

Annual Report
Year End 30 June 2006

Hyperion Small Growth Companies Fund

Hyperion Small Growth Companies Fund

ARSN 089 548 943

Annual report - 30 June 2006

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This financial report covers Hyperion Small Growth Companies Fund as an individual entity.

The responsible entity of Hyperion Small Growth Companies Fund is WHTM Capital Management Limited (ABN 29 082 494 362). The responsible entity's registered office is 71 Eagle Street, Brisbane, QLD 4000.

Directors' report

The directors of WHTM Capital Management Limited, the responsible entity of Hyperion Small Growth Companies Fund, present their report together with the financial report of Hyperion Small Growth Companies Fund ("the Scheme"), for the year ended 30 June 2006.

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The Scheme invests in equities in accordance with the provisions of the Scheme Constitution.

The Scheme aims to generate significant medium to long-term capital growth by investing in quality Australian companies listed outside the S&P/ASX 100.

The Scheme did not have any employees during the year.

There were no significant changes in the nature of the Scheme's activities during the year.

Directors

The following persons held office as directors of WHTM Capital Management Limited during the year or since the end of the year and up to the date of this report:

Mr A Ihlenfeldt (Appointed 8 October 2004)
 Mr N Schafer (Appointed 8 October 2004, Resigned 2 January 2006)
 Mr I Harrison (Appointed 8 October 2004)
 Mr B Usasz (Appointed 8 October 2004)
 Mr G Lowrey (Appointed 8 March 2006)

Review of operations

During the year, the Scheme continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

Management expense ratio (MER)

The MER calculation includes fees charged to the Scheme during the financial year, including those charged by the responsible entity directly for management of the assets and custodial fees.

Expenses excluded from the MER calculation are those that would have ordinarily been incurred by a direct investor in the underlying assets of the Scheme, such as brokerage, transaction costs and government taxes.

	30 June 2006 \$	As at 30 June 2005 \$
MER related expenses incurred directly	<u>126,543</u>	<u>119,882</u>
Total MER related expenses	<u>126,543</u>	<u>119,882</u>
Average unitholders' funds*	9,375,605	12,214,728
MER	1.35	0.98

* The average unitholders' funds used to calculate the MER is the average net assets of the Scheme, which is calculated on a daily basis.

Directors' report (continued)

Impact of applying Australian equivalents to international financial reporting standards (AIFRS) for financial reporting

During the year the Scheme applied AIFRS for financial reporting purposes.

The Scheme has elected to adopt the exemption in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to not restate comparatives for the effects of AASB 132 Financial Instruments: Disclosure and presentation and AASB 139 Financial Instruments: Recognition and measurement. Accordingly the adjustments described below were made as of 1 July 2005. There are no adjustments as a result of AIFRS

Valuation of investments

For the purpose of determining unit prices for applications and redemptions, quoted investment positions are valued on a last sale basis (which includes provision for disposal costs) on the relevant trading day, in accordance with the Scheme Constitution and the governing documents of the Scheme.

AIFRS requires that long quoted investment positions be valued at the closing bid prices (excluding provision for disposal costs) on the relevant trading day.

Amounts attributable to unitholders

Units issued by the Scheme provide investors with the right to put them back to the Scheme at the prevailing redemption price. As such, AIFRS requires net assets attributable to unitholders to be classified and disclosed as a liability in the balance sheet with changes in net assets attributable to unitholders being reflected in the income statement.

It is the opinion of the directors that adopting AIFRS does not have unit pricing consequences, as the basis of unit price accounting is as outlined in the Scheme Constitution and the governing documents of the Scheme. The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under AIFRS have been outlined below:

	30 June 2006 \$	30 June 2005 \$
Net assets for unit pricing purposes	4,706,522	11,916,114
Difference between net market value (for unit pricing) and fair value (for financial reporting) of securities	(8,642)	-
Reclassification of net assets attributable to unitholders to liabilities	<u>(4,697,880)</u>	<u>-</u>
Net assets under AIFRS	<u>-</u>	<u>11,916,114</u>

Results

The performance of the Scheme, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2006 \$	30 June 2005 \$
Net operating profit/(loss)	<u>2,958,047</u>	<u>2,682,267</u>
Distribution paid and payable	<u>277,395</u>	<u>351,258</u>
Distribution (cents per unit)	<u>4.06915</u>	<u>3.68349</u>

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under review.

Directors' report (continued)

Matters subsequent to the end of the financial year

Except as disclosed in note 17 in the financial report, no other matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Scheme in future financial years.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment markets in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of WHTM Capital Management Limited or the auditors of the Scheme. So long as the officers of WHTM Capital Management Limited act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Fees paid to and interests held in the Scheme by the responsible entity or its associates

Fees paid to the responsible entity and its associates out of Scheme property during the year are disclosed in Note 15 on page 20 of the financial statements.

No fees were paid out of Scheme property to the directors of the responsible entity during the year.

The number of units in the Scheme held by the responsible entity or its associates as at the end of the financial year are disclosed in Note 15 on page 20 of the financial statements.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of the directors.



Mr A Ihlenfeldt
Director

Brisbane
10 October 2006

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Auditor's Independence Declaration

As lead auditor for the audit of Hyperion Small Growth Companies Fund for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hyperion Small Growth Companies Fund during the year.



Mr Timothy J. Allman
Partner
PricewaterhouseCoopers

Brisbane
10 October 2006

Income statement

	Notes	Year ended	
		30 June 2006 \$	30 June 2005 \$
Investment income			
Interest income	3	26,375	31,581
Dividend income	4	366,269	437,907
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	2,755,596	2,332,237
Other operating income		<u>2,000</u>	-
Total investment income/(loss)		<u>3,150,240</u>	<u>2,801,725</u>
Expenses			
Management fees		55,912	62,155
Trustee's fees		10,329	-
Custody fees		38,891	43,655
Auditor's remuneration	6	19,186	7,843
Transaction costs		67,184	-
Other operating expenses		<u>691</u>	<u>5,805</u>
Total operating expenses		<u>192,193</u>	<u>119,458</u>
Net operating profit/(loss)		<u>2,958,047</u>	<u>2,682,267</u>
Financing costs attributable to unitholders			
Distributions to unitholders	8	277,395	-
Increase/(decrease) in net assets attributable to unitholders	7	<u>2,680,652</u>	-
Net profit/(loss) for the year		<u>-</u>	<u>2,682,267</u>
Distribution			
Net profit/(loss)		-	2,682,267
Difference between net operating income and net distributable income	7	<u>-</u>	<u>(2,331,009)</u>
Distributions to unitholders		<u>-</u>	<u>351,258</u>

The above income statement should be read in conjunction with the accompanying notes.

Balance sheet

		As at	
	Notes	30 June 2006 \$	30 June 2005 \$
Assets			
Cash and cash equivalents	9	225,204	563,867
Receivables	12	29,400	7,061
Financial assets held at fair value through profit or loss	10	<u>4,495,389</u>	<u>11,673,317</u>
Total assets		<u>4,749,993</u>	<u>12,244,245</u>
Liabilities			
Distributions payable	8	-	150,645
Payables	13	<u>27,113</u>	<u>177,486</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>27,113</u>	<u>328,131</u>
Net assets attributable to unitholders (liability)	7	<u>4,722,880</u>	<u>-</u>
Equity			
Net assets attributable to unitholders	7	<u>-</u>	<u>11,916,114</u>
Unitholders' funds		<u>-</u>	<u>11,916,114</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Year ended	
	30 June 2006 \$	30 June 2005 \$
Total equity at the beginning of the financial year	11,916,114	10,135,231
Adjustment on adoption of AASB132 and AASB139	(11,916,114)	-
Total equity at the beginning of the financial year (restated)	-	10,135,231
Profit/(loss) for the year	-	2,682,267
Total recognised income and expense for the year	-	2,682,267
Distributions to equity holders	-	(351,258)
Movements in equity during the period	-	(550,126)
Total equity at the end of the financial year	-	11,916,114

Under AIFRS, net assets attributable to unitholders is classified as a liability rather than equity. As a result, after restating the opening balance, there was no equity at the start or end of the year.

The Scheme has elected to adopt the exemption in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to not restate comparatives for the effects of AASB132 Financial Instruments: Disclosure and Presentation. As a result, for the comparative period, net assets attributable to unitholders is reported as equity.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

		Year ended	
		30 June	30 June
		2006	2005
Notes		\$	\$
<i>Cash flows from operating activities</i>			
	Proceeds from sale of financial instruments held at fair value through profit or loss	61,972,752	11,218,399
	Purchase of financial instruments held at fair value through profit or loss	(52,182,791)	(10,797,998)
	Transaction costs on purchase of financial instruments held at fair value through profit or loss	(67,184)	-
	Dividends received	367,949	439,135
	Interest received	26,375	31,581
	Other income received	2,000	-
	Manager fees paid	(77,292)	(44,285)
	Payment of other expenses	(70,176)	(64,890)
	RITC received/(payable)	8,671	8,107
	<i>Net cash inflow/(outflow) from operating activities</i>	<u>9,980,304</u>	<u>790,049</u>
16(a)			
<i>Cash flows from financing activities</i>			
	Proceeds from applications by unitholders	1,706,874	8,290,736
	Payments for redemptions by unitholders	(11,995,096)	(9,110,965)
	Distributions paid	(35,962)	(13,660)
	Other cash inflows / (outflow) from financing activities	5,217	1,028
	<i>Net cash inflow/(outflow) from financing activities</i>	<u>(10,318,967)</u>	<u>(832,861)</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>			
		(338,663)	(42,812)
	Cash and cash equivalents at beginning of the year	<u>563,867</u>	<u>606,679</u>
	<i>Cash and cash equivalents at the end of the year</i>	<u>225,204</u>	<u>563,867</u>
16(b)			
	Non-cash financing activities	-	-
16(c)			

The above cash flow statement should be read in conjunction with the accompanying notes.

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1 General information

This financial report covers Hyperion Small Growth Companies Fund (the "Scheme") as an individual entity.

The responsible entity of the Scheme is WHTM Capital Management Limited (the "responsible entity"). The responsible entity's registered office is 71 Eagle Street, Brisbane, QLD 4000.

The Custodian of the Scheme is National Australia Bank.

The Scheme aims to generate significant medium to long-term capital growth by investing in quality Australian companies listed outside the S&P/ASX 100.

The financial statements were authorised for issue by the directors on 26 September 2006. The directors have the power to amend the financial statements after they have been issued.

2 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial report of the Scheme, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This is the first annual financial report of the Scheme prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing this financial report.

The financial statements of the Scheme until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 30 June 2006 financial statements, the directors have amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of the year ended 30 June 2005 were restated to reflect these adjustments.

The Scheme has elected to adopt the exemption in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to not restate comparatives for the effects of AASB 132 Financial instruments: Disclosure and presentation and AASB 139 Financial instruments: Recognition and measurement.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on net assets attributable to unitholders and profit are given in note 2(p).

2 Summary of significant accounting policies (continued)

(b) Financial instruments

From 1 July 2004 to 30 June 2005

As the Scheme has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005, previous AGAAP has been applied to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For the comparative period, financial instruments were measured at net market value, with securities priced based on a last trade basis and including provision for future disposal costs.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 is that, with the exception of held to maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Changes in fair value are taken to the income statement (refer below).

(i) Classification

The Scheme's investments are categorised as at fair value through profit or loss category, which is comprised of:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

As the Scheme has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005, investments held in the prior year have not been re-stated, however, where practical, investments have been re-categorised to enhance comparability.

(ii) Recognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

(iii) Measurement

(a) Financial assets and liabilities held at fair value through the profit or loss

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit and loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

For other pricing models, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Scheme at any time for cash equal to a proportionate share of the Scheme's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders.

In the comparative period, net assets attributable to unitholders was classified as equity and represented the unitholders' interest in the net assets of the Scheme.

(d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, high 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

(e) Investment income

Interest income and expenses are recognised in the income statement for all debt instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Scheme estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions are recognised on an entitlements basis as the Scheme is presently entitled to the distributable income of its investee trusts.

Investment income is brought to account on an accrual basis.

2 Summary of significant accounting policies (continued)

(f) Expenses

All expenses, including manager's fees and custodian fees, are recognised in the income statement on an accruals basis.

(g) Income tax

Under current legislation, the Scheme is not subject to income tax provided the taxable income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Scheme).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

(h) Distributions

In accordance with the Scheme Constitution, the Scheme fully distributes its distributable (taxable) income to unitholders by cash or reinvestment. The distributions are recognised in the income statement as finance costs attributable to unitholders.

In the prior period, distributions were recognised as a reduction of unitholders' funds.

(i) Increase/decrease in net assets attributable to unitholders

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of financial instruments held at fair value through profit or loss, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

Movements in net assets attributable to unitholders are recognised in the income statement as financing costs.

(j) Functional and presentation currency

Items included in the Scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

(k) Receivables

Receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment using the effective interest rate method. Amounts are generally received within 30 days of being recorded as receivables.

2 Summary of significant accounting policies (continued)

(l) Payables

Payables includes liabilities and accrued expenses owing by the Scheme which are unpaid as at balance date.

Trades are recorded on trade date, and normally settled within three business days. Purchases of securities and investments that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet as unitholders are presently entitled to the distributable income as at 30 June 2006 under the Scheme Constitution.

(m) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to unit pricing accounting outlined in the Scheme constitution and PDS.

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Scheme by third parties such as audit fees, custodial services and investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the income statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

(o) Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(p) Impact of the adoption of AIFRS

As stated in note 2(a), the Scheme has elected to adopt the exemption in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to defer the application of AASB 132 and AASB 139. As a result, no adjustments were required to be made to figures previously reported on transition to AIFRS on 1 July 2004, and no adjustments are required to be made to the net profit for the year ended 30 June 2005. Upon application of AASB 132 and AASB 139 from 1 July 2005 certain adjustments have been made to the 30 June 2005 figures previously reported, as set out below. For the purposes of this note "unitholders' funds" has the same meaning as the presentation of "net assets attributable to unitholders" in the balance sheet.

(i) Reconciliation of total unitholders' funds as presented under previous AGAAP to that under AIFRS:

	1 July 2005
	\$
Total unitholders' funds brought forward under previous AGAAP	11,916,114
(a) Changes in valuation of securities and derivative financial instruments	(2,741)
(b) Reclassification of unitholders' funds to debt	<u>(11,913,373)</u>
Total unitholders' funds brought forward under AIFRS	<u>-</u>

2 Summary of significant accounting policies (continued)

(p) Impact of the adoption of AIFRS (continued)

- (a) In accordance with AASB 139, the valuation of securities has been changed to take into account the following:
- valuation at bid price, rather than at last sale price, resulting in a decrease to asset carrying values for equities; and
 - the valuation is no longer net of disposal costs.
- (b) In accordance with AASB 132, unitholders' funds are classified as a liability and are no longer reported as equity for financial statement presentation purposes.

While the adoption of AIFRS has not had a material impact on the cash flow statement, payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity. Under AGAAP, these cash flows were classified as investing activities.

(q) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set below:

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB1023 & AASB 1038]

AASB 2005-4 Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038] (will require the Scheme to disclose the basis for meeting the criteria for designation of its financial instruments as at fair value through profit or loss)

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 2005-4 is applicable to annual reporting periods beginning on or after 1 January 2006. The Scheme has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Scheme's financial instruments.

3 Interest income

	Year ended					
	30 June 2006		30 June 2005			
	Average balance \$	Interest \$	Average rate %	Average balance \$	Interest \$	Average rate %
Cash and deposits - domestic	<u>504,006</u>	<u>26,375</u>	<u>5.23</u>	649,198	<u>31,581</u>	4.86
		<u>26,375</u>			<u>31,581</u>	

This table shows the average balance for each of the major categories of interest-bearing assets, the amount of interest revenue and the average interest rate. The average balances are calculated using daily balances.

4 Dividend income

	Year ended	
	30 June 2006 \$	30 June 2005 \$
Dividends - domestic	<u>366,269</u>	<u>437,907</u>
	<u>366,269</u>	<u>437,907</u>

5 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net unrealised gain/(loss) on financial instruments designated at fair value through profit and loss

Shares in companies listed on a prescribed stock exchange	<u>784,554</u>	<u>371,281</u>
---	----------------	----------------

Net realised gain/(loss) on financial instruments designated as at fair value through profit and loss

Shares in companies listed on a prescribed stock exchange	<u>1,971,042</u>	<u>1,960,956</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>2,755,596</u>	<u>2,332,237</u>

6 Auditor's remuneration

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

	Year ended	
	30 June 2006 \$	30 June 2005 \$
(a) Assurance services		
Audit services		
Audit of financial reports	12,586	7,500
Compliance plan	2,200	1,875
Taxation services	4,400	4,400
Total remuneration for audit services	<u>19,186</u>	<u>13,775</u>

7 Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the year were as follows:

As stipulated within the Scheme Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

	30 June		As at	
	2006	30 June	30 June	30 June
	No.	No.	\$	\$
	Liability	Equity	Liability	Equity
Net assets attributable to unitholders - ordinary				
Opening balance	9,446,117	9,692,893	11,913,373	10,135,231
Applications	1,235,412	6,692,390	1,731,874	8,290,736
Redemptions	(8,086,539)	(7,163,044)	(11,995,096)	(9,110,965)
Units issued upon reinvestment of distributions	281,256	223,878	392,077	270,103
Differences between net operating income and net distributable income	-	-	-	2,331,009
Increase/(decrease) in net assets attributable to unitholders	-	-	2,680,652	-
Closing balance	<u>2,876,246</u>	9,446,117	<u>4,722,880</u>	11,916,114

In the current period, under AIFRS, net assets attributable to unitholders is classified as a liability (classified as equity prior to the application of AASB 132). Consequently, distributions and the movement in the net assets attributable to unitholders are recognised as a financing cost in the current period's income statement.

8 Distributions to unitholders

Timing of distributions

The distributions were paid/payable as follows:

	30 June		Year ended	
	2006	30 June	30 June	30 June
	\$	CPU	\$	CPU
Distributions - ordinary				
30 September	93,221	0.95404	16,394	0.15233
30 November	101,818	1.04353	-	-
31 December	23,928	0.27436	172,573	1.80439
31 March	58,428	1.79722	11,646	0.13199
30 June- payable	-	-	150,645	1.59478
	<u>277,395</u>		<u>351,258</u>	

For the reasons set out in note 7 above, distributions to unitholders are recognised as finance costs in the current period. They were previously accounted for as a distribution of equity.

9 Cash and cash equivalents

	As at	
	30 June 2006	30 June 2005
	\$	\$
Cash at bank	<u>225,204</u>	<u>563,867</u>
	<u>225,204</u>	<u>563,867</u>

10 Financial assets held at fair value through profit or loss

	As at	
	30 June 2006	30 June 2005
	Fair value \$	Fair value \$
Designated at fair value through profit or loss		
Listed shares	<u>4,495,389</u>	11,673,317
Total financial assets held at fair value through profit or loss	<u>4,495,389</u>	<u>11,673,317</u>

11 Segment information

The Scheme is organised into one main segment which operates solely in the business of investment management within Australia.

12 Receivables

	As at	
	30 June 2006	30 June 2005
	\$	\$
Accrued income	592	2,272
GST receivable	3,808	4,789
Unsettled applications	<u>25,000</u>	-
	<u>29,400</u>	<u>7,061</u>

13 Payables

	As at	
	30 June 2006	30 June 2005
	\$	\$
Unsettled trades and redemptions	-	140,821
Accrued expenses	20,868	35,637
Withholding tax payable	<u>6,245</u>	<u>1,028</u>
	<u>27,113</u>	<u>177,486</u>

14 Financial risk management

The Scheme is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Scheme to manage these risks are discussed below.

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved
- ensuring that transactions are undertaken with a large number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

There were no significant concentrations of credit risk to counterparties at 30 June 2006 or 30 June 2005. No individual investment exceeded five percent of the net assets attributable to unitholders at 30 June 2006 or 30 June 2005.

(b) Foreign exchange risk

There is no significant direct foreign exchange risk in this Scheme.

(c) Interest rate risk

There is no significant direct interest rate risk in this Scheme.

(d) Market price risk

Market price risk is the risk that the value of the Scheme's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives.

(e) Liquidity and cash flow risk

Liquidity risk is the risk that the Scheme will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

(f) Net fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the balance sheet at the 30 June 2006, are carried at fair value.

15 Related parties

Responsible entity

The responsible entity of Hyperion Small Growth Companies Fund is WHTM Capital Management Limited (the Responsible Entity).

15 Related parties (continued)

Hyperion Asset Management Limited is the investment manager of the Scheme.

Wilson HTM Investment Group Limited is the ultimate holding company of WHTM Capital Management Limited and has a substantial financial interest in Hyperion Asset Management Limited.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Wilson HTM Services Pty Limited at any time during the financial year as follows:

Mr A Ihlenfeldt (Appointed 8 October 2004)
Mr N Schafer (Appointed 8 October 2004, Resigned 2 January 2006)
Mr I Harrison (Appointed 8 October 2004)
Mr B Usasz (Appointed 8 October 2004)
Mr G Lowrey (Appointed 8 March 2006)

Manager's fees and other transactions

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Scheme and the responsible entity were as follows:

	Period ended	
	30 June 2006	30 June 2005
	\$	\$
Fees for the year paid by the Scheme	55,912	62,155

* Where the Scheme invests into other schemes managed by the responsible entity, the responsible entity's fee is calculated after rebating fees charged in the underlying schemes.

Related party schemes' unitholdings

Parties related to the Scheme (including WHTM Capital Management Limited, its related parties and other schemes managed by WHTM Capital Management Limited), held units in the Scheme as follows:

2006

	Number of units held (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Scheme (\$)
Hyperion Australian Growth Companies Fund	-	-	545,484	7,149,974	150,664

2005

	Number of units held (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Scheme (\$)
Hyperion Small Growth Companies Fund No. 2	-	-	164,581	4,997,784	20,841
Hyperion Australian Growth Companies Fund	6,604,490	69.92	4,447,424	1,668,447	240,246

15 Related parties (continued)

Key management personnel remuneration

Key management personnel are paid by Wilson HTM Services Pty Limited. Payments made from the Scheme to WHTM Capital Management Limited do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Investments

The Scheme did not hold any investment in WHTM Capital Management Limited or its affiliates during the year.

Other transactions within the Scheme

From time to time directors of Hyperion Small Growth Companies Fund , or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

Apart from those details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

16 Reconciliation of net profit/(loss) to net cash inflow/(outflow) from operating activities

	30 June 2006 \$	30 June 2005 \$
(a) Reconciliation of net profit/(loss) to net cash inflow/(outflow) from operating activities		
Net profit/(loss)	-	2,682,267
Increase/(decrease) in net assets attributable to unitholders	2,680,652	-
Proceeds from sale of financial instruments held at fair value through profit or loss (including net realised gains/(losses))	61,972,752	11,218,399
Purchase of financial instruments held at fair value through profit or loss and derivative financial instruments	(52,182,791)	(10,797,998)
Net (gains)/losses on financial instruments held at fair value through profit and loss	(2,755,596)	(2,332,237)
Distributions to unitholders	277,395	-
Decrease / (increase) in receivables and accrued income	2,661	1,485
(Decrease) / increase in accounts payable and other liabilities	(14,769)	18,133
	-	-
Net cash inflow/(outflow) from operating activities	<u>9,980,304</u>	<u>790,049</u>

(b) Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	<u>225,204</u>	563,867
	<u>225,204</u>	<u>563,867</u>

(c) Non-cash financing and investing activities

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	<u>392,077</u>	270,103
	<u>392,077</u>	<u>270,103</u>

17 Events occurring after the balance date

No significant events have occurred since balance date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2006 or on the results and cash flows of the Scheme for the year ended on that date.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2006.

Directors' declaration

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*

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



Mr A Ihlenfeldt
Director

Brisbane
10 October 2006

Independent audit report to the members of Hyperion Small Growth Companies Fund

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Audit opinion

In our opinion, the financial report of Hyperion Small Growth Companies Fund:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Hyperion Small Growth Companies Fund as at 30 June 2006, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Hyperion Small Growth Companies Fund (registered scheme), for the year ended 30 June 2006.

The directors of the registered scheme 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 registered scheme. 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. The nature of an audit is influenced by factors such as the use of professional judgement, 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. For further explanation of an audit, visit our website

<http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the registered scheme's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Timothy J. Allman
Partner

Brisbane
10 October 2006

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