



HILLCREST LITIGATION SERVICES LIMITED

ABN 63 060 094 742

**HALF-YEAR REPORT
31 DECEMBER 2014**

COMPANY PARTICULARS

DIRECTORS

Alan Van Noort (Chairman)
Ian Allen
Walter Martin
Angus Middleton

COMPANY SECRETARY

Ian Allen

REGISTERED OFFICE AND DOMICILE

Hillcrest Litigation Services Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

1 Colin Street
West Perth
Western Australia 6005

PO Box 587
West Perth
Western Australia 6872

Telephone: (08) 9324 3266
Facsimile: (08) 9324 3277
Website: www.hillcrestlitigation.com.au
Email: admin@hillcrestlitigation.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2
Reserve Bank Building
45 St Georges Terrace
Perth Western Australia 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

AUDITORS

Ernst & Young

AUSTRALIAN STOCK EXCHANGE

ASX Codes:

Shares HLS

DIRECTORS' REPORT

The Directors submit their report together with the condensed half-year financial report of Hillcrest Litigation Services Limited ("the Company") for the half-year ended 31 December 2014 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the half-year are:

Alan R Van Noort	– Chairman and Executive Director
Ian D Allen	– Executive Director and Company Secretary
Walter A C Martin	– Non Executive Director
Angus J L Middleton	– Non Executive Director

REVIEW AND RESULTS OF OPERATIONS

The operating loss of the Company after income tax for the half-year was \$334,768 (2014 loss: \$420,093).

The results are predominately attributable to the operating costs for the half year, off-set by the settlement of the Bankrupt Estate of Dawson as mentioned below.

The Company presently has two funding agreements, being:

1. Computer Accounting & Tax Pty Ltd (In Liquidation)

HLS has agreed to fund the liquidator of the company in proceedings in the Supreme Court of Western Australia between the company and its directors in relation to the proper entitlement to certain real property and certain monetary amounts.

2. Prunster v Summers

HLS has agreed to fund the client in a professional negligence claim against a firm of solicitors.

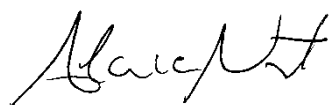
The Company settled one litigation funding case during the half year, being:

1. The Bankrupt Estate of Dawson

In August 2014, the parties in the Dawson case agreed to resolve their dispute without the need for court proceedings. The Company received \$497,076 in October 2014 of which the amount of \$93,153 represents a profit to the Company.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

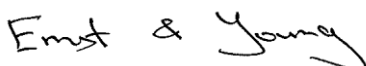
This report is signed in accordance with a resolution of the Directors.



Alan Van Noort
Chairman
Perth
26 February 2015

Auditor's Independence Declaration to the Directors Hillcrest Litigation Services Limited

In relation to our review of the financial report of Hillcrest Litigation Services Limited for the half-year ended 31 December 2014 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



T G Dachs
Partner
26 February 2015

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 \$	2013 \$
Net gain on settlement of litigation contracts	3	93,153	-
Interest revenue	3	8,332	18,906
Other	3	-	1,600
Total Income		101,485	20,506
Expenses	3	(436,253)	(440,599)
Profit/(Loss) before income tax expense		(334,768)	(420,093)
Income tax expense		-	-
Profit/(Loss) after income tax expense		(334,768)	(420,093)
Net Profit/(Loss) attributable to members of Hillcrest Litigation Services Limited		(334,768)	(420,093)
Other comprehensive income net of tax		-	-
Total comprehensive income/(loss) attributable to members of Hillcrest Litigation Services Limited		(334,768)	(420,093)
Earnings per share		Cents	Cents
Basic profit/(loss) for the half-year		(0.27)	(0.34)
Diluted profit/(loss) for the half-year		(0.27)	(0.34)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Notes	31 December 2014	30 June 2014
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	743,911	664,782
Term deposits	6	100,000	250,000
Trade and other receivables	7	-	17,048
Prepayments		14,561	2,305
Litigation contracts	8	714,396	725,732
Total Current Assets		1,572,868	1,659,867
Non-current Assets			
Term deposits	6	-	100,000
Litigation contracts	8	-	230,167
Plant and equipment		6,097	5,122
Total Non-current Assets		6,097	335,289
TOTAL ASSETS		1,578,965	1,995,156
LIABILITIES			
Current Liabilities			
Trade and other payables		62,809	155,981
Provisions		129,223	117,474
Total Current Liabilities		192,032	273,455
Total Non-current Liabilities		-	-
TOTAL LIABILITIES		192,032	273,455
NET ASSETS		1,386,933	1,721,701
Equity			
Issued capital		20,686,446	20,686,446
Accumulated losses		(19,299,513)	(18,964,745)
TOTAL EQUITY		1,386,933	1,721,701

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(511,612)	(449,645)
Interest received		8,332	18,906
Other income		-	1,600
Proceeds from litigation funding		460,419	-
Payments for litigation funding		(125,763)	(150,898)
Release/(transfer) to term deposits - guarantees		250,000	(250,000)
Net operating cash inflows/(outflows)		81,376	(830,037)
 Cash flows from investing activities			
Proceeds for plant and equipment		(2,247)	-
Net investing cash flows		(2,247)	-
 Cash flows from financing activities			
Proceeds from issue of shares		-	-
Payments for capital raising		-	-
Net financing cash flows		-	-
 Net increase/(decrease) in cash held		79,129	(830,037)
Cash at the beginning of the period		664,782	2,035,284
Cash at the end of the period	5	743,911	1,205,247

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
At 1 July 2014	20,686,446	(18,964,745)	1,721,701
Profit/(loss) for the period	-	(334,768)	(334,768)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period	-	(334,768)	(334,768)
At 31 December 2014	20,686,446	(19,299,513)	1,386,933
At 1 July 2013	20,686,446	(18,109,588)	2,576,858
Profit/(loss) for the period	-	(420,093)	(420,093)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period	-	(420,093)	(420,093)
At 31 December 2013	20,686,446	(18,529,681)	2,156,765

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1 Corporate information

The condensed financial report of Hillcrest Litigation Services Limited for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 25 February 2015.

Hillcrest Litigation Services Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of operations and principal activities of the Company is the conduct of a litigation funding business in Australia.

2 Summary of significant accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the condensed half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by Hillcrest Litigation Services Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Going Concern

At 31 December 2014, the Company had cash and cash equivalents of \$743,911. Based on the future funding requirements for current cases and ongoing overheads, but excluding any proceeds from cases settled or won, there is a potential working capital shortfall in the next financial year. In order to ensure that sufficient funding is available to meet working capital requirements over the next 12 months and to fund an increase in the company's portfolio of cases, the directors intend to undertake a capital raising.

In the event that insufficient proceeds flow to the company to meet working capital requirements either from the intended capital raising or the settlement of cases, there is uncertainty that the company will continue as a going concern.

Should the company be unable to continue as a going concern, there is significant uncertainty as to whether the company will be able to realize its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in this financial report. This financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

(c) Significant accounting policies

From 1 July 2014 the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2014. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

Reference	Title
AASB 2014-1	Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2010-2012 Cycle.

The Company has not elected to early adopted any new standards or amendments that are issued but not yet effective.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

	2014 \$	2013 \$
3 REVENUE AND EXPENSES		
Income and Revenue		
Net gain on settlement of litigation contracts	93,153	-
Interest revenue	8,332	18,906
Other	-	1,600
	<u>101,485</u>	<u>20,506</u>
Expenses		
Depreciation	1,272	1,272
Employee costs	331,967	319,392
Other expenses	103,014	119,935
	<u>436,253</u>	<u>440,599</u>

4 SEGMENT REPORTING

Geographical segments

The Company operates in only one geographical segment being Australia.

Business segments and customers

The Company operates in only one business segment being litigation funding that involves the conduct of a litigation funding business. The Company's customers are all private clients, specific information is disclosed within the Review and Results of Operations.

	31 December 2014 \$	30 June 2014 \$
5 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>743,911</u>	<u>664,782</u>
6 TERM DEPOSITS		
Current		
Term deposits – bank guarantees	<u>100,000</u>	<u>250,000</u>
Non-current		
Term deposits – security deposit	<u>-</u>	<u>100,000</u>

The above balance represents term deposits supporting guarantees that have been provided for litigation funding of specific cases.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

	31 December 2014 \$	30 June 2014 \$
7 TRADE AND OTHER RECEIVABLES		
Current – GST/FBT recoverable	-	14,441
Current – Interest Receivable	-	2,607
Non-current – GST/FBT recoverable	-	-
	<u>-</u>	<u>17,048</u>

8 LITIGATION CONTRACTS

Current	714,396	725,732
Non-current	-	230,167
	<u>714,396</u>	<u>955,899</u>

Litigation contracts in progress are not amortised as the assets are not available for use until the determination of a successful judgment at which point they are realised. Litigation contracts are reviewed for impairment every six months by the board of Directors.

	31 December 2014 (6 months) \$	30 June 2014 (12 months) \$
Opening balance	955,899	610,519
Additions	125,763	345,380
Recovered upon settlement	(367,266)	-
Closing balance	<u>714,396</u>	<u>955,899</u>

9 CONTINGENT ASSETS AND LIABILITIES

Indemnities

Indemnities have been provided to the Directors of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 31 December 2014.

Guarantees

The Company has \$100,000 (30 June 2014: \$350,000) of guarantees that have been set aside for litigation funding of specific cases.

10 EVENTS AFTER THE BALANCE SHEET DATE

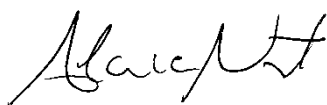
There were no significant events that occurred after the half-year end.

DIRECTORS' DECLARATION

The Directors of Hillcrest Litigation Services Limited declare that in their opinion:

- (a) The half-year financial statements and notes of the Company set out in pages 4 to 10 are in accordance with the Corporations Act 2001, including:
 - (i) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the financial position of the Company as at 31 December 2014 and of the performance for the half-year ended on that date.
- (b) Subject to the achievement of matters set out in note (2b) of the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Alan Van Noort
Chairman
Perth
26 February 2015

To the members of Hillcrest Litigation Services Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hillcrest Litigation Services Limited, which comprises the statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hillcrest Litigation Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

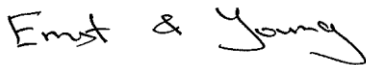
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hillcrest Litigation Services Limited is not in accordance with the *Corporations Act 2001*, including:

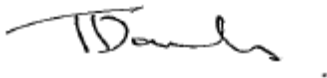
- i giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2(b) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



T G Dachs
Partner
Perth
26 February 2015