



HILLCREST LITIGATION SERVICES LIMITED

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Stock Exchange Release:

Release Date: 26 February 2014

Contact: Ian Allen

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RE: Appendix 4D - Results for Announcement to the Market

The following information is given to ASX under listing rule 4.2A.3.

A handwritten signature in black ink, appearing to be 'IAN ALLEN', written over a horizontal line.

IAN ALLEN
COMPANY SECRETARY

Appendix 4D
Financial Half-Year Ended
31 December 2013

RESULTS FOR ANNOUNCEMENT TO MARKET

1. Details of the reporting period and the previous corresponding period.

This information relates to the half year ended 31 December 2013. The previous corresponding period relates to the half year ended 31 December 2012 (unless otherwise stated).
This Appendix 4D should be read in conjunction with the most recent annual report

2. Key information in relation to the following.

- 2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.

Revenues from ordinary activities are down 98% from \$1,298,070 to \$20,506.
The decrease in revenue is due to no cases settling during the half year.

- 2.2 The amount and percentage change up or down from the previous corresponding period of profit / (loss) from ordinary activities after tax attributable to members.

Loss from ordinary activities after tax attributable to members was \$420,093 compared to a profit of \$778,155 for the last half year, a decrease of 154%. The loss is due to a decrease in revenue due to no cases settling during the half year.

- 2.3 The amount and percentage change up or down from the previous corresponding period of net profit / (loss) for the period attributable to members.

Net loss for the period attributable to members was \$420,093 compared to a profit of \$778,155 last half year, a decrease of 154%. The loss is due to a decrease in revenue due to no cases settling during the half year.

- 2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

No dividends have been declared for the half year ended 31 December 2013.

- 2.5 The record date for determining entitlements to the dividends (if any).

No dividends have been declared for the half year ended 31 December 2013.

- 2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

3. Net assets per security with the comparative figure for the previous corresponding period

	2013	2012
Net Assets per security	1.7 cents	3.1 cents

Note: Calculated as Net Assets divided by shares on issue.

4. Details of entities over which control has been gained or lost during the period, including the following.

4.1 Name of the entity.

Not applicable.

4.2 The date of the gain or loss of control.

Not applicable.

4.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

Not applicable.

5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.

No dividends have been declared for the half year period ended 31 December 2013.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

No dividends have been declared for the half year period ended 31 December 2013.

7. Details of associates and joint venture entities including the name of the association or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report- aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

Not applicable, the Company has no associates or interests in Joint Ventures at 31 December 2013.

8. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

The Company is domiciled in Australia and the report has been prepared in accordance with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards.

9. For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

Not applicable. The unqualified review opinion of the Company's auditors, Ernst & Young, is published with the half year accounts and does not highlight any areas of dispute.



HILLCREST LITIGATION SERVICES LIMITED

ABN 63 060 094 742

**HALF-YEAR REPORT
31 DECEMBER 2013**

COMPANY PARTICULARS

DIRECTORS

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

COMPANY SECRETARY

Ian Allen

REGISTERED OFFICE AND DOMICILE

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

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West Perth
Western Australia 6005

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Western Australia 6872

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SHARE REGISTRY

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

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

AUDITORS

Ernst & Young

AUSTRALIAN STOCK EXCHANGE

ASX Codes:

Shares HLS

DIRECTORS' REPORT

The Directors submit their report together with the condensed half-year financial report of Hillcrest Litigation Services Limited ("the Company") for the half-year ended 31 December 2013 and the auditor's report thereon.

DIRECTORS

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

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

REVIEW AND RESULTS OF OPERATIONS

The operating loss of the Company after income tax for the half-year was \$420,093 (2012 profit: \$778,155).

The results are predominately attributable to the operating costs for the half year. No cases were settled during this period.

The Company presently has two funding agreements, being:

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

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

2. The Bankrupt Estate of Dawson

HLS has agreed to fund the trustee of the bankrupt estate of Dawson in a claim to recover an amount of approximately \$2,100,000 on the basis that such payment is void as against the trustee under section 121 of the Bankruptcy Act.

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

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



Ian Allen
Director
Perth
26 February 2014



Ernst & Young
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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Hillcrest Litigation Services Limited

In relation to our review of the condensed financial report of Hillcrest Litigation Services Limited for the half-year ended 31 December 2013 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

TG Dachs
Partner
26 February 2014

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 \$	2012 \$
Net gain on settlement of litigation contracts	3	-	1,283,980
Interest revenue	3	18,906	14,030
Other	3	1,600	60
Total Income		<u>20,506</u>	<u>1,298,070</u>
Expenses	3	(440,599)	(519,915)
Profit/(Loss) before income tax expense		<u>(420,093)</u>	<u>778,155</u>
Income tax expense		-	-
Profit/(Loss) after income tax expense		<u>(420,093)</u>	<u>778,155</u>
Net Profit/(Loss) attributable to members of Hillcrest Litigation Services Limited		<u>(420,093)</u>	<u>778,155</u>
Other comprehensive income net of tax		-	-
Total comprehensive income/(loss) attributable to members of Hillcrest Litigation Services Limited		<u>(420,093)</u>	<u>778,155</u>
Earnings per share		Cents	Cents
Basic profit/(loss) for the half-year		(0.34)	0.69
Diluted profit/(loss) for the half-year		(0.34)	0.69

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Notes	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,205,247	2,035,284
Term deposits	6	250,000	-
Trade and other receivables	7	21,979	12,251
Prepayments		14,239	2,931
Litigation contracts	8	561,845	-
Total Current Assets		2,053,310	2,050,466
Non-current Assets			
Term deposits	6	100,000	100,000
Litigation contracts	8	199,572	610,519
Plant and equipment		6,395	7,667
Total Non-current Assets		305,967	718,186
TOTAL ASSETS		2,359,277	2,768,652
LIABILITIES			
Current Liabilities			
Trade and other payables		111,383	102,730
Provisions		91,129	89,064
Total Current Liabilities		202,512	191,794
Non-current Liabilities			
Provisions		-	-
Total Non-current Liabilities		-	-
TOTAL LIABILITIES		202,512	191,794
NET ASSETS		2,156,765	2,576,858
Equity			
Issued capital		20,686,446	20,686,446
Accumulated losses		(18,529,681)	(18,109,588)
TOTAL EQUITY		2,156,765	2,576,858

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Payments to suppliers and employees		(449,645)	(664,592)
Interest received		18,906	14,030
Other income		1,600	-
Proceeds from litigation funding		-	374,995
Payments for litigation funding		(150,898)	(262,677)
Transfers to term deposits - guarantees		(250,000)	-
Net operating cash flows		(830,037)	(538,244)
Cash flows from financing activities			
Proceeds from issue of shares		-	378,680
Payments for capital raising		-	(26,153)
Net financing cash flows		-	352,527
Net decrease in cash held		(830,037)	(185,717)
Cash at the beginning of the period		2,035,284	589,794
Cash at the end of the period	5	1,205,247	404,077

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
At 1 July 2013	20,686,446	(18,109,588)	2,576,858
Profit/(loss) for the period	-	(420,093)	(420,093)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period	-	(420,093)	(420,093)
At 31 December 2013	20,686,446	(18,529,681)	2,156,765
At 1 July 2012	20,334,438	(17,611,298)	2,723,140
Profit for the period	-	778,155	778,155
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	778,155	778,155
Transactions with owners in their capacity as owners:			
Shares issued	378,680	-	378,680
Transaction costs of share issue	(26,153)	-	(26,153)
At 31 December 2012	20,686,965	(16,833,143)	3,853,822

1 Corporate information

The condensed financial report of Hillcrest Litigation Services Limited for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 26 February 2014.

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

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

2 Summary of significant accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the condensed half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Hillcrest Litigation Services Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

(b) Going Concern

At 31 December 2013, the Company had cash and cash equivalents of \$1,205,247. Based on the future funding requirements for current cases and ongoing overheads, but excluding any proceeds from cases settled or won, there is a potential working capital shortfall in the next financial year. In order to ensure that sufficient funding is available to meet working capital requirements over the next 12 months and to fund an increase in the company's portfolio of cases, the directors intend to undertake a capital raising.

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

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

(c) Significant accounting policies

From 1 July 2013 the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2013. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

Reference	Title
AASB 119	Employee Benefits (Revised)
AASB 13	Fair Value Measurement
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

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

	2013 \$	2012 \$
3 REVENUE AND EXPENSES		
Income and Revenue		
Net gain on settlement of litigation contracts	-	1,283,980
Interest revenue	18,906	14,030
Other	1,600	60
	<u>20,506</u>	<u>1,298,070</u>
Expenses		
Depreciation	1,272	1,246
Employee costs	319,392	397,110
Other expenses	119,935	121,559
	<u>440,599</u>	<u>519,915</u>

4 SEGMENT REPORTING

Geographical segments

The Company operates in only one geographical segment being Australia.

Business segments and customers

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

	31 December 2013 \$	30 June 2013 \$
5 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>1,205,247</u>	<u>2,035,284</u>
6 TERM DEPOSITS		
Current		
Term deposits – bank guarantees	<u>250,000</u>	-
Non-current		
Term deposits – security deposit	<u>100,000</u>	<u>100,000</u>

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

	31 December 2013 \$	30 June 2013 \$
7 TRADE AND OTHER RECEIVABLES		
Current – GST/FBT recoverable	21,979	12,251
Non-current – GST/FBT recoverable	-	-
	<u>21,979</u>	<u>12,251</u>

8 LITIGATION CONTRACTS

Current	561,845	-
Non-current	199,572	610,519
	<u>761,417</u>	<u>610,519</u>

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

	31 December 2013 (6 months) \$	30 June 2013 (12 months) \$
Opening balance	610,519	1,477,409
Additions	150,898	379,430
Recovered upon settlement	-	(1,246,320)
Closing balance	<u>761,417</u>	<u>610,519</u>

9 CONTINGENT ASSETS AND LIABILITIES

Indemnities

Indemnities have been provided to the Directors of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 31 December 2013.

Bank Guarantees

The Company has \$350,000 (30 June 2013: \$100,000) of bank guarantees that have been set aside for litigation funding of specific cases.

10 EVENTS AFTER THE BALANCE SHEET DATE

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

DIRECTORS' DECLARATION

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

- (a) The half-year financial statements and notes of the Company set out in pages 4 to 10 are in accordance with the Corporations Act 2001, including:
 - (i) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the financial position of the Company as at 31 December 2013 and of the performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Ian Allen
Director
Perth
26 February 2014

To the members of Hillcrest Litigation Services Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying condensed half-year financial report of Hillcrest Litigation Services Limited, which comprises the statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Condensed Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the condensed half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hillcrest Litigation Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

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



Ernst & Young



T G Dachs
Partner
Perth
26 February 2014