HILLCREST LITIGATION SERVICES LIMITED

ABN 63 060 094 742

ANNUAL REPORT
30 JUNE 2015

CONTENTS

DIRECTORS

Alan Van Noort (Chairman)
Ian Allen
Angus Middleton

Walter Martin resigned as a Director, effective 31st March 2015.

COMPANY SECRETARY

Ian Allen

REGISTERED OFFICE AND DOMICILE

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

1 Colin Street
West Perth
Western Australia 6005

PO Box 587
West Perth
Western Australia 6872

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

SHARE REGISTRY

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

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

AUDITORS

Ernst & Young

AUSTRALIAN STOCK EXCHANGE

ASX Code: HLS

CHAIRMAN'S PERSPECTIVE

On behalf of the board of directors of Hillcrest Litigation Services Limited ("HLS"), I have pleasure in presenting this annual report to shareholders.

HLS has recorded a loss of $1,532,434 for the year.

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.

I believe that we can look forward to the future with confidence and take this opportunity of thanking shareholders for their continued support.

Alan Van Noort
Chairman
Perth
31 August 2015

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. During the 2015 financial year, 3 cases were resolved.

- In October 2014 the Dawson case settled. The Company received $403,992, being reimbursement of funding costs and additional $93,153 as profit.
- In January 2015 it was announced that the National Potato case had an unfavourable ruling against the Company, a provision of $848,142 has been made in the financial statements. This settlement cost will be funded by a secured term deposit placed with National Australia Bank for $913,044.
- In June 2015 the Great Southern cases settled, the Company received $492,000 from the liquidators, being a reimbursement of its funding costs.

The Net Loss of $1,532,434 is mainly a result of the unfavourable decision in the National Potato case plus the Employee expenses. The Remuneration Report, below, outlines the employee expenses.

The other cases the Company currently funds proceed in a positive manner and are currently expected to be resolved in the next 12 months. These cases are 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 2015 to $179,621 this is due to:

- the unfavourable decision in the National Potato case, with a secured term deposit of $913,044 being set aside to cover the settlement cost,
- the Operating costs, employee expenses as outlined in the remuneration report
- Offset by cash received from the settlement of two cases, totalling $913,598, and
- Cash received from the Capital Raising in April 2015 of $273,618.

With an additional capital raising, outlined in the Directors Report, we would expect an improvement in the Company's cash balance for 2016.

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 2 active cases which are outlined in point 6, below.

5. Prospects

The Company expects to receive favourable outcomes in its portfolio of funded cases 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.

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

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 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 their 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 (Ian Allen) 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 (Ian Allen) 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 which 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

MANAGEMENT TEAM

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.

Ian D Allen B.Com CA (SA) CA – Executive Director and Company Secretary

Mr Ian Allen (appointed 2001) is a Chartered Accountant. He has previous experience in senior finance positions in the United Kingdom, Hong Kong, South Africa, Egypt, and Australia. Mr Allen has worked for multinationals; ERG Limited, Inchcape PLC, Dowell Schlumberger Inc., Brambles Ltd and Ernst & Young.

Mr Allen became a non-executive director, effective 31st March 2015.

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

Angus J L Middleton - 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.

In addition Mr Middleton was appointed Director of Excalibur Mining Corporation Limited on 6th May 2014 and appointed as a Non-executive Director of Aphrodite Gold limited on 21st January 2014.

Mr Middleton resigned as the Managing Director of Crest Minerals Limited on 27th August 2013. He had held this position since 9th April 2012. When Mr Middleton took up his Directorship at Crest Minerals Limited in 2012 to ensure there were no conflict of interests he resigned from three Directorships he was holding; Rubianna Resources Limited (resigned 13th April 2012), Magna Mining NL (resigned 11th April 2012) and Black Ridge Mining NL (resigned13th April 2013)

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 2015 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 Ian D Allen
- 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 W Martin resigned as Director on 31st March 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	8	8
I D Allen	8	8
W A C Martin	5	5
A J L Middleton	8	8

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 $1,532,434 (2014 Loss: $855,157).

The operating and financial review of the Company is discussed on page 4 and 5.

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 $1,721,701 to $462,885 due to the net loss attributable to the Company's members for the year of $1,532,434 offset by a Capital raising of $273,618.

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

There has not arisen in the interval between the end of the financial year and the date these financial statements were approved, any 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 favourable outcomes for its portfolio of cases 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.

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. 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 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**
Share price in cents	6	3	1	1	1	0.3
Earnings per share in cents	(2.02)	(4.09)	0.06	(0.42)	(0.68)	(1.10)

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 directors are formalised in on-going employment contracts. The major provisions of these contracts are 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 Ian Allen ceased to be an executive director on 31st March 2015; he now contracts on a monthly basis his Company Secretary role at a rate of $2,750 per month. His 10 year long-service leave of $27,375 was paid out at the time of his resignation.

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 $	Insurance Premiums $	Long Service Leave $	Superannuation $	Total $
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**
2014								
A R Van Noort	250,000	-	-	35,000	2,875	6,571	26,340	320,786
I D Allen	150,000	-	-	35,000	2,875	3,942	15,333	207,150
W A C Martin	-	-	-	44,000	2,875	-	3,025	49,900
A J L Middleton	-	-	-	44,000	2,875	-	4,043	50,918
Total	400,000	-	-	158,000	11,500	10,513	48,741	628,754

Mr W Martin resigned as Director on 31st March 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:

	2015 Number held ordinary shares	**2014 Number held ordinary shares**
A R Van Noort	**83,475,471**	41,822,734
I D Allen	**34,646,720**	34,646,720
A J L Middleton	**10,903,880**	5,351,940

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

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

2014		**1 July 2013**	**In-specie Distribution**	**Shares Purchased**	**30 June 2014**
A R Van Noort	Ordinary Shares	**41,822,734**		**-**	**41,822,734**
I D Allen	Ordinary Shares	**34,646,720**		**-**	**34,646,720**
W A C Martin	Ordinary Shares	**223,338**		**-**	**223,338**
A J L Middleton	Ordinary Shares	**11,369,874**	**(11,369,874)**	**5,351,940 (*)**	**5,351,940**

SA Capital Funds Management Limited made an in-specie distribution to Shareholders on 26th September 2013. Mr Middleton is the Managing Director of SA Capital Funds Management Limited, an Adelaide based investment fund. He is also a Director of Tornado Nominees Pty Limited which is the trustee of his superannuation fund.

(*) Purchases include in-specie distribution of 1,542,777 shares from SA Capital Funds Management Limited to Tornado Nominees Pty Limited.

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF OFFICERS

Since the end of the previous financial year the Company has paid insurance premiums of $11,500 (2014: $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.

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:

	2015 **$**	**2014** **$**
Audit Services		
Audit of financial reports under the Corporations Act 2001	**25,000**	32,960
Review of the financial reports under the Corporations Act 2001	**8,000**	10,300
Total remuneration for audit services	**33,000**	43,260
Non-Audit Services		
Tax Compliance Services	-	-
Total remuneration for non-audit services	-	-
Total remuneration paid to Ernst & Young Australian firm	**33,000**	43,260

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16 and forms part of this report.

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

Alan Van Noort
Chairman
Perth
31 August 2015

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 audit of the financial report of Hillcrest Litigation Services Limited for the financial year ended 30 June 2015, 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

Ernst & Young

T G Dachs
Partner
31 August 2015

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 $	2014 $
Net gain on settlement of litigation contracts	3	**93,153**	-
Interest revenue	3	**15,967**	38,074
Other income	3	**-**	1,600
Total Income		**109,120**	39,674
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		**13,019**	17,986
Occupancy expenses		**63,832**	64,922
Corporate expenses		**138,809**	152,767
Employee expenses	4	**570,700**	659,156
Total Expenses		**1,641,554**	894,831
Profit/(loss) before income tax expense		**(1,532,434)**	(855,157)
Income tax expense	7	**-**	-
Net Profit/(loss) attributable to members of Hillcrest Litigation Services Limited		**(1,532,434)**	(855,157)
Other comprehensive income net of tax		**-**	-
Total comprehensive income attributable to members of Hillcrest Litigation Services Limited		**(1,532,434)**	(855,157)
Profit/(loss) per share - cents per share			
Basic profit/(loss) for the year	5	**(1.10)**	(0.68)
Diluted profit/(loss) for the year	5	**(1.10)**	(0.68)

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**179,621**	664,782
Security deposits	10	**1,013,044**	250,000
Trade and other receivables	11	**-**	17,048
Prepayments	12	**1,673**	2,305
Litigation contracts	13	**264,777**	725,732
Total Current Assets		**1,459,115**	1,659,867
Non-current Assets			
Term deposits	10	**-**	100,000
Litigation contracts	13	**-**	230,167
Plant and equipment	14	**5,009**	5,122
Total Non-current Assets		**5,009**	335,289
TOTAL ASSETS		**1,464,124**	1,995,156
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**108,823**	155,981
Settlement Provision	15	**848,142**	-
Provisions	16	**44,274**	117,474
Total Current Liabilities		**1,001,239**	273,455
Total Non-current Liabilities		**-**	-
TOTAL LIABILITIES		**1,001,239**	273,455
NET ASSETS		**462,885**	1,721,701
Equity			
Issued capital	17	**20,960,064**	20,686,446
Accumulated losses	18	**(20,497,179)**	(18,964,745)
TOTAL EQUITY		**462,885**	1,721,701

	Notes	2015 $	2014 $
Cash flows from operating activities			
Payments to suppliers and employees		**(891,285)**	(812,189)
Interest received		**18,574**	35,467
Payments for litigation contracts		**(134,375)**	(345,380)
Proceeds from litigation funding		**913,598**	-
Receipts/(Payments) for security of costs		**(663,044)**	(250,000)
Other income		**-**	1,600
Net operating cash flows	22	**(756,532)**	(1,370,502)
Cash flows from investing activities			
Payments for plant and equipment	14	**(2,247)**	-
Proceeds from investments		**-**	-
Net investing cash flows		**(2,247)**	-
Cash flows from financing activities			
Proceeds from issue of shares	17	**301,976**	-
Payments for capital raising	17	**(28,358)**	-
Net financing cash flows		**273,618**	-
Net increase/ (decrease) in cash held		**(485,161)**	(1,370,502)
Cash at the beginning of the year		**664,782**	2,035,284
Cash at the end of the year	9	**179,621**	664,782

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital $	Accumulated Losses $	Total Equity $
At 30 June 2013	20,686,446	(18,109,588)	2,576,858
Loss for the year	**-**	**(855,157)**	**(855,157)**
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**(855,157)**	**(855,157)**
Transactions with owners in their capacity as owners:			
Shares issued	-	-	-
Transaction costs of share issue	-	-	-
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**

1 Corporate Information

The financial report of Hillcrest Litigation Services Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 31 August 2015.

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

The nature of operations and principal activities of the Company are described in the Review of Operations and Activities 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 2015, the Company had cash and cash equivalents of $179,621 and a net working capital surplus of $457,876. The Company incurred an operating loss after income tax of $1,532,434 for the year ended 30 June 2015 (2014: loss of $855,157) and had cash outflows from operating activities of $756,532 (2014: cash outflows $1,350,502).

Based on the future funding requirement for current cases and ongoing overheads, there is a working capital shortfall in the near term. 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:

- obtaining additional funding within the short term for operations through debt, equity or other means; and
- receiving the support of its current and/or new shareholders.

Given the reliance on securing funds from one or more of the above sources, there is some uncertainty as to whether the Company will be successful in securing funds and therefore be able to pay debts as and when they fall due. However, the directors are confident that funding can be obtained to enable the business to continue as a going concern as they are currently in discussions with a third party and believe the outcome will be successful. If required, the Company will be able to obtain short term loan from its major shareholder. The directors are confident that additional debt or equity funding can be secured from one of these sources or a corporate opportunity will arise. On this basis the directors consider it reasonable that the accounts be prepared on a going concern basis.

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.

(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.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2015.

2 Statement of significant accounting policies (continued)

The Company has adopted all new and amended Australian Accounting Standards and AASB interpretations as of 1st July 2014, including;

AASB Amendment	Affected Standard(s)	Summary	Application date of standard	Application date for Company
AASB 2013 - 3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
AASB 2014 – 1 Part A – Annual Improvement 2010-2012 Cycle	Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2010 – 2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle. Annual Improvements to IFRSs 2010-2012 Cycle addresses the following items: ► AASB 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's total assets. ► AASB 116 & AASB 13B – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 July 2014

The following standards and interpretations have been issued by the AASB but are not yet effective for the year ending 30th June 2015. The Company is in the process of determining the extent of their impact of these amendments, if any.

AASB 2015 - 2	Amendments to AASB 101	The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarity that companies should use professional judgment in determining where and in what order information is presented the financial disclosures.	1 January 2016	1 January 2016
AASB 2014 - 4	Methods of Depreciation and Amortisation	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified the use of revenue-based methods to calculate the depreciation	1 January 2016	1 July 2016

	(Amendments to AASB 116 and AASB 138)	of an asset is not appropriate because revenue generated by an entity 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.		
AASB 15	Revenue from Contractors with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 18 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Interpretation 15, Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunication Industry). The core principle of AASB 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	1 July 2017
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces 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 application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. AASB9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (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 recognized 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 measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. (d) 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 caused by the deterioration of an entity's own credit risk would be recognized in the OCI. These amounts recongnised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10 and AASB 2014-1-Part E.	1 January 2018	1 July 2018

2 Statement of significant accounting policies (continued)

(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 balance 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
- 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.

2 Statement of significant accounting policies (continued)

(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.

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% (2014: 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.

2 Statement of significant accounting policies (continued)

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.

(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. Prior to 30th June 2015 expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. As at 30th June 2015, 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 Group of 100 and Milliman Australia. The net effect to the Company arising from the changes in discount rates applied in measuring long service leave provision for the year is not material.

2 Statement of significant accounting policies (continued)

(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.

(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 2015 that cover the period of the contract. The risk adjusted pre-tax discount rate applied to the cash flow projections is 9.75% (2014: 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

	2015 $	2014 $
Net gain on settlement of litigation contracts	**93,153**	-
Interest revenue	**15,967**	38,074
Other	**-**	1,600
Total income	**109,120**	39,674

4 Expenses

	2015 $	2014 $
Settlement provision	**848,142**	
Write down of deferred litigation asset	**5,052**	-
Legal costs potential litigation	**2,000**	-
Employee Benefits:		
Employee wages and salaries	**383,566**	450,535
Superannuation costs	**46,134**	50,621
Directors fees	**141,000**	158,000
	570,700	659,156
Depreciation	**2,360**	2,545
Operating lease payments	**59,553**	60,500

5 Earnings per share

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

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

	2015 $	2014 $
Earnings reconciliation		
Basic profit/ (losses)	**(1,532,434)**	(855,157)
Diluted profit/ (losses)	**(1,532,434)**	(855,157)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share.	**139,838,582**	124,946,589

6 Auditors' remuneration

	2015 $	2014 $
Statutory Audit and Review	**33,000**	43,260
Total fees paid or payable to Ernst &Young	**33,000**	43,260

	2015 $	2014 $
7 Taxation		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	**(446,955)**	(452,420)
Utilisation of prior year tax losses	-	-
Utilisation of prior year capital losses	-	-
Unused tax losses not recognised as Deferred Tax Assets	**29,644**	356,877
Non recognition of tax balances	**437,311**	95,543
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 profit/(loss) to tax profit/(loss) is as follows:	2015 $	2014 $
Accounting profit/(loss)	**(1,532,434)**	(855,157)
Income tax at 30% (2014: 30%)	**(459,730)**	(256,547)
Expenditure not allowable for tax purposes	**34**	771
Other deductible amounts not recognised	**(7,259)**	(5,558)
Unused tax losses not recognised as deferred tax assets	**29,644**	356,877
Capital losses utilised from previous year	-	-
Tax losses utilised from previous year	-	-
Non-recognition of deferred tax balances	**(437,311)**	(95,543)
Income tax expense reported in the income statement	-	-

Deferred income tax

Deferred income tax at year end relates to the following:

	Statement of Financial Position		Income Statement	
	2015 $	2014 $	2015 $	2014 $
Deferred tax liabilities				
Accrued revenue income	-	782	**(782)**	782
Prepaid expenses	**1,101**	1,485	**(384)**	152
Deferred litigation expenses	**79,433**	286,770	**(207,337)**	103,614
DTA used to offset DTL	**(80,534))**	(289,037)	**208,503**	(104,548)
	-	-	-	-
Deferred tax assets				
Losses available to offset against future taxable income	**2,287,230**	2,257,586	**(29,644)**	(356,877)
Accelerated depreciation and write off for accounting purposes	**(214)**	(44)	**170**	127
Blackhole expenditure deductible over 5 years	**10,575**	607	**286**	495
Other Creditors	**254,443**	-	**(254,443)**	-
Accrued expenses	**11,790**	14,550	**2,760**	(780)
Provisions	**15,549**	37,970	**22,420**	(8,847)
DTA used to offset DTL	**(80,534)**	(289,037)	**(208,503)**	104,548
Gross deferred income tax assets not brought to account	**(2,498,839)**	(2,021,632)	**466,954**	261,334
Deferred tax income / (expense)	-	-	-	-

At 30 June 2015 Hillcrest Litigation Services Limited has $6,961,962 (2014: $6,863,149) of tax losses and $662,139 (2014: $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. No deferred tax asset has been recognised on the Statement of Financial Position in respect of the amount of either these losses or other deferred tax expenses. 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.

8 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 of Operations and Activities.

	2015 $	2014 $
9 Cash and cash equivalents		
Cash at bank and on hand	**179,621**	664,782

	2015 $	2014 $
10 Security deposits		
Current		
Term deposits	**1,013,044**	250,000
Non-Current		
Term deposits	**-**	100,000
	1,013,044	350,000

A term 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).

A term deposit of $913,044 has been secured with National Australia Bank to be used to settle the National Potato Case.

On 5th March 2015 the Company advised the Australian Stock Exchange that the Supreme Court of Appeal of South Africa had upheld the appeal by the defendant in the National Potato case against the earlier successful plaintiff which was previously part funded by the Company. The Company expects that it will be required to pay up to $7,560,000 Rand (approximately A $848,142) in adverse costs to the successful appellant. The secured term deposit replaces the previous security where the Company's executive directors Alan van Noort and Ian Allen provided NAB with security in the form of registered mortgages over real property.

	2015 $	2014 $
11 Trade and Other Receivables		
Current		
GST recoverable	**-**	14,441
Interest Receivable	**-**	2,607
	-	17,048

	2015 $	2014 $
12 Prepayments		
Prepayments	**1,673**	2,305

	2015 $	2014 $

13 Litigation contracts

Current	**264,777**	725,732
Non-Current	**-**	230,167
	264,777	955,899

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.

Opening balance	**955,899**	610,519
Additions	**134,375**	345,380
Recovered upon settlement	**(825,497)**	-
Closing balance	**264,777**	955,899

The recoverable amount of litigation contracts is their value in use calculated using cash flow projections and applying a discount rate of 9.75% (2014: 9.75%).

14 Plant and equipment

Plant and equipment		
At cost	**30,494**	28,246
Accumulated depreciation	**(25,485)**	(23,124)
	5,009	5,122

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

Plant and equipment		
Carrying amount at beginning of year	**5,122**	7,667
Additions	**2,247**	-
Depreciation (note 4)	**(2,360)**	(2,545)
Carrying amount at end of year	**5,009**	5,122

15 Trade and other payables

Current		
Trade creditors	**-**	78,036
Other creditors and accruals	**70,142**	77,945
GST payable	**38,681**	-
	108,823	155,981
Settlement Provision	**848,142**	-

Trade and other creditors are non-interest bearing and are normally settled on a 60 day term. Information regarding the effective interest rate of current payables is set out in note 19.

A Settlement Provision has been made to cover the settlement amount the Company is expected to pay in the settlement of the National Potato case. This is further discussed in note 10, Security Deposits, where a term deposit of $913,044 has been secured with the National Australia Bank to fund/ settle the National Potato Case.

16 Provisions

Current		
Employee benefits	**44,274**	117,474

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

		2015 $	2014 $	2015 Shares	2014 Shares
17	**Contributed equity**				
	Issued and paid-up share capital				
	225,605,432 (2014: 124,946,589)				
	Ordinary shares, fully paid	**20,960,064**	20,686,446	**225,605,432**	124,946,589
(a)	**Movements in ordinary share capital**				
	Balance at beginning of the year	**20,686,446**	20,686,446	**124,946,589**	124,946,589
	Share issue (i)	**301,976**	-	**100,658,843**	-
	Transactions costs (ii)	**(28,358)**	-	-	-
	Balance at end of the year	**20,960,064**	20,686,446	**225,605,432**	124,946,589

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 1st May and 7th May 2015 the Company announced the issue of 100,658,843 shares for $0.003 each through a non-renounceable rights issue.
(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

	2015 $	2014 $
Accumulated losses at beginning of year	**(18,964,745)**	(18,109,588)
Net profit/(loss) attributable to members	**(1,532,434)**	(855,157)
Accumulated losses at end of year	**(20,497,179)**	(18,964,745)

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 $
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**
2014						
Financial Assets						
Cash at bank	9	2.35 %	664,782	-	-	664,782
Security deposits	10	3.06%	-	250,000	100,000	350,000
Trade and other receivables	11		-	-	17,048	17,048
			664,782	250,000	117,048	1,031,830
Financial Liabilities						
Trade and other payables	15		-	-	155,981	155,981
			664,782	250,000	(38,933)	875,849

	2015		**2014**	
	Carrying amount $	**Net fair value $**	**Carrying Amount $**	**Net fair Value $**
Recognised financial instruments				
The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:				
Financial assets				
Cash assets	**179,621**	**179,621**	664,782	664,782
Security deposits	**1,013,044**	**1,013,044**	350,000	350,000
Trade and other receivables	**-**	**-**	17,048	17,048
Financial liabilities				
Trade and other payables	**108,823**	**108,823**	155,981	155,981

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

During 2008, the Company negotiated a funding facility from NAB used to provide a bank guarantee in the NPC case. At 30th June 2014 the amount of the funding facility was valued at $757,210. As security for the Company's obligations under the funding facility, the Company's executive directors Alan van Noort and Ian Allen provided NAB with security in the form of registered mortgages over real property.

On 5th March 2015 the Company advised the Australian Stock Exchange that the Supreme Court of Appeal of South Africa had upheld the appeal by the defendant in the National Potato case against the earlier successful plaintiff which was previously part funded by the Company. The Company expects that it will be required to pay up to $7,560,000 Rand (approximately A $848,142) in adverse costs to the successful appellant.

A term deposit of $913,044 has been secured with National Australia Bank to be used to settle the National Potato Case. The secured term deposit replaces the previous security in the form of registered mortgages over real property.

The funding facility from NAB and the associated bank guarantee will remain in force until the settlement/completion of the NPC case.

(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 $**
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**
2014					
Financial assets					
Cash assets	664,782	(6,648)	(6,648)	6,646	6,648
Term deposits	250,000	(2,500)	(2,500)	2,500	2,500
Total increase/(decrease)		(9,148)	(9,148)	9,148	9,148

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 2015.

Guarantees

The Company has $1,013,044 (30th June 2013: $350,000) 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

	2015 $	2014 $
Reconciliation of loss from ordinary activities after income tax to net operating cash flows		
Loss from ordinary activities after income tax	**(1,532,434)**	(855,157)
Items classified as investing activities		
Proceeds from investments	**-**	-
Non-cash items:		
Depreciation	**2,360**	2,545
Accrued income	**2,607**	(2,607)
Change in assets and liabilities:		
Increase in security deposits	**(663,044)**	(250,000)
Decrease in prepayments	**632**	626
Decrease in receivables	**-**	-
Decrease/(Increase) in litigation contracts	**691,122**	(345,380)
Decrease in Available for sale assets	**-**	-
Decrease/(Increase) in GST recoverable	**14,441**	(2,190)
(Decrease)/Increase in Trade Creditors	**(57,604)**	52,166
Increase in settlement provision	**848,142**	-
Increase in payroll liabilities payable	**10,446**	1,085
(Decrease)/Increase in provisions	**(73,200)**	28,410
Net cash from/ (used in) operating activities	**(756,532)**	(1,370,502)

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, I D Allen, W A C Martin and A J L Middleton. Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Compensation for key management personnel		
Short term employee benefits	**556,022**	569,500
Long Service Leave	**20,630**	10,513
Post-employment benefits - Superannuation	**43,638**	48,741
Total compensation	**620,290**	628,754

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:

	2015 Number held ordinary shares	2014 **Number held ordinary shares**
A R Van Noort	**83,475,471**	41,822,734
I D Allen	**34,646,720**	34,646,720
A J L Middleton	**10,903,880**	5,351,940

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.

2015		1 July 2014	In-specie Distribution	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

2014		1 July 2013	In-specie Distribution	Shares Purchased	30 June 2014
A R Van Noort	Ordinary Shares	41,822,734		-	41,822,734
I D Allen	Ordinary Shares	34,646,720		-	34,646,720
W A C Martin	Ordinary Shares	223,338		-	223,338
A J L Middleton	Ordinary Shares	11,369,874	(11,369,874)	5,351,940	5,351,940

On 1st May 2015 and 7th May 2015 the Company announced the issue of 100,658,843 shares for $0.003 each through a non-renounceable rights issue.

Walter Martin resigned as a Director, effective 31st March 2015

Other Transactions with directors and director related entities

During 2008, the Company negotiated a funding facility from NAB used to provide a bank guarantee in the NPC case. At 30th June 2014 the amount of the funding facility was valued at $757,210. As security for the Company's obligations under the funding facility, the Company's executive directors Alan van Noort and Ian Allen provided NAB with security in the form of registered mortgages over real property.

On 5th March 2015 the Company advised the Australian Stock Exchange that the Supreme Court of Appeal of South Africa had upheld the appeal by the defendant in the National Potato case against the earlier successful plaintiff which was previously part funded by the Company. The Company expects that it will be required to pay up to $7,560,000 Rand (approximately A $848,142) in adverse costs to the successful appellant.

A term deposit of $913,044 has been secured with National Australia Bank to be used to settle the National Potato Case. The secured term deposit replaces the previous security in the form of registered mortgages over real property.

The funding facility from NAB and the associated bank guarantee will remain in force until the settlement/completion of the NPC case.

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

24 Events subsequent to balance date

There have not arisen in the interval between the end of the financial year and the date these financial statements were approved, any 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.

DIRECTORS’ DECLARATION

The directors of Hillcrest Litigation Services Limited declare that the financial statements and notes set out in pages 17 to 36:

(a) comply with Accounting Standards, 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 2015 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 2015

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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 2015, 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.

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Conclusion

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 2015 and of its performance for the year ended on that date; and

   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 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
31 August 2015

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TD:MW:Hillcrest:2015:007

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 14th August 2015.

Substantial shareholders including their related parties:

Name	Number of ordinary shares held	% of total issued capital
Lomp Pty Ltd	83,347,819	36.93
Decoland Holdings Pty Ltd	45,121,086	20.00
Lanzerac Nominees Pty Ltd	34,646,720	15.35
Tornado Nominees Pty Ltd	10,903,880	4.83

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 2015:

Spread of holdings	Number of holdings	Number of units	% of total issued capital
1 - 1,000	57	25,417	0.01
1,001 - 5,000	194	617,773	0.27
5,001 - 10,000	115	849,075	0.38
10,001 - 100,000	212	8,539,275	3.79
100,001 - & over	94	215,573,892	95.55
	672	225,605,432	100.00

The number of shareholders holding less than a marketable parcel is 609.

Twenty largest shareholders as at 14th August 2015

	Name	Number of ordinary shares held	% of total issued capital
1.	Lomp Pty Ltd	59,498,209	26.36
2.	Decoland Holdings Pty Ltd	45,121,086	20.00
3.	Lanzerac Nominees Ltd	31,749,366	14.07
4.	Avanoor Pty Ltd	23,849,610	10.57
5.	Tornado Nominees Pty Ltd	10,903,880	4.83
6.	Mr Ianaki Semerdziev	4,100,003	1.82
7.	Lemour Pty Ltd	3,850,000	1.71
8.	GA & AM Leaver Investments Pty Ltd	3,734,577	1.66
9.	Mr Ian Douglas Allen	2,897,354	1.28
10.	Darman Pty Ltd	2,331,428	1.03
11.	Mr Fernando Paramio Alamillo	1,302,269	.58
12.	Carrington St Investments Pty Ltd	1,292,841	.57
13.	Mr TJ Tyler & Mrs AM Tyler	1,280,000	.57
14.	Tyler Enterprises Ltd	1,182,669	.52
15.	Mr Michael Henry Van Noort	1,112,657	.49
16.	Pinewood Asset Pty Ltd	1,050,000	.47
17.	Arnis Lidums	1,007,462	.45
18.	Mr SC Goodheart	1,000,000	.44
19.	Mr TT Yau & Ms KC Mak	1,000,000	.44
20.	Mr JH Latimer & Mrs JA Latimer	750,000	.33
		199,013,411	88.19