

# FORM: Half yearly/preliminary final report

Name of issuer

Hamilton Securities Limited

ACN or ARBN

138 270 201

Half yearly  
(tick)

Preliminary  
final (tick)

Half year/financial year ended  
(‘Current period’)

30<sup>th</sup> June 2014

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A
Operating Revenue (item 1.1)	Up	94%	To	6,195
Operating Profit (loss) before abnormal items and tax	Up	300%	To	274,045
Operating Profit (loss) for the period after tax but before minority equity interests (item 1.9)	Up	312%	To	291,887
Profit (loss) for the period attributable to security holders (item 1.11)	Up	312%	To	291,887
<b>Income Distributions</b>			<b>Current period</b>	<b>Previous corresponding period</b>
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

**Annual meeting**

*(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available

**Compliance statement**

- 1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

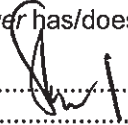
Identify other standards used

- 2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
- 3. This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
- 4. This statement is based on financial statements to which one of the following applies:

- The financial statements have been audited.
- The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- The financial statements are in the process of being audited or subject to review.
- The financial statements have *not* yet been audited or reviewed.

- 5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

- 6. The issuer has/does not have\* (*delete one*) a formally constituted audit committee.

Sign here:  .....

.....

(Director)

Date: 12 Sept 20

Print name: .....

# **HAMILTON SECURITIES LIMITED**

**ABN 59 138 270 201**

## **ANNUAL REPORT 2014**

## CONTENTS

	<b>Page</b>
Directors' Report	1
Corporate Governance Statement	4
Remuneration Report	5
Auditor's Independence Declaration	8
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
Directors' Declaration	22
Independent Audit Report	23
Stock Exchange Information	25
Corporate Directory	27

## Hamilton Securities Limited

### DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### Directors

The names of directors in office at any time during or since the end of the year are:

Steven Shane Pritchard  
Giles Cameron Craig  
Frederick Raymond Woollard  
Gordon Bradley Elkington

#### Company Secretary

Melanie Holmes has held the position of company secretary for the whole of the financial year. She holds a Bachelor of Commerce degree from the University of Newcastle and is a member of CPA Australia.

#### Principal Activities

The principal activity of the Company during the financial year was investing in distressed debt opportunities.

#### Operating Results

The Company made a net operating profit for the year of \$291,887 (2013: loss of \$137,499).

#### Dividends Paid or Recommended

No dividends have been paid since the date of incorporation and the directors do not recommend the payment of a dividend.

#### Background to Hamilton Securities Limited

Hamilton was formed in 2009 to invest in distressed debt and funds where redemptions had been frozen. We believed that we could add value for investors in such securities by providing liquidity where none existed and by taking an activist role in relation to the securities. Individual investors often feel that they have little power to influence how their investments are run, but collectively they can wield a lot of power. Hamilton was formed, in part, to bridge that gap, and to create value both for investors trapped in difficult situations and for Hamilton shareholders.

#### Background to Timbercorp Orchard Trust ("TOT") investment

TOT was a 45% affiliate of Timbercorp, which collapsed in March 2009. TOT's main assets were a substantial citrus and wine grape property called Kangara, and a table grape property called Bella Vista. These properties were both leased to Timbercorp, which subleased part of each property to "growers" who believed that they owned trees on the properties. The collapse of Timbercorp meant that TOT lost its sole source of revenue, the rent from Timbercorp, and was no longer able to pay the interest on its debentures. As Hamilton was being formed, we had discussions with the manager of TOT about using Hamilton to recapitalise TOT and prevent its collapse. Unfortunately, these discussions were unsuccessful, and TOT entered receivership on 22 October 2009.

In December 2009, Hamilton launched a takeover bid for TOT debentures, offering 30 Hamilton shares for each debenture. We believed that our offer would be well received by debenture holders, as it offered liquidity for an asset that might otherwise be unsaleable for many years. It also afforded debenture holders a continuing exposure to the same underlying asset. We also believed that we would be better placed than individual debenture holders to ensure that value was preserved in the course of the insolvency process.

Only 12% of debenture holders accepted Hamilton's takeover bid. This meant that Hamilton was unable to influence the insolvency process. We wasted a lot of time trying to persuade TOT's receiver and the debenture trustee to adopt a different approach, but ultimately we were unsuccessful and were forced to watch as TOT's assets were sold at fire-sale prices and \$10m of expenses were incurred.

#### Review of operations

Hamilton generated a pre-tax profit of \$274,045 during the year, which was a result of the revaluation of the TOT debentures to the amount we expect to receive from TOT. Our shares traded between 30-50 cents, compared with their issue price of \$1.00 in 2009 and fully diluted Net Tangible Asset ("NTA") value per share of \$1.04.

After five long years, the Timbercorp Orchard Trust appears to be close to resolution, but as usual, progress remains slow. In February, TOT debenture holders approved a compromise with growers, which finally permitted TOT's cash to be distributed. Debenture holders were told to expect payment by July, but at the time of writing, no payment has been received and we do not know when we will be paid. Needless to say, we find this situation very frustrating.

## Hamilton Securities Limited

### DIRECTORS' REPORT

#### Outlook for Hamilton Securities

Despite Hamilton's performance so far, Hamilton's board believes that the company's original mission still has merit, both for Hamilton shareholders and for owners of distressed assets. On the other hand, we recognise that some of our shareholders might like the opportunity to sell their Hamilton shares at close to full value and we are looking at how this might be done. We have a number of possible acquisition targets in mind, but unfortunately we would not expect that we will finalise any of these proposals in the near future.

#### After Balance Date Events

There have been no activities which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future.

#### Future Developments, Prospects and Business Strategies

The Company will continue to pursue its investment objectives for the long-term benefit of shareholders. This will require the continued review of the investment strategy that is in place and may from time to time require some changes to that strategy.

We do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of our investments. Accordingly, we do not provide a forecast of the likely results of our activities.

#### Environmental Issues

The company's operations are not regulated by any significant environmental regulation under the law of the Commonwealth or any state.

#### Information on Directors

<b>Steven Shane Pritchard</b>	—	Executive Chairman
Qualifications	—	Bachelor of Commerce, Certified Practising Accountant, Registered Tax Agent, Fellow of the Taxation Institute of Australia, Graduate Diploma Applied Finance and Investment, and Fellow of the Financial Services Institute of Australasia
Experience	—	Board member and Chairman since 14 July 2009
Interest in Shares and Options	—	52,428 Ordinary shares and 91,509 B Class Options
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Current director of Florin Mining Investment Company Limited (since 29 September 2004), Illuminator Investment Company Limited (since 22 December 2003), Pritchard Equity Limited (since 10 May 2002) and Winpar Holdings Limited (since 4 July 2004)
<b>Giles Cameron Craig</b>	—	Executive Director
Qualifications	—	Bachelor of Science (Economics) Hons, Fellow of the Institute of Chartered Accountants in England and Wales
Experience	—	Board member since 14 July 2009
Interest in Shares and Options	—	51,428 Ordinary Shares and 105,596 B Class Options
Special Responsibilities	—	None
Directorships held in other listed entities	—	None

## Hamilton Securities Limited

### DIRECTORS REPORT

#### Information on Directors (continued)

<b>Frederick Raymond Woollard</b>	—	Executive Director
Qualifications	—	Bachelor of Economics and Fellow of Financial Services Institute of Australasia
Experience	—	Board member since 14 July 2009
Interest in Shares and Options	—	828,985 Ordinary Shares and 1,020,048 B Class Options
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Director of Kangaroo Island Plantation Timbers Limited since 11 March 2008.
<b>Gordon Bradley Elkington</b>	—	Executive Director
Qualifications	—	Bachelor of Science (Honours), Master of Science, Doctor of Philosophy, Master of Laws
Experience	—	Board member since 14 July 2009
Interest in Shares and Options	—	11,428 Ordinary Shares and 56,041 B Class Options
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Director of Pritchard Equity Limited (since 12 December 2005) and Winpar Holdings Limited (since 1994)

# Hamilton Securities Limited

## CORPORATE GOVERNANCE STATEMENT

The Board has the responsibility of ensuring that the company is properly managed so as to protect and enhance shareholders interests in a manner that is consistent with the company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and nature of activities.

The main corporate governance policies are summarised below.

### **Appointment and Retirement of Non-Executive Directors**

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case by case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

### **Directors Access to Independent Professional Advice**

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with the terms of reference established by the Board.

### **Audit Committee**

The Audit Committee meets with the external auditors at least once a year. This committee addresses the financial and compliance oversight responsibilities of the Board. The specific activities include assessing and monitoring:

- The adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations.
- The adequacy of the financial risk management processes.
- The appointment of the external auditor, any reports prepared by the external auditor and liaising with the external auditor.



## Hamilton Securities Limited

### REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Hamilton Securities Limited, and for the executives receiving the highest remuneration.

#### Remuneration policy

All issues in relation to remuneration of both executive directors and non-executive directors are dealt with by the board.

The constitution of Hamilton Securities Limited requires approval by the shareholders in general meetings of a maximum amount of remuneration per year to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Directors. The amount of remuneration currently approved by shareholders for Non-Executive Directors is a maximum of \$200,000 per annum.

Non-Executive Directors hold office until such time as they retire, resign or are removed from office under the terms set out in the constitution of the Company.

Non-Executive Directors do not receive any performance based remuneration.

#### Details of remuneration for year ended 30 June 2014

The Company has four executives, all of whom are Directors of the Company.

Details of the remuneration for each Director of the Company was as follows:

2014	Salary & Fees	Superannuation Contributions	Other	Total
	\$	\$	\$	\$
Steven Shane Pritchard	-	-	-	-
Giles Cameron Craig	-	-	-	-
Frederick Raymond Woollard	-	-	-	-
Gordon Bradley Elkington	-	-	-	-
	-	-	-	-

#### Meetings of Directors

During the financial year, seven meetings of directors (including committees) were held. Attendances were:

	DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Steven Shane Pritchard	6	6	1	1
Giles Cameron Craig	6	6	1	1
Frederick Raymond Woollard	6	6	1	1
Gordon Bradley Elkington	6	6	1	1

#### Shareholdings – Ordinary shares

##### Number of shares held by directors

	Balance 01.07.13	Received as Remuneration	Options Exercised	Other Change*	Balance 30.06.14
Steven Shane Pritchard	-	-	-	52,428	52,428
Giles Cameron Craig	-	-	-	51,428	51,428
Frederick Raymond Woollard	-	-	-	828,985	828,985
Gordon Bradley Elkington	-	-	-	11,428	11,428
<b>Total</b>	-	-	-	<b>944,269</b>	<b>944,269</b>

## Hamilton Securities Limited

### REMUNERATION REPORT

#### Shareholdings – A Class Shares

##### Number of shares held by directors

	Balance 01.07.13	Received as Remuneration	Options Exercised	Other Change*	Balance 30.06.14
Steven Shane Pritchard	12,800	-	-	(12,800)	-
Giles Cameron Craig	11,000	-	-	(11,000)	-
Frederick Raymond Woollard	298,110	-	-	(298,110)	-
Gordon Bradley Elkington	-	-	-	-	-
<b>Total</b>	<b>321,910</b>	<b>-</b>	<b>-</b>	<b>(321,910)</b>	<b>-</b>

#### Shareholdings – B Class Shares

##### Number of shares held by directors

	Balance 01.07.13	Received as Remuneration	Options Exercised	Other Change*	Balance 30.06.14
Steven Shane Pritchard	38,200	-	-	(38,200)	-
Giles Cameron Craig	34,000	-	-	(34,000)	-
Frederick Raymond Woollard	222,800	-	-	(222,800)	-
Gordon Bradley Elkington	10,000	-	-	(10,000)	-
<b>Total</b>	<b>305,000</b>	<b>-</b>	<b>-</b>	<b>(305,000)</b>	<b>-</b>

#### Shareholdings – B Class Options

##### Number of options held by directors

	Balance 01.07.13	Received as Remuneration	Options Exercised	Other Change*	Balance 30.06.14
Steven Shane Pritchard	88,653	-	-	2,856	91,509
Giles Cameron Craig	92,740	-	-	12,856	105,596
Frederick Raymond Woollard	403,898	-	-	616,150	1,020,048
Gordon Bradley Elkington	53,185	-	-	2,856	56,041
<b>Total</b>	<b>638,476</b>	<b>-</b>	<b>-</b>	<b>634,718</b>	<b>1,273,194</b>

\*Other change refers to shares/options purchased or sold during the financial year.

#### Options

At the date of this report, the company had 1,632,564 B Class options outstanding.

#### Indemnifying Officers or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

## Hamilton Securities Limited

### **Proceedings on Behalf of Company**

No person has applied for leave of the court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 8 of the annual report.

Signed in accordance with a resolution of the Board of Directors.



**Steven Shane Pritchard**

Director

5 September 2014

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF  
HAMILTON SECURITIES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hamilton Securities Limited.

As lead audit partner for the audit of the Hamilton Securities Limited financial report for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the independence requirements of the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

*PKF Lawler Partners*  
**PKF LAWLER PARTNERS**  
Chartered Accountants

*Martins*  
**MARTIN MATTHEWS**  
Partner

Newcastle  
Dated: 5 September 2014

## Hamilton Securities Limited

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	30.06.14	30.06.13
		\$	\$
Income from deposits		6,195	3,194
Net changes to net fair value of investments		365,392	-
<b>Total income from ordinary activities</b>	2	<b>371,587</b>	<b>3,194</b>
Administration expenses	3	(97,542)	(140,693)
<b>Operating profit/(loss) before income tax</b>		<b>274,045</b>	<b>(137,499)</b>
Income tax benefit relating to ordinary activities	4	17,842	-
<b>Profit/ (loss) attributable to members of the company</b>		<b>291,887</b>	<b>(137,499)</b>
<b>Other comprehensive income for the financial year</b>			
<b>Total comprehensive income for the financial year</b>		<b>291,887</b>	<b>(137,499)</b>
 <b>Overall operations</b>			
Basic earnings per share (cents per share)	12	11.26	(5.97)
Diluted earnings per share (cents per share)	12	11.26	(5.97)

The accompanying notes form part of these financial statements.

## Hamilton Securities Limited

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	30.06.14	30.06.13
		\$	\$
<b>ASSETS</b>			
Cash and cash equivalents	5	201,025	17,848
Trade and other receivables	6	1,936	6,937
Financial assets	7	2,574,926	2,209,534
Deferred tax assets	8	134,920	-
<b>TOTAL ASSETS</b>		<b>2,912,807</b>	<b>2,234,319</b>
<b>LIABILITIES</b>			
Trade and other payables	9	32,078	49,623
Deferred tax liabilities	10	109,627	-
<b>TOTAL LIABILITIES</b>		<b>141,705</b>	<b>49,623</b>
<b>NET ASSETS</b>		<b>2,771,102</b>	<b>2,184,696</b>
<b>EQUITY</b>			
Issued capital	11	2,754,678	2,460,159
Accumulated losses		16,424	(275,463)
<b>TOTAL EQUITY</b>		<b>2,771,102</b>	<b>2,184,696</b>

The accompanying notes form part of these financial statements.

## Hamilton Securities Limited

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Issued capital	(Accumulated losses)	Total
	\$	\$	\$
<b>Balance at 01.07.2012</b>	<b>2,466,842</b>	<b>(137,964)</b>	<b>2,328,878</b>
Loss for the period	-	(137,499)	(137,499)
Total comprehensive income for the period	-	(137,499)	(137,499)
Shares bought back	(6,683)	-	(6,683)
<b>Balance at 30.06.2013</b>	<b>2,460,159</b>	<b>(275,463)</b>	<b>2,184,696</b>
<b>Balance at 01.07.2013</b>	<b>2,460,159</b>	<b>(275,463)</b>	<b>2,184,696</b>
Profit for the period	-	291,887	291,887
Total comprehensive income for the period	-	291,887	291,887
Shares bought back	(15,629)	-	(15,629)
Rights issue (net of costs)	310,148	-	310,148
<b>Balance at 30.06.2014</b>	<b>2,754,678</b>	<b>16,424</b>	<b>2,771,102</b>

The accompanying notes form part of these financial statements.

## Hamilton Securities Limited

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		30.06.14	30.06.13
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		6,196	3,577
Payments to suppliers		(123,959)	(120,586)
Bank charges		(259)	(248)
Other receipts		16,614	7,965
Net cash used in operating activities	<b>15</b>	(101,408)	(109,292)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases to acquire financial assets		-	-
Net cash used in investing activities		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from rights issue		327,534	-
Capital raising costs		(27,320)	-
Payment for buy back of shares		(15,629)	(13,200)
Net cash provided by/ (used in) financing activities		284,585	(13,200)
Net increase/(decrease) in cash held		183,177	(122,492)
Cash at beginning of period		17,848	140,340
<b>Cash at end of period</b>	<b>5</b>	<b>201,025</b>	<b>17,848</b>

The accompanying notes form part of these financial statements.



# Hamilton Securities Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation of the Financial Statements**

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards (IFRS).

All amounts are presented in Australian dollars unless otherwise noted.

The financial statements were authorised for issue by the directors on 5 September 2014.

#### **Basis of Preparation**

##### *Reporting Basis and Conventions*

#### **Adoption of new and revised Accounting Standards**

Hamilton Securities Limited has not applied any Australian Accounting Standards or AASB interpretations that have been issued at balance date but are not yet operative for the year ended 30 June 2014 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

The adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the company's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The company does not intend to adopt any of these pronouncements before their effective dates.

The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with the historical cost convention.

#### **(a) Financial Assets**

The Financial Assets held by the company consist of securities acquired for the purpose of making a profit from their sale or disposal.

Increments and decrements on the value of securities are taken to profit or loss through the Statement of Profit or Loss and Other Comprehensive Income.

#### **(b) Income from securities holdings**

Distributions relating to listed securities are recognised as income when those securities are quoted on an ex-distribution basis and distributions relating to unlisted securities are recognised as income when received. If the distributions are capital returns on ordinary securities the amount of the distribution is treated as an adjustment.

#### **(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

# Hamilton Securities Limited

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (d) Taxation

The company adopts the liability method of tax-effect accounting where the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

##### (e) Goods and Services Tax ( GST)

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

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

##### (f) Financial instruments issued by the company

Debt and equity instruments are classified as either liabilities or as equity in accordance with substance of the contractual agreements. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recorded as the proceeds received, net of direct issue costs.

##### (g) Share capital

A and B Class shares are classified as equity. Incremental costs directly attributable to the issue of A and B Class shares and share options are recognised as a deduction from equity, net of any tax effects.

##### (h) Initial public offer costs

The costs incurred in the establishment of the Company and its subsequent public offerings have been charged directly against issued capital.

##### (i) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

##### (j) Critical Accounting Estimates and Judgements

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. This requires the Board and management 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 9 the fair value of the company's Financial Assets have in the absence of an active market for those assets been determined by the directors.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

**Hamilton Securities Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**30.06.14**      **30.06.13**  
**\$**                      **\$**

**NOTE 2: OPERATING PROFIT BEFORE INCOME TAX EXPENSE**

**Income from deposits**

Interest received	6,195	3,194
Total income from deposits	6,195	3,194
<b>Total revenue</b>	<b>6,195</b>	<b>3,194</b>

**NOTE 3: ADMINISTRATION EXPENSES**

Accountancy fees	21,258	26,686
Auditor's remuneration	9,070	9,132
Company secretarial	7,295	2,067
Share registry fees	9,565	8,457
Other expenses	50,354	94,351
<b>Total administration expenses</b>	<b>97,542</b>	<b>140,693</b>

**NOTE 4: INCOME TAX EXPENSE**

**a. The components of tax expense comprise**

Increase in deferred tax liabilities – other	109,627	-
(Increase) in deferred tax assets – other	(134,920)	-
Tax on equity	7,451	-
	<b>(17,842)</b>	-

**NOTE 5: CASH AND CASH EQUIVALENTS**

Cash at bank	9,051	7,069
Deposits at call	191,974	10,779
	<b>201,025</b>	<b>17,848</b>

All cash investments are invested with Authorised Deposit Taking Institutions. All deposits are guaranteed by the Commonwealth of Australia. The credit risk exposure of the company in relation to cash and cash equivalents is the carrying amount and any unpaid accrued interest.

**NOTE 6: TRADE AND OTHER RECEIVABLES**

Accrued income	30	31
Goods and services tax refund	1,906	6,906
	<b>1,936</b>	<b>6,937</b>

Receivables are non-interest bearing and unsecured. The credit risk exposure of the company in relation to receivables is the carrying amount.

## Hamilton Securities Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	30.06.14	30.06.13
	\$	\$
<b>NOTE 7: FINANCIAL ASSETS</b>		
Measured at fair value through profit or loss	<u>2,574,926</u>	<u>2,209,534</u>
The carrying value for each debenture has been determined by the directors as \$37.90, which is the estimated return per outstanding debenture stated in the explanatory memorandum, dated 6 February 2014, prepared by the Trust Company Limited, as trustee for debenture holders.		

#### NOTE 8: DEFERRED TAX ASSET

The deferred tax asset is made up of the following estimated tax benefits

- Tax losses	120,863	-
- Temporary differences	14,057	-
	<u>134,920</u>	<u>-</u>

#### NOTE 9: TRADE AND OTHER PAYABLES

Accrued charges	22,225	19,730
Other payables	9,853	29,893
	<u>32,078</u>	<u>49,623</u>

#### NOTE 10: DEFERRED TAX LIABILITIES

Deferred tax liabilities attributable to:

- Temporary differences	9	-
- Deferred capital gains tax	109,618	-
	<u>109,627</u>	<u>-</u>

#### NOTE 11: ISSUED CAPITAL AND OPTIONS

Movements in issued capital of the company during the financial year were as follows:

Date	Details	Ordinary Shares	A Class Shares	B Class Shares	Price \$	Issued Capital \$
01.07.13	Balance	-	1,790,740	502,000	-	2,460,736
19.07.13	Rights issue	-	327,534	-	1.00	327,534
13.12.13	Conversion of A Class and B Class into ordinary shares	2,620,274	(2,118,274)	(502,000)	-	(17,386)
Various	Buy back of shares	(42,000)	-	-	-	(15,629)
<b>30.06.14</b>	<b>Balance</b>	<u>2,578,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755,255</u>

All ordinary shares rank equally inter se for all purposes of participation in profits or capital of the company.

On the 30 November 2013, the shareholders of the A and B class shares passed a number of resolutions, the result of which was that the A Class Shares were given voting rights and now rank equally in all respects with the Company's B Class Shares. As a result of this the Company now only has one class of ordinary share.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and does not calculate a par value for issued shares.

**Hamilton Securities Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**NOTE 11: ISSUED CAPITAL AND OPTIONS (continued)**

**Options**

Movements in issued B Class options during the financial year were as follows:

Date	Details	B Class Options	Price \$	Issued Options \$
01.07.13	Balance	977,496	-	(577)
19.07.13	Bonus issue of options from rights issue	655,068	-	-
<b>30.06.14</b>	<b>Balance</b>	<b>1,632,564</b>	<b>-</b>	<b>(577)</b>

A 'B Class option' entitles the holder to the issue of one ordinary share upon payment to the company of \$1.00 at any time up to 30 November 2019. As at the reporting date none of the options had been exercised.

	30.06.14 Number	30.06.13 Number
<b>NOTE 12: EARNINGS PER SHARE</b>		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,591,093	2,304,098
Weighted average number of options outstanding	1,598,465	977,496
Weighted average number of ordinary shares used in calculation of dilutive earnings per share	2,591,093	2,304,098
	<b>\$</b>	<b>\$</b>
- Profit/ (loss) attributable to members of the company	291,887	(137,499)
	<b>Cents</b>	<b>Cents</b>
a. Basic earnings per share	11.26	(5.97)
b. Diluted earnings per share	11.26	(5.97)

**NOTE 13: AUDITOR'S REMUNERATION**

Remuneration of the auditor of the company for:

- auditing and reviewing the financial reports	\$ 9,070	\$ 9,132
--	-------------	-------------

**Hamilton Securities Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**NOTE 14: SEGMENT REPORTING**

**(a) Description of segments**

The Board makes the strategic resource allocations for the Company. The Company has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for the Company's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The Company invests in distressed debt securities and other instruments for the purpose of providing shareholders with attractive investment returns.

**(b) Segment information provided to the Board**

The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards.

The Board considers the Company's net asset backing per share after tax to be a key measure of the Company's performance.

	<b>Cents</b>	<b>Cents</b>
Net asset backing per share	107.48	95.29

**(c) Other Segment Information**

The Company is domiciled in Australia and all of the Company's income is derived from Australian entities.

	<b>30.06.14</b>	<b>30.06.13</b>
	<b>\$</b>	<b>\$</b>

**NOTE 15: CASH FLOW INFORMATION**

**a. Reconciliation of cash flow from operations with loss after income tax**

Profit/ (loss) after income tax	291,887	(137,499)
Changes to net fair value of investments	(365,392)	-
(Increase)/decrease in trade and other receivables	7,485	(4,965)
Increase/(decrease) in trade payables and accruals	(17,545)	33,172
(Increase)/decrease in taxes payable	(17,843)	-
<b>Cash flow from operations</b>	<b>(101,408)</b>	<b>(109,292)</b>

## Hamilton Securities Limited

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	<b>30.06.14</b>	<b>30.06.13</b>
	\$	\$

#### NOTE 16: RELATED PARTY TRANSACTIONS

Transactions with related parties:

- |  |        |        |
|--|--------|--------|
| - Pritchard & Partners Pty Limited   |        |        |
| - Brokerage  | 254    | 250    |
| Steven Pritchard has an interest in the above transactions as a director and beneficial shareholder of Pritchard & Partners Pty Limited.                 |        |        |
| - Newcastle Capital Markets Registries Pty Limited   |        |        |
| - Share registry fees  | 9,565  | 8,457  |
| Steven Pritchard has an interest in the above transaction as a director and a beneficial shareholder of Newcastle Capital Markets Registries Pty Limited |        |        |
| - Rees Pritchard Pty Limited   |        |        |
| - Accounting fees & Company secretarial  | 28,553 | 28,753 |
| Steven Pritchard has an interest in the above transaction as a director and a beneficial shareholder of Rees Pritchard Pty. Limited                      |        |        |
| - The directors and their related entities have the following shares and options in Hamilton Securities Limited. Details are as follows.                 |        |        |

<b>Director</b>	<b>Ordinary Shares</b>	<b>B Class options</b>
Gordon Bradley Elkington	11,428	56,041
Giles Cameron Craig	51,428	105,596
Steven Shane Pritchard	52,428	91,509
Frederick Raymond Woollard	828,985	1,020,048

#### NOTE 17: DIRECTORS AND EXECUTIVES DISCLOSURE

In accordance with the Corporations Amendments Regulation 2005 (No 4) the company has transferred the disclosure required by AASB 1046 from the notes to the Financial Statements to the Directors' Report under the heading of Remuneration Report.

# Hamilton Securities Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 18: FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management

Accounting Standards identify four types of risk associated with financial instruments (i.e. the Company's investments, receivables, payables and borrowings):

##### Credit Risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk is managed as noted in the Notes to the financial statements with respect to cash and trade and other receivables. None of these assets are over-due or considered to be impaired.

##### Liquidity Risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company monitors its cash-flow requirements and ensures that it has either cash available sufficient to meet any payments.

##### Market Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price.

The Company seeks to minimise market risk by ensuring that it buys securities at a price which reflects their lack of liquidity and lack of ongoing cashflow.

The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company currently only has one investment, details in respect of which are contained in Note 7.

##### Interest Rate Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company currently has no borrowings and accordingly is not subject to interest rate risk.

##### Capital Management

It is the Board's policy to maintain a strong capital base as to maintain investors and market confidence.

To achieve this, the Board monitors the Company's net tangible assets, its levels of borrowings and its investment performance.

The Company is not subject to any externally imposed capital requirements.

#### (b) Fair Value Measurement

The company has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

	Level 1	Level 2	Level 3	Total
30 June 2014	\$	\$	\$	\$
Financial assets at fair value through profit or loss	-	2,574,926	-	2,574,926
<b>Total</b>	<b>-</b>	<b>2,574,926</b>	<b>-</b>	<b>2,574,926</b>

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The company uses a variety of valuation methods and makes assumptions that are based on market conditions at the end of each reporting period. These instruments are included in level 2, and comprise the company's investment in Timbercorp Orchard Trust debentures.



## Hamilton Securities Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### **NOTE 19: SUBSEQUENT EVENTS**

There has been no event specific to the company of which the directors are aware which has had a material effect on the company or its financial position.

#### **NOTE 20: CONTINGENCIES**

At balance date the Directors are not aware of any other material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

#### **NOTE 21: COMPANY DETAILS**

The registered office of Hamilton Securities Limited is:

10 Murray Street,  
Hamilton NSW 2303

## Hamilton Securities Limited

### DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the director' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company;
- (c) In the directors opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board; and
- (d) the directors have been given the declarations required by section 259A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s.303 (5) of the *Corporations Act 2001*.



Steven Shane Pritchard

5 September 2014

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HAMILTON SECURITIES LIMITED**

We have audited the accompanying financial report of Hamilton Securities Limited, which comprises the statement of financial position as at 30 June 2014, and the statement profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

**Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from the material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report complies with International Financial Reporting Standards.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HAMILTON SECURITIES LIMITED**

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

- (a) the financial report of Hamilton Securities Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the remuneration report**

We have audited the remuneration report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion**

In our opinion the remuneration report of Hamilton Securities Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

*PKF Lawler Partners*

**PKF LAWLER PARTNERS**  
Chartered Accountants

*Martin Matthews*

**MARTIN MATTHEWS**  
Partner

Newcastle

Dated: 5 September 2014

PKF Lawler Partners Audit & Assurance  
(a Limited Partnership)  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
Standards Legislation

Sydney  
Level 9, 1 O'Connell Street  
Sydney NSW 2000 Australia  
GPO Box 5446 Sydney NSW 2001

p +61 2 8346 6000  
f +61 2 8346 6099

Newcastle  
755 Hunter Street  
Newcastle West NSW 2302 Australia  
PO Box 2368 Dangar NSW 2309

p +61 2 4962 2688  
f +61 2 4962 3245

## Hamilton Securities Limited

### STOCK EXCHANGE INFORMATION

#### Top 20 holders of Fully Paid Ordinary Shares as at 7 August 2014.

Shareholder	Shares	% of Issued
JP Morgan Nominees Australia Limited	828,299	32.13
Mr Aravind Lal Patel and Mrs Dhanlaxmi Patel	108,000	4.19
HSBC Custody Nominees (Australia) Limited	100,140	3.88
North Shore Custodians Pty Limited	45,713	1.77
Mrs Careen Mary Chick	45,000	1.75
Mr Gerald Dennis Chick and Mr Daniel Patrick Chick	45,000	1.75
Longbow Croft Capital Pty Ltd	39,100	1.52
UBS Wealth Management Australia Nominees Pty Limited	28,910	1.12
A & M Salter Nominees Pty Ltd <ALF Salter and Associates SuperFund>	27,428	1.06
A & M Salter Nominees Pty Ltd <Salter & Assoc S/F>	26,357	1.02
Henley Underwriting and Investment Company Pty Limited	25,000	0.97
Presbyterian Church Boif	24,000	0.93
Mr Loreto Tergsigni and Mrs Giuseppina Tergsigni	24,000	0.93
Mr Kok Tong Yeo and Ms Shirley Tan	22,500	0.87
Mrs Annie Charlotte Neill	20,280	0.79
Netwealth Investments Limited	19,800	0.77
Mr Simon Plunkett	18,450	0.72
Mr Neville Law Brown and Mrs Ann Kingsley Brown	17,100	0.66
Mr Dean Henry Stone and Mrs Carole Julia Stone	16,500	0.64
Mrs Margaret Jean Moore and Mrs Vicki Louise Davies	15,900	0.62
	<b>1,497,477</b>	<b>58.08</b>

#### Number of A class shares held

1 – 1,000  
 1,001 – 5,000  
 5,001 – 10,000  
 10,001 – 100,000  
 100,001 and over

#### Number of Shareholders

14  
 146  
 46  
 40  
 3

## Hamilton Securities Limited

### STOCK EXCHANGE INFORMATION

#### Top 20 holders of B class options as at 7 August 2014.

Option holder	Options	% of Issued
JP Morgan Nominees Australia Limited	1,019,873	62.47
North Shore Custodians Pty Limited	104,162	6.38
Dr Gordon Bradley Elkington	56,041	3.43
The Pritchard Family Company Pty Limited	44,036	2.70
A & M Salter Nominees Pty Ltd <ALF Salter and Associates SuperFund A/C>	39,555	2.42
Henley Underwriting and Investment Company Pty Limited	26,370	1.62
Miss Margaret Elizabeth Elkington	19,778	1.21
Miss Rosemary Isabel Elkington	19,778	1.21
Longbow Croft Capital Pty Limited	19,778	1.21
Mr David Neil Constable	13,185	0.81
Denholm Investments Pty Limited	13,185	0.81
Mrs Pam Elrington and Mr John Elrington	13,185	0.81
Illuminator Investment Company Limited	13,185	0.81
Anthony John Shields	13,185	0.81
Jane Elizabeth Wilkins	13,185	0.81
Winpar Holdings Limited	13,185	0.81
Pirenz Nominees Pty Limited	10,637	0.65
A & M Salter Nominees Pty Ltd <ALF Salter & Assoc S/F A/C>	8,570	0.52
UBS Wealth Management Australia Nominees Pty Ltd	6,594	0.40
Patricia Yvonne Baxter and Donald Charles Steel	6,593	0.40
	<b>1,474,060</b>	<b>90.29</b>

#### Number of B class options held

1 – 1,000  
 1,001 – 5,000  
 5,001 – 10,000  
 10,001 – 100,000  
 100,001 and over

#### Number of Option holders

12  
 37  
 8  
 15  
 2

## Hamilton Securities Limited

### CORPORATE DIRECTORY

<b>Directors</b>	Steven Pritchard Giles Craig Frederick Woollard Gordon Elkington
<b>Company Secretary</b>	Melanie Holmes
<b>Registered Office</b>	10 Murray Street Hamilton NSW 2303 Telephone 02 4920 2877 Facsimile 02 4920 2878 Email: <a href="mailto:mail@hamsec.com.au">mail@hamsec.com.au</a> Web: <a href="http://www.hamsec.com.au">www.hamsec.com.au</a>
<b>Business Office</b>	10 Murray Street Hamilton NSW 2303 Telephone 02 4920 2877 Facsimile 02 4920 2878
<b>Share Registry</b>	Newcastle Capital Markets Registries Pty Limited 10 Murray Street Hamilton NSW 2303 Telephone 02 4920 2877 Facsimile 02 4920 2878
<b>Stockbrokers</b>	Pritchard & Partners Pty Limited 10 Murray Street Hamilton NSW 2303 Telephone 02 4920 2877 Facsimile 02 4920 2878
<b>Auditors</b>	PKF Lawler Audit & Assurance 755 Hunter Street Newcastle West NSW 2302 Telephone 02 4962 2688 Facsimile 02 4962 3245