



HILLCREST LITIGATION SERVICES LIMITED

ABN 63 060 094 742

**HALF-YEAR REPORT
31 DECEMBER 2015**

COMPANY PARTICULARS

DIRECTORS

Alan Van Noort (Chairman)
Jay Stephenson
Angus Middleton

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
Facsimile: (08) 9324 3277
Website: www.hillcrestlitigation.com.au
Email: avn@hillcrestlitigation.com.au

SHARE REGISTRY

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

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

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth, WA 6000

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 2015 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 (Resigned from both positions 1.9.15)
Jay R Stephenson	– Non-Executive Director and Company Secretary (appointed to both positions 1.9.15)
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 \$242,351 (2014 loss: \$334,768).

The results are attributable to the operating costs for the half-year.

The Company presently has two funding agreements, being:

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.

Prunster v Summers

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

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

National Potato Case

In January 2015 it was announced that the National Potato case had an unfavourable ruling against the Company's funded client. At 30th June 2015 HLS made a provision in the financial statements of \$848,142 (\$7,560,000 Rand), 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 7,560,000 Rand was requested. This converted to \$830,748 being paid out by HLS, being \$17,393 less than HLS had provided for. The foreign exchange gain of \$17,393 is recorded as Other Income at 31st December 2015.

SUBSEQUENT EVENTS

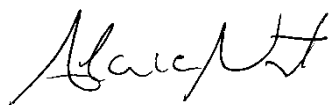
On 18th February 2016, the Company raised additional working capital of \$118,000 (before expenses) by way of the placement of 43,703,704 ordinary shares at 0.27 cents per share.

On 26th February 2016, the Company announced to ASX that it intended to undertake a non-renounceable rights issue to Shareholders to raise additional working capital of up to \$750,000.

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

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

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



Alan Van Noort

Chairman

Perth

26 February 2016

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

As lead auditor for the review of Hillcrest Litigation Services Limited for the half-year ended 31 December 2015, 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 review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



T G Dachs
Partner
26 February 2016

HILLCREST LITIGATION SERVICES LIMITED
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$	2014 \$
Net gain on settlement of litigation contracts	3	-	93,153
Interest revenue	3	4,337	8,332
Other Income	3	17,393	-
Total Income		21,730	101,485
Expenses	3	(264,081)	(436,253)
Loss before income tax expense		(242,351)	(334,768)
Income tax expense		-	-
Loss after income tax expense		(242,351)	(334,768)
Net Loss attributable to members of Hillcrest Litigation Services Limited		(242,351)	(334,768)
Other comprehensive income net of tax		-	-
Total comprehensive loss attributable to members of Hillcrest Litigation Services Limited		(242,351)	(334,768)
Loss per share		Cents	Cents
Basic loss per share for the half-year		(0.11)	(0.27)
Diluted loss per share for the half-year		(0.11)	(0.27)

The Condensed Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 8 to 10.

HILLCREST LITIGATION SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	21,852	179,621
Security deposits	6	100,000	1,013,044
Prepayments		6,716	1,673
Litigation contracts	8	264,777	264,777
Total Current Assets		393,345	1,459,115
Non-current Assets			
Plant and equipment		4,071	5,009
Total Non-current Assets		4,071	5,009
TOTAL ASSETS		397,416	1,464,124
LIABILITIES			
Current Liabilities			
Trade and other payables		129,383	108,823
Settlement Provision	7	-	848,142
Provisions		50,525	44,274
Total Current Liabilities		179,908	1,001,239
Total Non-current Liabilities		-	-
TOTAL LIABILITIES		179,908	1,001,239
NET ASSETS		217,508	462,885
Equity			
Issued capital	9	20,957,038	20,960,064
Accumulated losses		(20,739,530)	(20,497,179)
TOTAL EQUITY		217,508	462,885

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 10.

HILLCREST LITIGATION SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Payments to suppliers and employees		(241,375)	(511,612)
Interest received		4,337	8,332
Payment to settle Litigation		(830,749)	-
Proceeds from litigation funding		-	460,419
Payments for litigation funding		-	(125,763)
Release of term deposits for guarantees		913,044	250,000
Net cash (outflows)/ inflows from Operating Activities		(154,743)	81,376
 Cash flows from investing activities			
Payments for plant and equipment		-	(2,247)
Net cash outflows from investing activities		-	(2,247)
 Cash flows from financing activities			
Payments of capital raising costs		(3,026)	-
Net cash out flows from financing activities		(3,026)	-
 Net (decrease)/increase in cash held		(157,769)	79,129
Cash at the beginning of the period		179,621	664,782
Cash at the end of the period	5	21,852	743,911

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 8 to 10.

HILLCREST LITIGATION SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
At 1 July 2015	20,960,064	(20,497,179)	462,885
Loss for the period	-	(242,351)	(242,351)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(242,351)	(242,351)
Transactions with owners in their capacity as owners			
Transaction costs of share issue (1st & 7th May 2015)	(3,026)	-	(3,026)
At 31 December 2015	20,957,038	(20,739,530)	217,508
At 1 July 2014	20,686,446	(18,964,745)	1,721,701
Loss for the period	-	(334,768)	(334,768)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(334,768)	(334,768)
At 31 December 2014	20,686,446	(19,299,513)	1,386,933

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 8 to 10.

1 Corporate information

The condensed financial report of Hillcrest Litigation Services Limited for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 26 February 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 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 2015 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 2015 and considered together with any public announcements made by Hillcrest Litigation Services Limited during the half-year ended 31 December 2015 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 2015, the Company had cash and cash equivalents of \$21,852. Based on the future funding requirements for current cases and ongoing overheads, but excluding any proceeds from cases settled or won, there is a working capital shortfall in the period of 12 months from the date of this report. 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. The details of the Capital raising are discussed in Note 11, Subsequent Events.

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 2015 the Company has adopted Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2015. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

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

HILLCREST LITIGATION SERVICES LIMITED
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

	2015 \$	2014 \$
3 REVENUE AND EXPENSES		
Income and Revenue		
Net gain on settlement of litigation contracts	-	93,153
Interest revenue	4,337	8,332
Other Income	17,393	-
	<u>21,730</u>	<u>101,485</u>
Expenses		
Depreciation	939	1,272
Employee costs	194,489	331,967
Other expenses	68,653	103,014
	<u>264,081</u>	<u>436,253</u>

4 SEGMENT REPORTING

The Company has identified its operating segments based on the 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 Review and Results of Operations.

	31 December 2015 \$	30 June 2015 \$
5 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>21,852</u>	<u>179,621</u>
6 TERM DEPOSITS		
Current		
Security deposits	<u>100,000</u>	<u>1,013,044</u>

The above balance of \$100,000 represents term deposits supporting guarantees that have been provided for litigation funding of a specific case.

	31 December 2015 \$	30 June 2015 \$
7 SETTLEMENT PROVISION		
Settlement provision	<u>-</u>	<u>848,142</u>

In January 2015 it was announced that the National Potato case had an unfavourable ruling against the Company's funded client. At 30th June 2015 HLS made a provision in the financial statements of \$848,142 (7,560,000 Rand), 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 7,560,000 Rand was requested. This converted to \$830,748 being paid out by HLS, being \$17,393 less than HLS had provided for. The foreign exchange gain of \$17,393 is recorded as Other Income as at 31st December 2015.

HILLCREST LITIGATION SERVICES LIMITED
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

	31 December 2015	30 June 2015
	\$	\$
8 LITIGATION CONTRACTS		
Current	264,777	264,777
Non-current	-	-
	<u>264,777</u>	<u>264,777</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 2015	30 June 2015
	(6 months)	(12 months)
	\$	\$
Opening balance	264,777	955,899
Additions	-	134,375
Recovered upon settlement	-	(825,497)
Closing balance	<u>264,777</u>	<u>264,777</u>

	31 December 2015	30 June 2015
	\$	\$
9 ISSUED CAPITAL		
Issued and paid up share Capital		
225,605,432 (30.6.2015: 225,605,432)		
Ordinary shares, fully paid	<u>20,957,038</u>	<u>20,960,064</u>

The reduction in Issued Capital, of \$3,026, is the result of legal fees for costs incurred with the Capital Raising that occurred on 1st & 7th May 2015.

10 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 2015.

Guarantees

The Company has \$100,000 (30 June 2015: \$1,013,044) of guarantees that have been set aside for litigation funding of a specific case.

11 EVENTS AFTER THE BALANCE SHEET DATE

On 18th February 2016, the Company raised additional working capital of \$118,000 (before expenses) by way of the placement of 43,703,704 ordinary shares at 0.27 cents per share.

On 26th February 2016, the Company announced to ASX that it intended to undertake a non-renounceable rights issue to Shareholders to raise additional working capital of up to \$750,000.


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

HILLCREST LITIGATION SERVICES LIMITED
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 2015 and of the performance for the half-year ended on that date.
- (b) Subject to the achievement of matters set out in note (2b) of the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Alan Van Noort
Chairman
Perth
26 February 2016

Report on the Half-Year Financial Report to the members of Hillcrest Litigation Services Limited

We have reviewed the accompanying half-year financial report of Hillcrest Litigation Services Limited, which comprises the statement of financial position as at 31 December 2015, the condensed statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hillcrest Litigation Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- i. giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2(b) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions 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 2016