Available-For-Sale Financial Assets. This is in accordance with the accounting policies detailed in Note 1 (E).

The impact of the change in policy is that for 2012 realised gains of \$21,000 were recognised directly through Other Comprehensive Income and not in profit and loss. There was no impact on the Statement of Financial Position as the assets already reflected the fair value of the investments and were transferred from the Available-For-Sale Financial Assets account to the Financial Assets at Fair Value Through Other Comprehensive Income account.

##### NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2012.

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

## 2. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to a variety of financial risks as discussed below:

The Company's overall risk management program focuses on the volatility of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk governance is managed through the Board which provides direct oversight on the Company's risk management framework and overall risk management performance. The Board provides written principles for risk management covering investment portfolio composition. Risk is managed by the professional, disciplined management of the investment portfolio by Hyperion Asset Management Limited (the Manager).

The Company held the following financial instruments:

|   | 30 June<br>2012<br>\$'000 | 30 June<br>2011<br>\$'000 |
|---|---------------------------|---------------------------|
| <b>Financial assets</b>   |                           |                           |
| Cash and cash equivalents   | 604                       | 626                       |
| Trade and Other Receivables   | 151                       | 162                       |
| Financial Assets at fair value through Other Comprehensive Income/Available-For-Sale. | 28,758                    | 32,961                    |
| <b>Total</b>  | <b>29,513</b>             | <b>33,749</b>             |
| <b>Financial liabilities</b>  |                           |                           |
| Trade and Other Payables  | 57                        | 37                        |
| <b>Total</b>  | <b>57</b>                 | <b>37</b>                 |

## APPENDIX 4E ACCOUNTS

### Hyperion Flagship Investments NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

#### (A) MARKET RISK

##### (i) Foreign exchange risk

The Company operates entirely within Australia and is not exposed to material foreign exchange risk.

##### (ii) Equity market risk

The Company is exposed to risk of market price movement through its investments in Australian listed equity securities. Equity investments held by the Company are classified on the Statement of Financial Position as Financial Assets at fair value through Other Comprehensive Income and any movement in the listed equity securities is reflected in Other Comprehensive Income (2011: Available-For-Sale – refer Note 1).

The risk to Shareholders is that adverse equity securities market movements have the potential to cause losses in Company earnings or the value of its holdings of financial instruments. The Manager's investment strategy centres on the view that investing in proven high quality businesses with growth opportunities arising from their sustainable competitive advantage will outperform over the longer-term. Consistent with this approach, the Manager has an established risk management framework that includes procedures, policies and functions to ensure constant monitoring of the quality of the investee companies.

The objective of the risk management framework is to manage and control risk exposures within acceptable parameters while optimising returns.

Equity market risk is measured as a % change in the value of equity instruments held in the portfolio, as compared to the total market index for the same period.

The Company's exposure to equity market risk over the Manager's investment horizon at end of reporting period is:

|                                       | 2012  | 2011  |
|---------------------------------------|-------|-------|
| Portfolio five year return            | -2.6% | 4.6%  |
| All Ordinaries Index five year return | -8.1% | -1.5% |

##### Sensitivity Analysis

Increases/decreases in an equity securities price, affect the Company's asset revaluation reserve and other comprehensive income for the year. The analysis is based on the assumption that the Financial Assets at fair value through Other Comprehensive Income had increased/decreased by 5% (2011 - 5%) with all other variables held constant.

Impact on equity and other comprehensive income for the year:-  
2012 +/- \$1,438,000  
2011 +/- \$1,648,000

Impact on profit or loss is nil.

##### (iii) Cash flow interest rate risk

The Company is exposed to cash flow interest rate risk from holding cash and cash equivalents at variable rates. The objective of the Company is to minimise the potential adverse effects of interest rate risk.

In order to minimise the potential adverse effects of this risk, the Manager reviews the interest rate exposure as part of cash flow management and takes into consideration liquidity and yields as part of cash flow management. The cash and cash equivalents held are subject to an insignificant level of risk of changes in value. As at the reporting date, the Company had the following cash and cash equivalents:

30 June 2012: Balance \$604,000  
Weighted average interest rate 2.84%

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

#### (B) RELATIVE PERFORMANCE RISK

The Manager aims to outperform the risk free cash rate over the long-term. However, as the portfolio consists of equity investments these will tend to be more volatile than cash, so there will likely be periods of relative under and over performance compared to the benchmark risk free rate.

Over the long-term the Manager is confident that the portfolio can achieve outperformance through an investment selection process that invests in companies that have a sound business model, display a sustainable competitive advantage and have proven quality management.

#### (C) CREDIT RISK

Credit risk is the risk of a counterparty defaulting on their financial obligations resulting in a loss to the Company. The objective of the Company is to minimise credit risk exposure. Credit risk arises from cash and cash equivalents and Financial Assets at fair value through Other Comprehensive Income. Credit risk is managed by the Manager.

Credit risk arising from cash and cash equivalents is managed by only transacting with counterparties independently rated with a minimum rating of A. The providers of financial services to the Company are rated as AA by Standard and Poor's. Credit risk on cash and cash equivalents is deemed to be low.

Credit risk arising from Financial Assets at fair value through Other Comprehensive Income relates to the risk of counterparties on the ASX defaulting on their financial obligations on transactions for Australian listed equity securities. The credit risk for these transactions is deemed to be low.

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

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

## APPENDIX 4E ACCOUNTS

### Hyperion Flagship Investments Limited NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

#### (D) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The objective of the Company is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable Australian listed equity securities.

The Manager controls liquidity risk by continuously monitoring the balance between equity securities and cash or cash equivalents and the maturity profiles of assets and liabilities to ensure this risk is minimal.

#### (E) FAIR VALUE MEASUREMENTS

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

7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

|         |  |
|---------|--|
| Level 1 | quoted prices (unadjusted) in active markets for identical assets or liabilities   |
| Level 2 | inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and |
| Level 3 | inputs for the asset or liability that are not based on observable market data (unobservable inputs).  |

The following table presents the Company's assets and liabilities measured and recognised at fair value as 30 June 2012.

| Company – at<br>30 June 2011                   | Level 1       | Level 2 | Level 3 |
|--|---------------|---------|---------|
| Assets   | \$'000        | \$'000  | \$'000  |
| <b>Available-For-Sale<br/>Financial Assets</b> |               |         |         |
| Listed Equity Securities                       | 32,961        | -       | -       |
| <b>Total</b>                                   | <b>32,961</b> | -       | -       |

| Company – at<br>30 June 2012   | Level 1       | Level 2 | Level 3 |
|--|---------------|---------|---------|
| Assets   | \$'000        | \$'000  | \$'000  |
| <b>Financial Assets<br/>at fair value through<br/>Other Comprehensive<br/>Income</b> |               |         |         |
| Listed Equity Securities   | 28,758        | -       | -       |
| <b>Total</b>   | <b>28,758</b> | -       | -       |

#### (F) CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Company consists of equity attributable to members of the Company. The Board monitors the return on capital, which is defined as net operating income divided by total Shareholders' equity. The Board also monitors the level of dividends to Shareholders.

The capital of the Company is invested by the Investment Manager in accordance with the investment policy established by the Board. The Company has no borrowings. It is not subject to any externally imposed capital requirements.

The Company has continued the on-market buy-back of its own shares during the year. This assists in maintaining the alignment between the market price and the Net Asset Value of the Company.

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

### 3. SEGMENT INFORMATION OPERATING SEGMENT

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

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

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the year ended 30 June 2012

|   | Notes | 2012<br>\$'000 | 2011<br>\$'000 |
|---|-------|----------------|----------------|
| <b>4. REVENUE</b>   |       |                |                |
| Dividends   |       | 1,416          | 1,484          |
| Interest  |       | 6              | 11             |
| Other   |       | -              | 5              |
|   |       | <u>1,422</u>   | <u>1,500</u>   |
| <b>5. EXPENSES</b>  |       |                |                |
| <b>Profit / (loss) before income tax includes the following specific expenses:</b>  |       |                |                |
| Performance fees  |       | -              | -              |
| ASX listing and other fees  |       | 35             | 35             |
| Audit fees  |       | 25             | 22             |
| Directors fees  |       | 145            | 145            |
| Insurance   |       | 29             | 32             |
| Share registry  |       | 27             | 29             |
| Other   |       | 161            | 163            |
|   |       | <u>422</u>     | <u>426</u>     |
| <b>6. INCOME TAX EXPENSE</b>  |       |                |                |
| <b>(a) Income tax expense</b>   |       |                |                |
| Deferred tax  |       | (38)           | (155)          |
| Under / (over) provided in prior years  |       | -              | -              |
| Total income tax expense in profit or loss  |       | <u>(38)</u>    | <u>(155)</u>   |
| Deferred income tax (benefit) / expense included in income tax expense comprises:   |       |                |                |
| Decrease (increase) in deferred tax assets  | 11    | (33)           | (159)          |
| (Decrease) increase in deferred tax liabilities   | 11    | (5)            | 4              |
|   |       | <u>(38)</u>    | <u>(155)</u>   |
| <b>(b) Reconciliation of income tax expense to prima facie tax payable</b>  |       |                |                |
| Profit / (loss) before income tax expense   |       | 1,000          | 717            |
| Tax at the Australian tax rate of 30% (2011 - 30%)  |       | 300            | 215            |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:   |       |                |                |
| Dividend franking credits   |       | (341)          | (373)          |
| Other   |       | 3              | 3              |
|   |       | <u>(38)</u>    | <u>(155)</u>   |
| Under / (over) provision in prior years   |       | -              | -              |
| Income tax expense / (benefit)  |       | <u>(38)</u>    | <u>(155)</u>   |
| <b>(c) Amounts recognised in other comprehensive income</b>   |       |                |                |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to other comprehensive income. |       |                |                |
| Net deferred tax – debited / (credited) directly to other comprehensive income  | 11    | (937)          | 246            |
|   |       | <u>(937)</u>   | <u>246</u>     |



## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2012

|                                     | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>7. CASH AND CASH EQUIVALENTS</b> |                |                |
| Cash at bank and on hand            | 604            | 626            |
|                                     | <u>604</u>     | <u>626</u>     |

## 8. TRADE AND OTHER RECEIVABLES

|                   |            |            |
|-------------------|------------|------------|
| Other receivables | 151        | 162        |
|                   | <u>151</u> | <u>162</u> |

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Listed Securities, at fair value

|  |               |          |
|--|---------------|----------|
| At beginning of year                                       | -             | -        |
| Reclassification from Available –For-Sale Financial Assets | 32,961        | -        |
| Additions (at cost)  | 1,661         | -        |
| Revaluation  | (3,147)       | -        |
| Disposals (at fair value)                                  | (2,717)       | -        |
| Closing Balance at 30 June                                 | <u>28,758</u> | <u>-</u> |
| Australian listed equity securities                        | <u>28,758</u> | <u>-</u> |

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

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

### Listed Securities, at fair value

|   |          |               |
|---|----------|---------------|
| At beginning of year  | 32,961   | 37,229        |
| Reclassification to Financial Assets at Fair Value Through Other Comprehensive Income | (32,961) | -             |
| Additions (at cost)   | -        | 1,938         |
| Revaluation   | -        | 822           |
| Disposals (at fair value)   | -        | (7,028)       |
| Closing Balance at 30 June  | <u>-</u> | <u>32,961</u> |
| Australian listed equity securities   | <u>-</u> | <u>32,961</u> |

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

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 30 June 2012

|  | 2012<br>\$'000      | 2011<br>\$'000      |
|--|---------------------|---------------------|
| <b>11. DEFERRED TAX ASSETS</b>   |                     |                     |
| The balance comprises temporary differences attributable to:   |                     |                     |
| <i>Amounts recognised in profit or loss</i>  |                     |                     |
| Accruals   | 9                   | 8                   |
| Tax losses - revenue   | 612                 | 521                 |
| Tax losses - capital   | 785                 | 785                 |
|  | <u>1,406</u>        | <u>1,312</u>        |
| <i>Amounts recognised in Other Comprehensive Income</i>  |                     |                     |
| Tax Losses – Capital   | (6)                 | -                   |
| Unrealised loss on Available-For-Sale Investments  | -                   | 50                  |
| Unrealised loss on Financial Assets on fair value through Other Comprehensive Income                         | 993                 | -                   |
|  | <u>987</u>          | <u>50</u>           |
| <i>Amounts recognised directly in equity</i>   |                     |                     |
| Share issue expenses   | -                   | 59                  |
|  | <u>-</u>            | <u>59</u>           |
| <b>Net deferred tax assets</b>   | <u><u>2,393</u></u> | <u><u>1,423</u></u> |
| <b>Reconciliations</b>   |                     |                     |
| <b>(i) Gross Movements:</b>  |                     |                     |
| The overall movement in deferred tax asset accounts is as follows:   |                     |                     |
| Opening balance  | 1,423               | 1,510               |
| (Charged)/credited directly to the profit or loss  | 33                  | 159                 |
| (Charged)/credited to Other Comprehensive Income   | 937                 | (246)               |
| <b>Closing balance at 30 June</b>  | <u><u>2,393</u></u> | <u><u>1,423</u></u> |
| <b>(ii) The movement in deferred tax assets for each temporary difference during the year is as follows:</b> |                     |                     |
| <i>Share issue expenses</i>  |                     |                     |
| Opening balance  | 59                  | 117                 |
| (Charged)/credited directly to profit or loss  | (59)                | (58)                |
| <b>Closing balance</b>   | <u>-</u>            | <u>59</u>           |
| <i>Accruals</i>  |                     |                     |
| Opening balance  | 8                   | 9                   |
| (Charged)/credited directly to profit or loss  | 1                   | (1)                 |
| <b>Closing Balance</b>   | <u>9</u>            | <u>8</u>            |
| <i>Tax losses - revenue</i>  |                     |                     |
| Opening balance  | 521                 | 408                 |
| (Charged)/credited directly to profit or loss  | 91                  | 113                 |
| <b>Closing Balance</b>   | <u>612</u>          | <u>521</u>          |

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 30 June 2012

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>11. DEFERRED TAX ASSETS (continued)</b>  |                |                |
| <i>Tax losses - capital</i>   |                |                |
| Opening balance   | 785            | 680            |
| (Charged)/credited directly to profit or loss   | -              | 105            |
| (Charged)/credited directly to Other Comprehensive Income   | (6)            | -              |
| <b>Closing Balance</b>  | <b>779</b>     | <b>785</b>     |
| <i>Available-For-Sale Investments</i>   |                |                |
| Opening balance   | 50             | 296            |
| (Charged)/credited directly to Other Comprehensive Income   | (50)           | (246)          |
| <b>Closing Balance</b>  | <b>-</b>       | <b>50</b>      |
| <i>Unrealised loss on Financial Assets at Fair Value through Other Comprehensive Income</i>                     |                |                |
| Opening balance   | -              | -              |
| (Charged)/credited directly to Other Comprehensive Income   | 993            | -              |
| <b>Closing Balance</b>  | <b>993</b>     | <b>-</b>       |
| <b>DEFERRED TAX LIABILITIES</b>   |                |                |
| The balance comprises temporary differences attributable to:  |                |                |
| <i>Amounts recognised in Other Comprehensive Income</i>   |                |                |
| Unfranked dividend and interest receivable  | 9              | 14             |
| <b>Net deferred tax liabilities</b>   | <b>9</b>       | <b>14</b>      |
| <b>Reconciliations</b>  |                |                |
| <b>(i) Gross Movements:</b>   |                |                |
| The overall movement in the deferred tax liability account is as follows:                                       |                |                |
| Opening balance   | 14             | 10             |
| Charged/(credited) directly to profit or loss   | (5)            | 4              |
| <b>Closing balance</b>  | <b>9</b>       | <b>14</b>      |
| <b>(ii) The movement in deferred tax liability for each temporary difference during the year is as follows:</b> |                |                |
| <i>Unfranked dividend and interest receivable</i>   |                |                |
| Opening balance   | 14             | 10             |
| Charged/(credited) directly to profit and loss  | (5)            | 4              |
| <b>Closing balance</b>  | <b>9</b>       | <b>14</b>      |
| <b>Net deferred tax asset adjusted for deferred tax liabilities</b>   | <b>2,384</b>   | <b>1,409</b>   |

## 12. TRADE AND OTHER PAYABLES

|                  |           |           |
|------------------|-----------|-----------|
| Accrued expenses | 57        | 37        |
|                  | <b>57</b> | <b>37</b> |

Contractual cash flows from trade and other payables approximate their carrying amount. Trade and other payables are all contractually due within six months of reporting date.

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 30 June 2012

|                               | 2012<br>Shares    | 2011<br>Shares    | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------|-------------------|-------------------|----------------|----------------|
| <b>13. CONTRIBUTED EQUITY</b> |                   |                   |                |                |
| (a) Share Capital             |                   |                   |                |                |
| Ordinary shares               |                   |                   |                |                |
| Fully paid                    | 24,455,539        | 24,752,257        | 33,941         | 34,293         |
| <b>Total Share Capital</b>    | <b>24,455,539</b> | <b>24,752,257</b> | <b>33,941</b>  | <b>34,293</b>  |

The Company does not have an authorised capital value or par value in respect of its issued shares.

(b) *Movements in ordinary share capital:*

| Date                            | Details  | Number of<br>shares | Price                     | \$'000        |
|---------------------------------|--|---------------------|---------------------------|---------------|
| <b>30 June 2010</b>             | <b>Balance</b>   | <b>26,818,549</b>   |                           | <b>37,110</b> |
| 20 July 2010 to<br>29 June 2011 | Cancellation of shares under<br>the buy-back scheme      | (2,416,656)         | \$1.36<br>(average price) | (3,296)       |
| 28 September 2010               | Dividend Reinvestment Plan<br>issues (see note (d) below | 149,929             | \$1.45                    | 216           |
| 11 March 2011                   | Dividend Reinvestment Plan<br>issues (see note (d) below | 200,435             | \$1.31                    | 263           |
| <b>30 June 2011</b>             | <b>Balance</b>   | <b>24,752,257</b>   |                           | <b>34,293</b> |
| 20 July 2011 to<br>29 June 2012 | Cancellation of shares under<br>the buy-back scheme      | (673,721)           | \$1.23<br>(average price) | (826)         |
| 9 September 2011                | Dividend Reinvestment Plan<br>issues (see note (d) below | 213,372             | \$1.318                   | 281           |
| 10 May 2012                     | Dividend Reinvestment Plan<br>issues (see note (d) below | 163,631             | \$1.177                   | 193           |
| <b>30 June 2012</b>             | <b>Balance</b>   | <b>24,455,539</b>   |                           | <b>33,941</b> |

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share Buy-back

On 24 June 2011 the company announced to the Australian Securities Exchange that it intended to buy-back up to a maximum of 10% of its issued capital within one year, subject to market conditions. The buy-backs reflect the Company's focus on maintaining an efficient balance sheet through active capital management.

## 14. OTHER RESERVES

### Asset Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred tax are recorded in the Asset Revaluation Reserve. When an investment has been sold or de-recognised, the realised gains and losses (after tax) are transferred from the revaluation reserve to the Asset Revaluation Reserve.

### Asset Realisation Reserve

The Asset Realisation Reserve records realised gains and losses from the sale of investments which are transferred from the Asset Revaluation Reserve.

## APPENDIX 4E ACCOUNTS

### Hyperion Flagship Investments Limited NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>15. DIVIDENDS</b>   |                |                |
| <b>(a) Dividends paid</b>  |                |                |
| Final dividend of 4.25 cents (2011 – 4.25 cents) per fully paid share paid on 28 September 2011 (2011 – 28 September 2010)<br>Partly franked based on tax paid @ 30% - 3.75 cents per share  | 1,046          | 1,119          |
| Interim dividend of 3.0 cents (2011 – 4.25 cents) per fully paid share paid on 11 May 2012 (2011 – 11 March 2011)<br>Fully franked based on tax paid @ 30% - 3.0 cents per share   | 733            | 1,120          |
| <b>Total dividends provided for or paid</b>  | <b>1,779</b>   | <b>2,239</b>   |
| Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2012 and 2011 were as follows:  |                |                |
| Paid in cash   | 1,305          | 1,760          |
| Satisfied by issue of shares   | 474            | 479            |
|  | <b>1,779</b>   | <b>2,239</b>   |
| <b>(b) Listed Investment Company capital gain account</b>  |                |                |
| Balance of the Listed Investment Company (LIC) capital gain account  | -              | -              |
| LIC capital gains available for distribution are dependent upon:<br>(i) the disposal of investment portfolio holdings which qualify for LIC capital gains or<br>(ii) the receipt of LIC distributions from LIC securities held in the portfolio  |                |                |
| <b>(c) Franked dividends</b>   |                |                |
| The franked portions of the final dividends recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax or franking credits received on dividends in the year ending 30 June 2013.   |                |                |
| Balance as at 30 June 2012 of the franking account after allowing for tax payable in respect of the current year's profits, the receipt of dividends recognised as receivables and the payment of dividends recognised as a liability at the reporting date.   | 1,539          | 1,761          |
| <b>(d) Dividends not recognised at year end</b>  |                |                |
| In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 3.0 cents per fully paid ordinary share, (2011 – 4.25 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 12 October 2012 out of retained profits at 30 June 2012, but not recognised as a liability at year end | 732            | 1,049          |
| The impact on the franking account of dividends recommended after year end but before the financial statements were authorised for issue and not recognised as a liability at year end will be a reduction on the franking account.  | 314            | 397            |

## APPENDIX 4E ACCOUNTS

Hyperion Flagship Investments Limited  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2012

|  | 2012   | 2011   |
|--|--------|--------|
|  | \$'000 | \$'000 |

### 16. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor:

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Provision of accounting advice        | 5         | -         |
| Audit and review of financial reports | 25        | 22        |
| <b>Total remuneration of auditors</b> | <b>30</b> | <b>22</b> |

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

|  |       |       |
|--|-------|-------|
| Profit / (Loss) for the year                                     | 1,038 | 822   |
| Sundry Income  | -     | (5)   |
| Net (Gain) / loss on sale of Available-For-Sale Financial Assets | -     | 357   |
| Changes in Operating Assets/Liabilities                          |       |       |
| (Increase)/decrease in trade and other receivables               | 11    | 46    |
| (Increase)/decrease in prepayment                                | -     | 3     |
| (Increase)/(Decrease) in deferred tax assets                     | (38)  | (155) |
| Increase / (Decrease) in trade and other payables                | 20    | (752) |
| Net cash inflow / (outflow) from operating activities            | 1,031 | 366   |

### 18. EARNINGS PER SHARE

|  |            |            |
|--|------------|------------|
| (a) Earnings used in the calculation of basic and diluted earnings per share.                |            |            |
| Profit / (loss) from continuing operations attributable to the owners of the Company         | 1,038      | 872        |
|  | Cents      | Cents      |
| (b) Basic and diluted earnings per share   | 4.22       | 3.35       |
|  | Number     | Number     |
| (c) Weighted average number of ordinary shares used in the calculation of earnings per share | 24,598,740 | 26,056,043 |