HILLCREST LITIGATION SERVICES LIMITED

ABN 63 060 094 742

ANNUAL REPORT
30 JUNE 2016

CONTENTS

DIRECTORS

Alan Van Noort (Chairman)
Jay R Stephenson
Angus Middleton

Ian Allen resigned as a Director, effective 31st August 2015.

COMPANY SECRETARY

Jay Stephenson

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
Website:	www.hillcrestlitigation.com.au
Email:	avn@hillcrestlitigation.com.au

SHARE REGISTRY

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

Telephone: (08) 9323 2000

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth, WA 6000

AUSTRALIAN STOCK EXCHANGE

ASX Code: HLS

1. The Company's Litigation Funding Business

The principal activity undertaken during the year was the management of the Company's litigation funding business.

The essential nature of a litigation funding business is that the litigation funder provides funds to enable a party to meet the cost of pursuing a legal claim and in return for assuming the funding obligations, the litigation funder becomes entitled to receive a percentage (typically 25% to 45%) of the amount ultimately recovered under the claim, whether by way of court judgment or an earlier agreed settlement.

The costs funded and paid by the litigation funder generally include the legal fees of its client party's solicitors and barristers together with the disbursements or expenses (such as the costs of any requisite experts reports) relating to the litigation.

In addition, the litigation funder typically provides its client with an indemnity against an adverse costs order in the event that the claim is unsuccessful and provides security for the defendant's costs (by way of bank guarantee or cash on deposit) if required by the Court.

No amount is received by the litigation funder if the claim is unsuccessful.

As such, litigation funding is applicable in situations where a person or a company:

- has a good legal claim but not the financial resources to pursue it; or
- cannot provide security to meet a security for costs order; or
- wishes to lay off some or all of the financial risk associated with litigation; or
- is concerned about being exposed to liability for the other side's costs.

2. Understanding the results

The income stream of the Company varies depending on the outcome and duration of each case.

In January 2015 the National Potato case had an unfavourable ruling against the Company's, funded client. At 30th June 2015 the Company made a provision of $848,142 (Rand 7,560,000), to cover the settlement amount. At the time a secured term deposit was placed with the National Australia Bank for $913,044 to cover the settlement amount.

On 15th September 2015 the settlement payment of Rand 7,560,000 was requested. This converted to $830,748 being paid out by the Company, $17,393 less than the Company had provided for. The foreign exchange gain of $17,393 is recorded as Sundry Income during the year.

No other cases were resolved during the 2016 financial year.

The only other income stream in 2016 is interest earned from money placed on deposit with the NAB.

The Net Loss of $514,491 is mainly due to Employee expenses. The Remuneration Report, below, outlines the employee expenses paid to key management personnel.

The case that the Company currently funds proceeds in a positive manner and is currently expected to be resolved in the next 12 months. This case is outlined in point 6, below.

3. Financial Position

The Company currently has invested $364,777 in their litigation funding portfolio.

The cash available to invest in litigation cases has significantly reduced in 2016 to $21,419 this is due to:

- The payment on 15th September 2015 of $830,748 to settle the National Potato case, as outlined in point 2 above,
- no other cases were resolved in 2016,
- the Operating costs and employee expenses, including those outlined in the remuneration report
- offset by Cash received from the Capital Raising in February 2016 of $118,000.

With an additional capital raising, outlined in the Directors Report, we would expect an improvement in the Company's cash balance for 2017. As at 30 June 2016 however it is noted that the Company's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors including:

- receiving favourable outcomes in the Computer Accounting & Tax Pty Ltd case in the next 12 months;
- obtaining additional funding as and when required; and
  receiving the continued support of its shareholders.

4. Business Strategies

The Directors look at each case on an individual basis and will grow the Litigation Funding Portfolio of the Company based on the believed success of each case against the risks associated with the individual case. The Directors consider the expected funding costs of the case and the timing it would estimate to settle each case.

At the financial year end the Company has 1 active case which is outlined in point 6, below.

5. Prospects

The Company expects to receive a favourable outcome in its funded case in the next 12 months. However due to the inherent uncertainty in litigation, there is no guarantee. The Directors will continue to assess cases presented to them on their individual merits.

The Company's objectives for the forthcoming year are to increase its working capital base by way of a capital raising and to increase its portfolio of funded cases.

6. The Company's current portfolio of funded cases

Computer Accounting & Tax Pty Ltd (In Liquidation)
The Company 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.

End of Operating and Financial Review

A description of the Company's main corporate governance practices are set out below. Unless otherwise stated, these practices were in place for the entire financial year.

1. Principal 1: Lay solid foundations for management and oversight

The Board of Directors and Management

The board has adopted a formal statement of matters reserved to it that outlines the functions and responsibilities of the board. The board's key responsibilities include:

- Establish, monitor and modify the Company's corporate strategies;
- Ensure best practice corporate governance;
- Appointing and removing directors and management;
- Monitor performance of directors individually and employees;
- Monitor financial results and reporting;
- Approve decisions on allocating the Company's resources;
- Ensure risk management and internal control and reporting systems are appropriate and in place;
- Ensure the business is conducted ethically; and
- Ensure external disclosures to the market are timely and complete and appropriate considering price sensitive information.

The board is focused on protecting and enhancing medium to long term shareholder value and must conduct itself in accordance with the Constitution of the Company.

Directors review their individual responsibilities to ensure they are appropriate for the needs of the Company as a process of performance evaluation on an annual basis or as required. The terms of the Directors appointments and their contracts are outlined in the Directors Report, below.

Encourage enhanced performance

A formalised committee to assess and control induction into the Board of Directors through a nomination committee is not established. The Company believes that the size of the board does not warrant such a committee. The directors believe that all the directors on the board have a firm understanding of the Company's financial, strategic, operational and risk management position.

The directors believe that their experience and drive to advance the Company is sufficient to lead the Company and identify weaknesses in management and practices.

The board of directors encourages continued education of all directors and employees to facilitate enhanced performance. The opportunity to update or enhance one's education is available to individuals at the Company's expense, upon request and approval.

The directors provide each other and employee's feedback through performance appraisals that are at a minimum annual or as required.

Company secretary

The Company Secretary is accountable directly to the board, the Company Secretary's key responsibilities include:

- Advising the board on governance matters;
- Monitoring that the boards policy and procedures are followed;
- Coordinating the timely completion of board papers;
- Ensuring the minutes from the meeting are accurately captured;
- Encourages professional development of directors; and
- Is the person responsible for communication with the Australian Stock Exchange.

Gender diversity

It is the objective of Hillcrest Litigation Services Limited to support female representation throughout the Company as well as at senior leadership and Board levels. The Hillcrest Board will endeavor to improve the diversity of the Board at any time nominations are required to fill a Board position.

Due to the Company's size (4 employees/Directors currently), there are aspects in which the Company does not comply with the CGC Principles and Recommendation 1.5 pertaining to disclosure for achieving gender diversity set by the Board.

The Board at this juncture has not set measurable objectives. This policy will be reviewed as part of the annual compliance review to the Board to ensure that the Diversity Policy is being progressed as required and to set measurable objectives when appropriate for the Company.

The Directors Report discloses the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

2. Principal 2: Structure the Board to add value

The board comprises one executive director and two non-executive directors.

The board regularly assesses the independence of its directors. One of the board of directors, Mr Middleton, is non-executive and is considered independent as the Company is not aware of any circumstances of his involvement that would or would be seen to compromise their objectivity and independence.

The chairman of the Company is an executive director as well as the Chief Executive Officer and is not considered to be independent. The board believes the chairman maintains a clear responsibility to head the Company and the independence of the non-executive director, Mr Middleton, is deemed to be sufficient to maintain the objectivity of the board in the context of the board's size.

The Company does not have a formally appointed nomination committee. The board considers the present directors are able to discharge the responsibilities of a director, having regard to the law and the highest standards of governance. Should a vacancy exist, for whatever reason, or where it is considered that the board would benefit from the services of a new director, the board will select appropriate candidates with relevant qualifications, skills and experience.

The board believes that the degree of commitment and depth of experience and knowledge present in the board structure is appropriate to best serve the current needs of the Company and its shareholders.

To aid the board to make decisions that are independent, the Company allows each director to seek individual external advice at the expense of the Company.

The qualifications and experience of each of the directors is detailed in the Management Team section of this annual report.

3. Principal 3: Act ethically and responsibly

The board's policy is for the directors, management and staff to conduct themselves with the highest ethical standards. All directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has developed a Code of Conduct and Policy for Trading in the Company's securities, which applies to all directors and employees of the organisation and has been communicated to all directors and employees. These policies will be reviewed from time to time to ensure the policy's effectiveness and relevance.

4. Principal 4: Safeguard integrity in corporate reporting

The Chief Executive Officer (Alan Van Noort) and Chief Financial Officer/Company Secretary (Jay Stephenson) have certified to the board that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards. Due to the size and structure of the entity it is not considered appropriate to have a formal audit committee. The board, having the capacity to seek external independent and individual advice at the Company's expense, believes that this facility provides a sufficient mechanism for a director to gain assurance of the integrity of the financial statements of the Company and the independence and opinion of the external auditor.

The Company's auditors Ernst & Young are required to attend the Annual General Meeting and make themselves available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the auditor's report.

5. Principal 5: Make timely and balanced disclosure

The Company complies with all requirements of the Australian Stock Exchange and the Corporations Act in relation to its continuous disclosure obligations. The Company Secretary has been nominated as the person responsible for communication with the Australian Stock Exchange.

The Company has an objective of honest and open disclosure of information in dealing with stakeholders, subject to appropriate commercial considerations associated with competitive and sensitive information. Such disclosure may, in appropriate circumstances, exceed statutory requirements.

The company has a formally adopted policy on releasing price sensitive information to the public. This policy instructs that all public statements are made through or approved by the directors.

6. Principal 6: Respect the rights of security holders

The board of directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

Information is communicated to shareholders as follows:

- the annual report is available to all shareholders. The board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Law. The annual report is sent to any shareholder who requests it.

- the half-year financial report contains summarised financial information and a review of the operations of the Company during the period. The half-year financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Stock Exchange. The half-year financial report is sent to any shareholder who requests it.

- the quarterly report contains summarised cash flow financial information and details about the Company's activities during the quarter. The quarterly report is sent to any shareholder who requests it.

- proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.

All documents that are released publicly are available on the ASX website in addition information can be found on the Company's Internet web site located at http://www.hillcrestlitigation.com.au. The website provides a function to allow all shareholders and general members of the community to lodge queries to be addressed by the Company and provides a forum for constructive feedback for shareholders and potential investors on the quality of the information provided through the website. The Company welcomes feedback and queries through any forum.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

7. Principal 7: Recognise and manage risk

Due to the size of the Company and the number of directors, there is no formal risk management committee or audit committee established. The board recognises that due to the size of the Company, all directors and employees have responsibilities to recognise risks, bring them to the attention of the directors and actively apply controls to manage the risk.

The Chairman (Alan Van Noort) and Company Secretary (Jay Stephenson) have certified to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control and implements the policies adopted by the board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects. The controls in place are appropriate for the current position of the Company.

The primary operating risk for the Company is the selection of cases to provide litigation funding to. To manage this risk effectively, all cases undergo a strict internal and external due diligence process before deciding to accept a client case and enter into a funding agreement. The due diligence process is ongoing through the life of the case and the Company has the option to withdraw from the agreement at any time should the evolving risks be unacceptable. The Company's internal control system is reviewed from time to time to ensure it is appropriate and effective as the business develops and matures.

The Company's Code of Conduct documents the values and policies the board requires staff to adhere to, to complement its risk management practices and uphold the Company's reputation. The Company believes in social accountability and encourages its staff to recognise their responsibilities to the community. The Company and its staff have a culture of supporting and donating time and resources to community events. The board encourages and applauds this commitment.

The Company does not issue a sustainability report or have any additional exposure to economic and social sustainability risks that are not already disclosed in the financial statements. Environmental risk is discussed in the Directors Report in relation to a former wholly owned subsidiary, Cuprifex over a mining tenement previously held in Queensland.

The Company has held membership of the Banking and Financial Services Ombudsman Scheme from 1 July 2006. The Company has also been admitted to membership of the Financial Ombudsman Service effective from 1 July 2009. This protects the interests of all stakeholders by providing an independent authority to monitor and address any complaints made against the Company that are not able to be adequately addressed and resolved by the Company. This external and independent authority is designed to promote accountability and transparency of the Company in all dealings with all stakeholders.

Due to the size and structure of the entity it is not considered appropriate to have an internal audit function. All directors and employees have responsibilities to recognise risks, bring them to the attention of the directors and actively apply controls to manage the risk. This provides a sufficient mechanism for the directors to evaluate and continually improve the effectiveness of its risk management and internal control processes.

8. Principal 8: Remunerate fairly and responsibly

All directors receive a quarterly director's fee which is not linked to the volume of work performed. Fees paid to directors have superannuation contributions made as required by Commonwealth legislation.

Executive Share and Option Scheme Guidelines, IFSA Guidance Note provided by the Investment and Financial Services Association 2000 will be considered in any equity-based remuneration plan proposed.

Remuneration is reviewed annually or as required in conjunction with performance appraisals and evaluations. This process is performed by the board, as a formal remuneration committee is not deemed to be warranted due to the small number of directors and employees. The board sets remuneration at their discretion that is at a competitive level to attract and retain the most qualified and experienced directors and staff available. Remuneration levels are not directly linked to Company performance and the directors seek independent advice when appropriate before making decisions on remuneration.

Further information on directors' remuneration is outlined in the Directors' Report.

COMPLIANCE SUMMARY

The board is aware of all the Best Practice Recommendations to which the Company currently does not comply. The board considers this to be practical when taking into account the current size, level of funding and level of activity of the Company. The Board embraces Corporate Governance and is actively reviewing the Company's current Corporate Governance compliance to adopt as many recommendations as is practical. The board acknowledges that this will be a progressive and ongoing process, adjusted as the business develops and matures.

The Company's compliance with the ASX Best Practice Recommendations can be best summarised in the following table:

ASX Corporate Governance Principles – Recommendations	Compliance	Section
1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	✔	1
1.2 Disclose the process for appointing, or re-electing a director.	✔	1
1.3 Disclose the terms of agreement with the Directors.	✔	1
1.4 Outline and disclose the function of the company secretary.	✔	1
1.5 Establish a policy concerning diversity and disclose the policy. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity. The board assess annually both the objectives and progress in achieving them. Disclose in each annual report the respective proportions of men and women employees in the whole organisation, and senior executive.	✘ ✔	1 1
1.6 Disclose the process for evaluating the performance of the board and individual directors	✔	1
1.7 Disclose the process for evaluating the performance of senior executives.	✔	1
1.8 Provide the information indicated in the Guide to reporting on Principle 1	✔	1
2.1. The board should establish a nomination committee. The committee should: • Consist of a majority of independent directors • Is chaired by an independent chair • Have at least 3 members.	✘	2
2.2 Disclose the skills and diversity of the board.	✔	2
2.3 Disclose the name of the directors, their independence, their interest in the Company and the length of service of each director	✔	2
2.4 The majority of the board should be independent directors.	✘	2
2.5 The roles of chair and CEO should not be exercised by the same individual. The chair should be independent.	✘	2
2.6 Provide the information indicated in the Guide to reporting on Principle 2.	✔	2
3.1 Establish and disclose a code of conduct for its directors and employees as to: • the practices necessary to maintain confidence in the Company's integrity, • the practices necessary to take into account the Company's legal obligations and the reasonable expectations of shareholders and • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✔	3
3.2 Provide the information indicated in the Guide to reporting on Principle 3.	✔	3
4.1 The board should establish an audit committee. The committee should: • Consist of a majority of independent directors • Is chaired by an independent chair • Have at least 3 members.	✘	4
4.2 The board should disclose whether it has received assurance from the CEO and CFO. A declaration that in their opinion, the financial records of the company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial positions and performance of the entity and that the opinion has been formed on the basis of a sound risk management and internal control which is operating effectively.	✔	4
4.3 The external auditors attend the AGM and are available to answer questions.	✔	4
4.4 Provide the information indicated in the Guide to reporting on Principle 4.	✔	4
5.1 Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.	✔	5
5.2 Provide the information indicated in the Guide to reporting on Principle 5.	✔	5
6.1 Provide information about the Company and its governance to investors via its website.	✔	6
6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.	✔	6
6.3 Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings.	✔	6
6.4 Enable security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	✔	6
6.5 Provide the information indicated in the Guide to reporting on Principle 6.	✔	6
7.1 The board should establish a risk committee. The committee should: • Consist of a majority of independent directors	✘	7

• Is chaired by an independent chair • Have at least 3 members.		
7.2 Management to design and implement the risk management and internal control system to manage risk and report to the board whether those risks are being managed effectively. The board should disclose that management has reported to it as required.	✔	7
7.3 The board should have an internal audit function and disclose the structure and the role it performs.	✕	7
7.4 Disclose material exposures to economic, environmental and social sustainability risk.	✔	7
7.5 Provide the information indicated in the Guide to reporting on Principle 7.	✔	7
8.1 The board should establish a remuneration committee. The committee should: • Consist of a majority of independent directors • Is chaired by an independent chair • Have at least 3 members.	✕	8
8.2 Disclose the remuneration of Executive and Non-executive Directors	✔	8
8.3 Disclose the policy and a summary of any Equity-Based Remuneration schemes.	✔	8
8.4 Provide the information indicated in the Guide to reporting on Principle 8.	✔	8

THE BOARD OF DIRECTORS

Alan R Van Noort B.Juris LLB - Chairman and Executive Director

Mr Alan Van Noort (appointed 1998) is a Barrister and Solicitor who was admitted to practice in the Supreme Court of Western Australia in 1979. From 1979 to 1991, Mr Van Noort practised law in Perth, Western Australia, specialising in the areas of mining law, public company law, mergers and acquisitions and shareholders rights. Since 1991, Mr Van Noort has been involved in the management and administration of publicly listed companies.

Mr Van Noort has not held any other directorships in publicly listed companies in the last 3 years.

Jay R Stephenson MBA, FCPA, FGIA, MAICD, CPA (Canada), CMA (Canada) – Non-Executive Director and Company Secretary

Mr Jay Stephenson (appointed 2015) holds a Master of Business Administration, is a Fellow Certified Practicing Accountant, a Chartered Professional Accountant (Canada), Certified Management Accountant (Canada), a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

Mr Jay Stephenson is currently non-executive Chairman of Yonder & Beyond Group Limited and a director of Doray Minerals Limited, Drake Resources Limited, Parmelia Resources Limited, Strategic Minerals Corporation NL and Nickelore Limited as well as Company Secretary for a number of ASX listed resource and industrial companies.

Mr Jay Stephenson has not held any other directorships in publicly listed companies in the last 3 years.

Angus J L Middleton SA Fin, MSAA - Non-executive Director

Mr Angus Middleton (appointed 2010) is a fund manager and former stockbroker who has extensive experience in the capital markets sector in Australia. He is currently a director of SA Capital Pty Ltd, a corporate advisory firm specialising in equity raisings and underwriting, and the managing director of SA Capital Funds Management Limited, an Adelaide based investment fund that has been involved in advising and raising equity for corporations in the form of venture capital, seed capital, private equity, pre-initial public offerings and initial public offerings.

Mr Middleton was a director of Crest Minerals Ltd between 9 April 2012 to 27 August 2013 and is presently a Director of Excalibur Mining Corporation Ltd (appointed 6 May 2014) and a Non-executive Director of Aphrodite Gold Ltd (appointed 21 January 2014)

Mr Middleton has not held any other directorships in publicly listed companies in the last 3 years other than that above.

The directors submit their report together with the financial report of Hillcrest Litigation Services Limited ("the Company") for the year ended 30 June 2016 and the auditor's report thereon.

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

- Mr Alan R Van Noort
- Mr Jay R Stephenson (appointed 1st September 2015)
- Mr Angus J L Middleton

Details of the directors are included on page 11 of this annual report and form part of this report.

Mr I Allen resigned as Director on 31st August 2015.

DIRECTORS' MEETINGS

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

Director	Number of meetings held during the time the Director held office	Number of meetings attended
A R Van Noort	**6**	**6**
I D Allen	**1**	**1**
J R Stephenson	**5**	**5**
A J L Middleton	**6**	**6**

PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the year was the conduct of a litigation funding business. The nature of litigation funding is described on page 4. The valuation, accounting and risks associated with litigation funding are described in the financial statements, note 2 (h).

RESULTS AND DIVIDENDS

The operating loss of the Company after income tax for the year was $514,491 (2015 Loss: $1,532,434).

The operating and financial review of the Company is discussed on pages 3 and 4.

The directors do not recommend that a dividend be paid. Since the end of the previous financial year, no dividend has been paid.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity decreased from $462,885 to $54,550 due to the net loss attributable to the Company's members for the year of $514,491 offset by a Capital raising of $118,000 before costs.

ENVIRONMENTAL REGULATIONS

Cuprifex (a former wholly owned subsidiary) previously held mining tenements in Queensland. As a result of the surrendering of those tenements, the Company recognised a rehabilitation provision equal to $50,000 in December 1999. Hillcrest also lodged a security deposit of $50,000 in December 1999 with the Department of Mines and Energy. As the possibility of any claim being made was considered to be so remote, the value of this provision and the corresponding security deposit were derecognised in 2012. The Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

EVENTS SUBSEQUENT TO BALANCE DATE

On 17th August 2016, the Company raised additional working capital of $200,000 (before expenses) by way of the placement of 40,000,000 ordinary shares at 0.5 cents per share.

There have not arisen in the interval between the end of the financial year and the date these financial statements were approved, any other, item, transaction or event of a material and or unusual nature likely, in the opinion of the directors of the Company, to affect the operations and reported results of the Company.

LIKELY DEVELOPMENTS

The Company expects to receive a favourable outcome for its case in the next 12 months. However due to the inherent uncertainty in litigation, there is no guarantee. The Directors will continue to assess cases presented to them on their individual merits.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the director remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, key management personnel represent the Company's executive directors and non-executive directors.

Principles used to determine the nature and amount of remuneration

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst the directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No external consultants were used for the current year. The overall level of executive reward takes into account the performance of the Company over a number of years. The remuneration of key management personnel does not include any performance bonuses and is not based on any performance measures.

The 2015 Remuneration Report was carried on a show of hands as an ordinary resolution at the Annual General Meeting held on 19th November 2015. There were no specific comments received on the remuneration report at the AGM.

The following is a summary of the Company's share price and earnings per share over the last six years:

	2010	2011	2012	2013	2014	2015	2016
Share price in cents	6	3	1	1	1	0.3	0.3
Earnings per share in cents	(2.02)	(4.09)	0.06	(0.42)	(0.68)	(1.10)	(0.21)

Directors' Fees

The Company's constitution provides that directors shall be paid fees as remuneration for their services as directors provided that the maximum aggregate amount so paid does not exceed the amount set by shareholders in general meeting. Shareholders set the maximum aggregate amount that may be paid to directors as remuneration for their services as directors at $300,000 per annum at the Company's AGM held on 18 November 2009 (the maximum previously being $150,000 per annum as set by shareholders at a general meeting held on 6 February 2006).

The Board's present policy is that from 1st April 2015 all directors be paid $30,000 (previously $44,000 for non-executive directors and $35,000 for executive directors), per annum plus superannuation in accordance with statutory rates as remuneration for their services as directors.

Executive Director Employment Contracts

Remuneration and other terms of employment for the executive director, Alan van Noort is formalised in on-going employment contracts. The major provisions of his contract is as follows:

Mr Alan Van Noort:

- From 1 April 2015, base salary is $200,000 per annum (previously $250,000) plus superannuation in accordance with the statutory rates.
- Insurance cover provided under Directors and Officers Liability.
- A period of one month's notice upon termination.

Mr JR Stephenson contracts on a monthly basis his Company Secretary role at a rate of $2,500 per month. Apart from the details disclosed in this note, no director has entered into any other material contracts with the Company since the end of the previous financial year. Details of the remuneration of the key management personnel of Hillcrest Litigation Services Limited, including their related entities, are set out in the following table:

			Fixed						
			Short Term				**Long Term**	**Post-Employment**	
	Salary $	Payment in Lieu of Annual Leave $	Payment in Lieu of Long Service Leave $	Directors' Fees $	Company Secretary Services $	Insurance Premiums $	Long Service Leave $	Superannuation $	Total $
2016									
A R Van Noort	**200,000**	**-**	**-**	**30,000**	**-**	**8,463**	**3,650**	**21,850**	**263,963**
I D Allen	**-**	**-**	**-**	**5,000**	**5,000**	**1,410**	**-**	**475**	**11,885**
J R Stephenson	**-**	**-**	**-**	**25,000**	**25,000**	**7,053**	**-**	**2,375**	**59,428**
A J L Middleton	**-**	**-**	**-**	**30,000**	**-**	**8,463**	**-**	**2,850**	**41,313**
Total	**200,000**	**-**	**-**	**90,000**	**30,000**	**25,389**	**3,650**	**27,550**	**376,589**
2015									
A R Van Noort	237,500	48,447	-	33,750	-	2,875	(6,745)	25,769	341,596
I D Allen	112,500	5,075	27,375	33,750	-	2,875	-	14,021	195,596
W A C Martin	-	-	-	33,000	-	2,875	-	-	35,875
A J L Middleton	-	-	-	40,500	-	2,875	-	3,848	47,223
Total	350,000	53,522	27,375	141,000	-	11,500	(6,745)	43,638	620,290

Amounts owed to key management personnel of Hillcrest Litigation Services Limited, including their related entities, are set out in the following table:

	Salary $	Directors' Fees $	Company Secretary Services $	Total $
2016				
A R Van Noort	**100,000**	**37,500**	**-**	**137,500**
I D Allen	**-**	**12,500**	**-**	**12,500**
J R Stephenson	**-**	**25,000**	**16,500**	**41,500**
A J L Middleton	**-**	**30,000**	**-**	**30,000**
Total	**100,000**	**105,000**	**16,500**	**221,500**
2015				
A R Van Noort	-	7,500	-	7,500
I D Allen	-	7,500	-	7,500
W A C Martin	-	-	-	-
A J L Middleton	-	-	-	-
Total	-	15,000	-	15,000

Mr I Allen resigned as Director on 31st August 2015.

DIRECTORS' INTEREST

The relevant interest of each director in the share capital of the Company, as notified to the ASX, at the date of this report is as follows:

	2016 Number held ordinary shares	2015 Number held ordinary shares
A R Van Noort	**83,475,471**	83,475,471
J R Stephenson	**15,000**	-
I D Allen	**-**	34,646,720
A J L Middleton	**10,903,880**	10,903,880

The movement in each directors holding is outlined in the table below.

2016		1 July 2015	Shares Purchased	30 June 2016
A R Van Noort	Ordinary Shares	**83,475,471**	**-**	**83,475,471**
J R Stephenson	Ordinary Shares	**15,000***	**-**	**15,000**
I D Allen	Ordinary Shares	**34,646,720**	**-**	**-***
A J L Middleton	Ordinary Shares	**10,903,880**	**-**	**10,903,880**

2015		1 July 2014	Shares Purchased	30 June 2015
A R Van Noort	Ordinary Shares	41,822,734	41,652,737	83,475,471
I D Allen	Ordinary Shares	34,646,720	-	34,646,720
A J L Middleton	Ordinary Shares	5,351,940	5,551,940	10,903,880

*Mr I Allen held 34,646,720 shares until his resignation on 31st August 2015. Mr J R Stephenson held 15,000 shares at the time of his appointment as Director on 1st September 2015.

End of Remuneration Report (audited)

INDEMNIFICATION AND INSURANCE OF OFFICERS

Since the end of the previous financial year the Company has paid insurance premiums of $25,389 (2015: $11,500) in respect of Directors' and Officers' liability insurance for current and past directors and officers. Insurance does not indemnify the Directors and Officers where there is conduct involving a lack of good faith.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young as part of the terms of its audit engagement letter against claims by third parties arising from the audit (for an unspecified amount).

GENDER DIVERSITY

Gender	Total	Employees	Senior Management	Board
Female	1	1	-	-
Male	3	-	-	3
% Female	25%			

NON-AUDIT SERVICES

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

Details of the amounts paid (net of GST) or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the course of the year are set out below:

	2016	2015
	$	$
Audit Services		
Audit of financial reports under the Corporations Act 2001	**25,000**	25,000
Review of the financial reports under the Corporations Act 2001	**8,240**	8,000
Total remuneration for audit services	**33,240**	33,000
Non-Audit Services		
Tax Compliance Services	**-**	-
Total remuneration for non-audit services	**-**	-
Total remuneration paid to Ernst & Young Australian firm	**33,240**	33,000

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17 and forms part of this report.

In December 2015 the Board approved the extension of the lead partner rotation from five years to seven years in accordance with section 324DB of the Corporations Act 2001 and the Corporations Legislation Amendment (Audit Enhancement) Act 2012.

The reasons why the Board approved the extension included:

– Mr Dachs, the Lead Audit Partner, has a detailed understanding of the Company's business and strategies, its systems and controls. This knowledge is considered to be valuable to the Board at this point in time.

– The existing independence and service metrics in place with EY and Mr Dachs, are sufficient to ensure that auditor independence would not be diminished in any way by such an extension.

– Mr Dachs will continue to abide by the independence guidance provided in APES 110 'Code of Ethics for Professional Accountants' as issued by the Accounting Professional and Ethical Standards Board and EY's own independence requirements.

– The threats of self-interest and familiarity have been mitigated as EY appointed a new Engagement Quality Review Partner.

– The Board of Directors are of the view that Mr Dach's continued involvement with the Company as the Lead Audit Partner will not in any way diminish the audit quality provided to the Company.

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

Alan Van Noort
Chairman
Perth
31 August 2016

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

As lead auditor for the audit of Hillcrest Litigation Services Limited for the financial year ended 30 June 2016, I declare 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.

Ernst & Young

Ernst & Young

T G Dachs
Partner
31 August 2016

FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Net gain on settlement of litigation contracts	3	**-**	93,153
Interest revenue	3	**5,704**	15,967
Other income	3	**17,393**	-
Total Income		**23,097**	109,120
Settlement provision	4	**-**	848,142
Write down of deferred litigation asset	4	**-**	5,052
Legal costs potential litigation	4	**-**	2,000
General and administrative expenses		**10,398**	13,019
Occupancy expenses		**28,506**	63,832
Corporate expenses		**143,167**	138,809
Employee expenses	4	**355,517**	570,700
Total Expenses		**537,588**	1,641,554
Loss before income tax expense		**(514,491)**	(1,532,434)
Income tax expense	7	**-**	-
Net loss attributable to members of Hillcrest Litigation Services Limited		**(514,491)**	(1,532,434)
Other comprehensive income net of tax		-	-
Total comprehensive loss attributable to members of Hillcrest Litigation Services Limited		**(514,491)**	(1,532,434)
Loss per share - cents per share			
Basic loss per share for the year	5	**(0.21)**	(1.10)
Diluted loss per share for the year	5	**(0.21)**	(1.10)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	**2016 $**	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**21,419**	179,621
Security deposits	10	**100,000**	1,013,044
Trade and other receivables	11	**2,591**	-
Prepayments	12	**249**	1,673
Litigation contracts	13	**264,777**	264,777
Total Current Assets		**389,036**	1,459,115
Non-current Assets			
Plant and equipment	14	**3,131**	5,009
Total Non-current Assets		**3,131**	5,009
TOTAL ASSETS		**392,167**	1,464,124
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**277,746**	108,823
Settlement Provision	15	**-**	848,142
Provisions	16	**56,221**	44,274
Total Current Liabilities		**333,967**	1,001,239
Non-current Liabilities			
Provisions	16	**3,650**	**-**
Total Non-current Liabilities		**3,650**	-
TOTAL LIABILITIES		**337,617**	1,001,239
NET ASSETS		**54,550**	462,885
Equity			
Issued capital	17	**21,066,220**	20,960,064
Accumulated losses	18	**(21,011,670)**	(20,497,179)
TOTAL EQUITY		**54,550**	462,885

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		**(352,357)**	(891,285)
Interest received		**5,704**	18,574
Payments for litigation contracts		**(830,749)**	(134,375)
Proceeds from litigation funding		**-**	913,598
Receipts/(Payments) for security of costs		**913,044**	(663,044)
Net operating cash flows	22	**(264,358)**	(756,532)
Cash flows from investing activities			
Payments for plant and equipment	14	**-**	(2,247)
Net investing cash flows		**-**	(2,247)
Cash flows from financing activities			
Proceeds from issue of shares	17	**118,000**	301,976
Payments for capital raising	17	**(11,844)**	(28,358)
Net financing cash flows		**106,156**	273,618
Net increase/ (decrease) in cash held		**(158,202)**	(485,161)
Cash at the beginning of the year		**179,621**	664,782
Cash at the end of the year	9	**21,419**	179,621

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital $	Accumulated Losses $	Total Equity $
At 30 June 2014	20,686,446	(18,964,745)	1,721,701
Loss for the year	-	(1,532,434)	(1,532,434)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(1,532,434)	(1,532,434)
Transactions with owners in their capacity as owners:			
Shares issued	301,976	-	301,976
Transaction costs of share issue	(28,358)	-	(28,358)
At 30 June 2015	**20,960,064**	**(20,497,179)**	**462,885**
Loss for the year	**-**	**(514,491)**	**(514,491)**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**(514,491)**	**(514,491)**
Transactions with owners in their capacity as owners:			
Shares Issued	**118,000**	**-**	**118,000**
Transaction costs of share issue	**(11,844)**	**-**	**(11,844)**
At 30 June 2016	**21,066,220**	**(21,011,670)**	**54,550**

The accompanying notes form part of these financial statements.

1 Corporate Information

The financial report of Hillcrest Litigation Services Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 31 August 2016.

Hillcrest Litigation Services Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The company is a for-profit entity for the purpose of preparing financial statements.

The nature of operations and principal activities of the Company are described in the Operating and Financial Review and the Directors Report.

2 Statement of significant accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. It has also been prepared on the basis of historical costs. The Company is a for-profit entity.

The financial report is presented in Australian Dollars.

(b) Going Concern

At 30th June 2016, the Company had cash and cash equivalents of $21,419 and a net working capital surplus of $55,069. The Company incurred an operating loss after income tax of $514,491 for the year ended 30 June 2016 (2015: loss of $1,532,434) and had cash outflows from operating activities of $264,358 (2015: cash outflows $756,532).

Based on the future funding requirement 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.

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. In arriving at this position the directors have had regard to the fact that the Company has, or in the directors' opinion will have access to sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months form the date of this report. In forming this view the directors have taken into consideration that as the Company is listed on the Australian Securities Exchange it has access to the Australian equity capital markets. Accordingly the Company considers it will be able to raise funding from the market as and when required, although it cannot determine in advance the terms upon which it may raise such funding. As indicated in note 24, on 17th August 2016, the Company raised additional working capital of $200,000 (before expenses) by way of the placement of 40,000 ordinary shares at 0.5cents per share.

The Company's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors including:

- receiving favourable outcomes in the Computer Accounting & Tax Pty Ltd case in the next 12 months;
- obtaining additional funding as and when required; and
- receiving the continued support of its shareholders.

Should the company not be able to achieve the above funding activities, there is significant uncertainty as to whether the company will be able to continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business at the amounts stated in this financial report. The financial report does not include any adjustments relating to the recoverability or classification or recorded assets 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.

2 Statement of significant accounting policies (continued)

(c) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The Company has adopted all new and amended Australian Accounting Standards and AASB interpretations as of 1st July 2015.

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2016. Relevant Standards and Interpretations are outlined in the table below. The Company has decided not to early adopt any of the new and amended pronouncements. The impact of the below standards is yet to be determined unless otherwise disclosed.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Company
AASB 9 Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially- reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. **Financial assets** a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from	1 January 2018	1 July 2018

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Company
	measuring assets or liabilities, or recognising the gains and losses on them, on different bases. **Financial liabilities** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Impact on Hillcrest Litigation Services Limited** The Directors have assessed that there will be no material impact arising from this pronouncement.		
AASB 15 Revenue from Contracts with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue – Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). **Impact on Hillcrest Litigation Services Limited** The Directors have assessed that there will be no material impact on the financial statement arising from this pronouncement.	1 January 2018	1 July 2018

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Company
AASB 16 Leases	The key features of AASB 16 are as follows: Lessee accounting: • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting: • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases-Incentives SIC-27 Evaluating the Substance of Transaction Involving the Legal Form of a Lease.	1 January 2019	1 July 2019
AASB 2015-1	AASB 7 Financial Instruments: Disclosures: • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 134 Interim Financial Reporting: • Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the	1 January 2016	1 July 2016

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Company
	meaning of disclosure of information elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.		
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127.	1 January 2016	1 July 2016
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016

(d) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the balance sheet date.
Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2 Statement of significant accounting policies (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities that relate to the same taxable entity and the same taxation authority.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.
Receivables and payables are stated with the amount of GST included.
The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability on the statement of financial position.
Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(g) Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible monies. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified. Financial difficulties of the debtor and loss of cases on appeal are considered to be objective evidence of impairment.

(h) Litigation Contracts

Litigation contracts in progress represent future economic benefits controlled by the Company or a delegated litigation funder. As litigation contracts in progress may be exchanged or sold, the Company is able to control the expected future economic benefits flowing from the litigation contracts in progress. Accordingly the litigation contracts in progress meet the definition of an intangible asset.

Litigation contracts in progress are measured at cost on initial recognition and carried at cost less any impairment losses. Litigation contracts in progress are not amortised as the assets are not available for use until the determination of a successful judgement at which point they are realised.

2 Statement of significant accounting policies (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised. Disposal proceeds being the Company's percentage share of resolution sum net of costs.

These intangibles are tested for impairment biannually either individually or at the cash-generating unit level. The key assumptions on which the testing is based are:

- The value to the Company of the litigation contracts in progress, once completed, is estimated based on the expected settlement amount of the litigation and the fees due to the Company under the litigation funding contract.
- The discount rate applied to the cash flow projections is 9.75% (2015: 9.75%).

The following asset recognition rules have been applied to the litigation contracts in progress intangible asset:

i) *Action still outstanding*
Where litigation is outstanding and pending a decision, the intangible asset is carried at cost. Subsequent expenditure is capitalised when it meets all of the following criteria:

- Demonstration of the feasibility of completing the litigation so that it will be available for use and the benefits embodied in the asset will be realised;
- Demonstration that the asset will generate future economic benefits;
- The Company or a delegated litigation funder intends to complete funding the litigation in progress;
- Demonstration of the availability of adequate technical, financial and other resources to complete the litigation in progress; and
- Ability to measure reliably the expenditure attributable to the intangible asset during the litigation contracts in progress.

ii) *Successful judgment*
Where the case has been decided in favour of the Company's client, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in the profit or loss. Any future costs relating to the defence of an appeal by the defendant will be expensed as incurred.

iii) *Unsuccessful Judgment*
Where the Company's client's case is unsuccessful at trial, this is a trigger for impairment of the intangible asset and the asset will be written down to its recoverable amount. If the Company's client, having been unsuccessful at trial, appeals against the judgment then future costs incurred by the Company on the appeal process are expensed as incurred.

iv) *Recoverable amount of assets*
At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing its use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2 Statement of significant accounting policies (continued)

(i) Plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the expected useful life of the assets as follows:

Plant and equipment	2.5 - 10 years

The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which it belongs. If any indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(j) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of those goods and services.

(k) Employee benefits

Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave in respect of employees' services up to the reporting date and expected to be settled within 12 months of the reporting date are recognised in current provisions and are measured at amounts expected to be paid when liabilities are settled.

Superannuation plans
The Company contributes to numerous defined contribution superannuation plans. Contributions made to the superannuation plans are recognised as an expense as they are made.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. As at 30th June 2016, the employee benefit provision balance have been calculated using discounted rates derived from the high quality corporate bond (HQCB) market in Australia. The rates are based on analysis undertaken by Company of 100 and Milliman Australia.

(l) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The time value of money is not material to the currently recognised provisions and they are not discounted to expected future cash flows at a pre-tax rate.

(m) Earnings per share

Basic earnings per share
Basic earnings per share is determined by dividing net loss or profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic loss or profit per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for nil consideration in relation to dilutive potential ordinary shares.

2 Statement of significant accounting policies (continued)

(m) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes deposits at call with financial institutions and other highly liquid investments with original maturity of three months or less, which is readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(o) Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is:

Impairment of Litigation Contracts
The Company determines whether litigation contracts are impaired biannually. This requires an estimation of the recoverable amount of each litigation contract on an individual contract basis using cash flow projections as at 30 June 2016 that cover the period of the contract. The risk adjusted pre-tax discount rate applied to the cash flow projections is 9.75% (2015: 9.75%) (refer note 13).

(p) Contributed Equity

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

3 Income

	2016 **$**	2015 $
Net gain on settlement of litigation contracts	**-**	93,153
Interest revenue	**5,704**	15,967
Other Income	**17,393**	-
Total income	**23,097**	109,120

Other income relates to a foreign exchange gain on settlement of a case.

4 Expenses

	2016 **$**	2015 $
Settlement provision	-	848,142
Write down of deferred litigation asset	-	5,052
Legal costs potential litigation	-	2,000
Employee Benefits:		
Employee wages and salaries	**236,114**	383,566
Superannuation costs	**29,403**	46,134
Directors fees	**90,000**	141,000
	355,517	570,700
Depreciation	**1,878**	2,360
Operating lease payments	**24,000**	59,553

5 Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

	2016	2015
	$	$
Earnings reconciliation		
Basic losses	**(514,491)**	**(1,532,434)**
Diluted losses	**(514,491)**	**(1,532,434)**
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share.	**241,410,607**	**139,838,582**

6 Auditor's remuneration

	2016	2015
	$	$
Statutory Audit and Review	**33,240**	33,000
Total fees paid or payable to Ernst &Young	**33,240**	33,000

	2016	**2015**
	$	**$**

7 Taxation

The major components of income tax expense are:

Income Statement		
Current income tax		
Current income tax charge	**(384,364)**	(29,644)
Deferred income tax		
Relating to origination and reversal of temporary differences	**(233,689)**	(437,311)
Adjustment due to reduction in tax rate	**(10,068)**	-
Unused tax losses not recognised as Deferred Tax Assets	**384,364**	29,644
Non recognition of tax balances	**243,757**	437,311
Income tax expense reported in the income statement	**-**	-

Statement of Changes in Equity

There are no current or deferred income tax balances relating to the Statement of Changes in Equity.

Reconciliation from accounting loss to tax loss is as follows:

Accounting loss	**(514,491)**	(1,532,434)
Income tax at 28.5% (2015: 30%)	**(146,630)**	(459,730)
Expenditure not allowable for tax purposes	**-**	34
Other deductible amounts not recognised	**(4,045)**	(7,259)
Unused tax losses not recognised as deferred tax assets	**384,364**	29,644
Non-recognition of deferred tax balances	**(233,689)**	(437,311)
Income tax expense reported in the income statement	**-**	-

7 Taxation (cont'd)

Deferred income tax

Deferred income tax at year end relates to the following:

	Statement of Financial Position		Income Statement	
	2016	2015	**2016**	2015
	$	$	**$**	$
Applicable tax rate	**28.5%**	30.0%	**28.5%**	30.0%
Deferred tax liabilities				
Accrued revenue income	**-**	-	**-**	(782)
Prepaid expenses	**294**	1,101	**(752)**	(384)
Deferred litigation expenses	**75,461**	79,433	**-**	(207,337)
DTA used to offset DTL	**(75,755)**	(80,534)	**752**	208,503
	-	-	**-**	-
Deferred tax assets				
Losses available to offset against future taxable income	**2,557,233**	2,287,230	**(384,364)**	(29,644)
Accelerated depreciation and write off for accounting purposes	**(316)**	(214)	**113**	170
Blackhole expenditure deductible over 5 years	**153**	322	**153**	286
Other Creditors	**-**	254,443	**241,721**	(254,443)
Accrued expenses	**10,973**	11,790	**228**	2,760
Provisions	**22,546**	15,549	**(7,774)**	22,420
DTA used to offset DTL	**(75,755)**	(80,534)	**(752)**	(208,503)
Gross deferred income tax assets not brought to account	**(2,514,834)**	(2,488,586)	**150,675**	466,954
Deferred tax income / (expense)	**-**	-	**-**	-

At 30 June 2016 Hillcrest Litigation Services Limited has $8,310,607 (2015: $6,961,962) of tax losses and $662,139 (2015: $662,139) of capital losses that are available indefinitely for offset against future taxable profits and taxable capital gains respectively of the Company subject to satisfaction of the loss tests. Should the company not satisfy the Continuity of Ownership test, the company will be able to utilise the losses to the extent that it satisfies the Same Business Test.

In 2016, the government enacted a changed in the income tax rate for small business entities from 30% to 28.5%. Hillcrest Litigation Services Ltd satisfies the criteria to be a small business entity.

8 Segment Reporting

The company has identified its operating segments on the basis of internal reports that are reviewed and used by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance.

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 Operating and Financial Review.

		2016 $	2015 $
9	**Cash and cash equivalents**		
	Cash at bank and on hand	**21,419**	179,621
10	**Security deposits**		
	Current		
	Deposits	**100,000**	1,013,044

A deposit of $100,000 is held with the Supreme Court of Western Australia as a guarantee that has been provided for the litigation funding of; Computer Accounting & Tax Pty Ltd (In Liquidation).

In January 2015 the National Potato case had an unfavourable ruling against the Company's, funded client. At 30th June 2015 the Company made a provision of $848,142 (Rand 7,560,000), to cover the settlement amount. At the time a secured term deposit was placed with the National Australia Bank for $913,044 to cover the settlement amount. On 15th September 2015 the settlement payment of Rand 7,560,000 was requested. The secured term deposit was utilised to settle this case.

		2016 $	2015 $
11	**Trade and Other Receivables**		
	Current		
	GST receivable	**2,591**	-
		2,591	-
12	**Prepayments**		
	Prepayments	**249**	1,673

		2016 $	2015 $
13	**Litigation contracts**		
	Current	**264,777**	264,777
		264,777	264,777

Litigation contracts in progress are not amortised as the assets are not available for use until the determination of a successful judgement at which point it is realised. Litigation contracts are reviewed for impairment half-yearly by the board of directors.

	2016	2015
Opening balance	**264,777**	955,899
Additions	**-**	134,375
Recovered upon settlement	**-**	(825,497)
Closing balance	**264,777**	264,777

The recoverable amount of litigation contracts is their value in use calculated using cash flow projections and applying a discount rate of 9.75% (2015: 9.75%).

14 Plant and equipment

Plant and equipment		
At cost	**30,494**	30,494
Accumulated depreciation	**(27,363)**	(25,485)
	3,131	5,009

Reconciliations of the carrying amounts for plant & equipment are set out below:

Plant and equipment		
Carrying amount at beginning of year	**5,009**	5,122
Additions	**-**	2,247
Depreciation (note 4)	**(1,878)**	(2,360)
Carrying amount at end of year	**3,131**	5,009

15 Trade and other payables

Current		
Trade creditors	**16,500**	-
Other creditors and accruals	**261,246**	70,142
GST payable	**-**	38,681
	277,746	108,823
Settlement Provision	**-**	848,142

Trade and Other payables

Trade and Other creditors, totalling $58,744 are non-interest bearing and are normally settled on a 60 day term. Trade Creditors and Other Creditors, totalling $219,002 relate to unpaid; Directors Fees, Directors Salary and Company Secretarial services. The Directors have agreed to postpone the payment of these accounts unless the company has sufficient cash available to fund its operations for 12 months from the date of this report. Information regarding the effective interest rate of current payables is set out in note 19.

Settlement Provision

In January 2015 the National Potato case had an unfavourable ruling against the Company's funded client. At 30th June 2015 the Company made a provision of $848,142 (Rand 7,560,000), to cover the settlement amount. At the time a secured term deposit was placed with the National Australia Bank for $913,044 to cover the settlement amount.

On 15th September 2015 the settlement payment of Rand 7,560,000 was requested. This converted to $830,748 being paid out by the Company the term deposit was utilised to settle the case and the provision was no longer required.

16 Provisions

Current		
Employee benefits	**56,221**	44,274
Non – Current		
Employee benefits	**3,650**	-
	59,871	44,274

There was no other movement in provisions during the financial year, other than employee benefits

		2016 $	2015 $	2016 Shares	2015 Shares
17	**Contributed equity**				
	Issued and paid-up share capital				
	269,309,136 (2015: 225,605,432)				
	Ordinary shares, fully paid	**21,066,220**	20,960,064	**269,309,136**	225,605,432
(a)	**Movements in ordinary share capital**				
	Balance at beginning of the year	**20,960,064**	20,686,446	**225,605,432**	124,946,589
	Share issue (i)	**118,000**	301,976	**43,703,704**	100,658,843
	Transactions costs (ii)	**(11,844)**	(28,358)	**-**	-
	Balance at end of the year	**21,066,220**	20,960,064	**269,309,136**	225,605,432

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

(i) On 18th February 2016 the Company announced the issue of 43,703,704 shares for $0.0027 each through a placement.

(ii) Transaction costs represent the costs of issuing shares.

(b) Capital management

When managing capital, which is defined as contributed equity, management's objective is to ensure that the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital to the Company and take advantage of favourable costs of capital or high returns on assets.

Management has no current plans to alter the Company's existing capital structure. The Company is not subject to any externally imposed capital requirements.

18 Accumulated losses

	2016 $	2015 $
Accumulated losses at beginning of year	**(20,497,179)**	(18,964,745)
Net loss attributable to members	**(514,491)**	(1,532,434)
Accumulated losses at end of year	**(21,011,670)**	(20,497,179)

19 Financial instruments disclosure

Financial Risk Management

The Company's main risks arising from the financial instruments are interest rate risk, liquidity risk and credit risk. The board has no formal risk management committee due to the size of the Company and the number of directors, however the board does recognise that all directors and employees have a responsibility to recognise risks and actively apply controls to manage the risk. All controls in place are considered appropriate for the current position of the Company.

Interest Rate Risk

The Company's exposure to interest rate risk is related to its cash holdings with a variable interest rate. The Company constantly reviews its interest rate exposure and consideration is given to expected interest rate movements and future cash requirements.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of term deposits. The management team continually reviews the Company's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and maintain appropriate liquidity levels.

Credit Risk

The Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets of the Company, which comprises cash and cash equivalents and trade and other receivables. The Company assesses the defendants in the cases funded prior to entering into any agreement to provide funding.

19 Financial instruments disclosure (continued)

(a) Interest rate risk

Interest rate risk exposures

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate %	Floating Interest rate $	Fixed Interest rate $	Non-interest bearing $	Total $
2016						
Financial Assets						
Cash at bank	9	**0.85 %**	**21,419**	**-**	**-**	**21,419**
Security deposits	10	**-**	**-**	**-**	**100,000**	**100,000**
Trade and other receivables	11		**-**	**-**	**2,591**	**2,591**
			21,419	**-**	**102,591**	**124,010**
Financial Liabilities						
Trade and other payables	15		**-**	**-**	**277,746**	**277,746**
NET FINANCIAL ASSETS/(LIABILITIES)			**21,419**	**-**	**(175,155)**	**(153,736)**
2015						
Financial Assets						
Cash at bank	9	2.04 %	179,621	-	-	179,621
Security deposits	10	2.00%	-	913,044	100,000	1,013,044
Trade and other receivables	11		-	-	-	-
			179,621	913,044	100,000	1,192,665
Financial Liabilities						
Trade and other payables	15		-	-	108,823	108,823
NET FINANCIAL ASSETS/(LIABILITIES)			179,621	913,044	(8,823)	1,083,842

Recognised financial instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2016 Carrying amount $	2016 Net fair value $	2015 Carrying Amount $	2015 Net fair Value $
Financial assets				
Cash assets	**21,419**	**21,419**	179,621	179,621
Security deposits	**100,000**	**100,000**	1,013,044	1,013,044
Trade and other receivables	**2,591**	**2,591**	-	-
Financial liabilities				
Trade and other payables	**277,746**	**277,746**	108,823	108,823

Cash assets and listed shares in other corporations are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

19 Financial instruments disclosure (continued)

(b) Liquidity risk

The management team continually reviews the Company's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and maintain appropriate liquidity levels.

(c) Credit risk

The credit risk on financial assets of the Company is generally the carrying amount recognised on the statement of financial position.

(d) Sensitivity analysis

The following table summarises the sensitivity of the Company's financial assets and liabilities to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post-tax profit/loss and equity would have been affected as shown. This analysis has been performed with consideration of expected interest rate movements in Australia, recognition of minimal use of debt funding and the Company's relationship with its bankers.

		Interest rate risk - 1%		**Interest rate risk + 1%**	
	Carrying amount $	**Profit/(loss) $**	**Equity $**	**Profit/(loss) $**	**Equity $**
2016					
Financial assets					
Cash assets	**21,419**	**(214)**	**(214)**	**214**	**214**
Total increase/(decrease)		**(214)**	**(214)**	**214**	**214**
2015					
Financial assets					
Cash assets	179,621	(1,796)	(1,796)	1,796	1,796
Term deposits	913,044	(9,130)	(9,130)	9,130	9,130
Total increase/(decrease)		(10,926)	(10,926)	10,926	10,926

20 Commitments

The Company does not have a commitments exposure as it has a month by month rental agreement.

21 Contingent liabilities

Indemnities

Indemnities have been provided to directors and certain executive officers 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 30 June 2016.

Guarantees

The Company has $100,000 (30th June 2015: $1,013,044) of guarantees that have been set aside for litigation funding of specific cases. This is further discussed in note 10.

22 Note to the statement of cash flows

	2016 $	2015 $
Reconciliation of loss from ordinary activities after income tax to net operating cash flows		
Loss from ordinary activities after income tax	**(514,491)**	(1,532,434)
Non-cash items:		
Depreciation	**1,878**	2,360
Accrued income	**-**	2,607
Change in assets and liabilities:		
Decrease/(Increase) in security deposits	**913,044**	(663,044)
Decrease in prepayments	**1,424**	632
Decrease/(Increase) in litigation contracts	**-**	691,122
Decrease/(Increase) in GST recoverable	**(2,591)**	14,441
(Decrease)/Increase in Trade Creditors	**180,528**	(57,604)
(Decrease)/Increase in settlement provision	**(848,142)**	848,142
(Decrease)/Increase in payroll liabilities payable	**(11,605)**	10,446
(Decrease)/Increase in provisions	**15,597**	(73,200)
Net cash (used in) operating activities	**(264,358)**	(756,532)

23 Related parties

The names of each person holding the position of director of Hillcrest Litigation Services Limited during the financial year are Messrs A R Van Noort, J R Stephenson, A J L Middleton and I D Allen. Mr JR Stephenson contracts on a monthly basis his Company Secretary role at a rate of $2,500 per month. Apart from the details disclosed in this note, no director has entered into any other material contracts with the Company since the end of the previous financial year. There were no other material contracts involving directors' interests existing at year end.

Compensation for key management personnel		
Short term employee benefits	**345,389**	556,022
Long Service Leave	**3,650**	20,630
Post-employment benefits - Superannuation	**27,550**	43,638
Total compensation	**376,589**	620,290

Transactions of directors and director related entities concerning shares

Aggregate number of shares of the Company held directly, indirectly or beneficially by directors of the Company or their director-related entities at year end are set out below:

	2016 **Number held ordinary shares**	2015 Number held ordinary shares
A R Van Noort	**83,475,471**	83,475,471
J R Stephenson	**15,000**	-
I D Allen	**34,646,720**	34,646,720
A J L Middleton	**10,903,880**	10,903,880

23 Related parties (continued)

Transactions of directors and director related entities concerning shares (continued)

The movement in each directors holding is outlined in the table below.

2016		1 July 2015	Shares Purchased	30 June 2016
A R Van Noort	Ordinary Shares	**83,475,471**	**-**	**83,475,471**
A J L Middleton	Ordinary Shares	**10,903,880**	**-**	**10,903,880**
I D Allen	Ordinary Shares	**34,646,720***	**-**	**-**
J R Stephenson	Ordinary Shares	**15,000***	**-**	**15,000**

2015		1 July 2014	Shares Purchased	30 June 2015
A R Van Noort	Ordinary Shares	**41,822,734**	**41,652,737**	**83,475,471**
I D Allen	Ordinary Shares	**34,646,720**	**-**	**34,646,720**
A J L Middleton	Ordinary Shares	**5,351,940**	**5,551,940**	**10,903,880**

*Mr I Allen held 34,646,720 shares until his resignation on 31st August 2015. Mr J R Stephenson held 15,000 shares at the time of his appointment as Director on 1st September 2015.

Other Transactions with directors and director related entities

Amounts owed to key management personnel of Hillcrest Litigation Services Limited, including their related entities, are set out in the following table:

	Salary $	Directors' Fees $	Company Secretary Services $	Total $
2016				
A R Van Noort	**100,000**	**37,500**	**-**	**137,500**
I D Allen	**-**	**12,500**	**-**	**12,500**
J R Stephenson	**-**	**25,000**	**16,500**	**41,500**
A J L Middleton	**-**	**30,000**	**-**	**30,000**
Total	**100,000**	**105,000**	**16,500**	**221,500**
2015				
A R Van Noort	-	7,500	-	7,500
I D Allen	-	7,500	-	7,500
W A C Martin	-	-	-	-
A J L Middleton	-	-	-	-
Total	-	15,000	-	15,000

There were no other transactions with directors or director related entities.

24 Events subsequent to balance date

On 17th August 2016, the Company raised additional working capital of $200,000 (before expenses) by way of the placement of 40,000,000 ordinary shares at 0.5cents per share.

There have not arisen in the interval between the end of the financial year and the date these financial statements were approved, any other, item, transaction or event of a material and or unusual nature likely, in the opinion of the directors of the Company, to affect the operations and reported results of the Company.

The directors of Hillcrest Litigation Services Limited declare that the financial statements and notes set out in pages 18 to 39:

(a) comply with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the financial position of the Company as at 30 June 2016 and of the performance of the Company, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the directors' opinion

a. the financial statements and notes are in accordance with the Corporations Act 2001; and

b. subject to matters referred to in note 2(b) to 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.

c. The financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2.

The directors have received declarations from the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors:

Alan Van Noort
Chairman
Perth
31 August 2016

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Independent auditor's report to the members of Hillcrest Litigation Services Limited

Report on the financial report

We have audited the accompanying financial report of Hillcrest Litigation Services Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 controls. 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.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Hillcrest Litigation Services 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 2016 and of its performance for the year ended on that date;

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 15 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Hillcrest Litigation Services Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
31 August 2016

Additional information required by the Australian Stock Exchange and not disclosed elsewhere in this report is set out below. The information is current as at 15th August 2016.

Substantial shareholders including their related parties:

Name	Number of ordinary shares held	% of total issued capital
Lomp Pty Ltd	83,475,471	30.99
Mial Enterprises Pty Ltd	37,870,369	14.06
Lanzerac Nominees Pty Ltd	34,646,720	12.87

Voting rights

Ordinary Shares
At meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney and on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

On-market buy-back

There is no current on-market buy-back.

Distribution of ordinary fully paid shares in the Company as at 31st July 2016:

Spread of holdings	Number of holdings	Number of units	% of total issued capital
1 - 1,000	57	25,421	0.01
1,001 - 5,000	192	612,105	0.23
5,001 - 10,000	111	816,519	0.30
10,001 - 100,000	205	8,043,274	2.99
100,001 - & over	94	259,811,817	96.47
	672	269,309,136	100.00

The number of shareholders holding less than a marketable parcel is 595.

Twenty largest shareholders as at 15th August 2016

	Name	Number of ordinary shares held	% of total issued capital
1.	Lomp Pty Ltd	59,625,861	22.14
2.	MIAL Enterprises Pty Ltd	37,870,369	14.06
3.	Lanzerac Nominees Ltd	31,749,366	11.79
4.	Avanoor Pty Ltd	23,849,610	8.85
5.	Tornado Nominees Pty Ltd	10,903,880	4.05
6.	Mr Mark & Mr Mitchell Barton	8,999,000	3.34
7.	Lemour Pty Ltd	7,553,704	2.80
8.	Empire Securities	7,407,408	2.75
9.	PAC Partners	7,407,408	2.75
10.	Raven Investment Holding Pty Ltd	7,107,408	2.64
11.	Mr Ianaki Semerdziev	4,100,003	1.52
12.	GA & AM Leaver Investments Pty Ltd	3,734,577	1.39
13.	Zero Nominees Pty Ltd	3,703,703	1.38
14.	Rimoyne Pty Ltd	3,628,704	1.35
15.	Mr Ian & Mrs Helen Leete	3,333,000	1.24
16.	Mr Ian Douglas Allen	2,897,354	1.08
17.	Darman Pty Ltd	2,331,428	0.87
18.	Mr Simon William Tritton	1,807,336	0.67
19.	Lobel Enterprises Pty Ltd	1,333,333	0.50
20.	Mr Michael Henry Van Noort	1,312,657	0.48
		230,656,109	85.65