SLATER
AND GORDON
GROUP

Annual Report 2016

Slater and Gordon is the leading provider of consumer legal services in Australia and the UK

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The images in this report feature Slater and Gordon Ringwood (Australia) office staff.

Highlights

Results for the year

	2016 A$m	2015 A$m
Total revenue	**908.2**	598.2
EBITDAW[1]	**(49.3)**	92.6
EBITDAW – normalised[2]	**36.6**	69.3
Net (loss)/profit after tax	**(1,017.6)**	62.4
Net (loss)/profit after tax – normalised[3]	**(48.7)**	39.1
Net operating cash flow	**(104.2)**	40.8
Gross operating cash flow – normalised[4]	**(57.6)**	56.0

1. EBITDAW is defined as earnings before interest, tax, depreciation, amortisation and movement in work in progress and is presented prior to non- cash impairment.
2. Normalised for AASB-3 adjustments, additional debtor/disbursement provisioning and non-recurring restructuring costs.
3. Normalised for AASB-3 adjustments, goodwill impairment, additional debtor/ disbursement provisioning, non-recurring restructuring costs, finance costs and tax impact of normalisations.
4. Gross operating cash flow (GOCF) is defined as net cash (utilised)/provided by operating activities before interest received, borrowing costs paid, income tax paid and payments to former owners. GOCF has been normalised for non-recurring restructuring payments to suppliers.

EBITDAW, EBITDAW – normalised, gross operating cash flow – normalised and net (loss)/profit after tax – normalised balances presented in this report are unaudited non-IFRS measures that, in the opinion of the Directors, are useful in understanding and appraising the Company's performance.

Key achievements

+ Slater and Gordon celebrates **80 years of continuous operations**
+ Service provided to **395,000 clients** across Australia and the UK
+ **Improved** financial reporting
+ Slater and Gordon lawyers brand achieves **28% brand awareness** in the UK

Chair and Group Managing Director's Report

John Skippen
Chair

Slater and Gordon's results for the financial year ended 30 June 2016 were disappointing and well below expectations. As announced in February 2016, a range of performance improvement initiatives were put in place in the second half of the year to improve profitability and cash performance across the business. These initiatives are on track in terms of implementation and delivery of benefits, but there is still more work to do. The second half results demonstrate the positive impact the activity to date has had on financial performance and we are confident that we have the strategy and people in place to restore the performance of the Group.

Results

Total revenue of $908.2 million did not translate meaningfully to the earnings line with a reported net loss after tax of $1,017.6 million. The result was heavily impacted by an $879.5 million impairment charge against the carrying value of goodwill, relating mainly to the $814.2 million write-down of goodwill in Slater Gordon Solutions (SGS), underperformance in the UK operations and an adverse movement in work in progress (WIP) of $41.3 million.

The impairment charge was disappointing but necessary due to both the poorer than expected UK performance to date, and the increased risk associated with potential UK legislative change. There are several reasons for the UK underperformance including lower case resolutions from a disproportionately higher cost base in Slater and Gordon Lawyers UK (SGL UK), lower than anticipated road traffic accident and noise induced hearing loss resolutions in SGS, and lastly the impact of a range of significant non-recurring restructuring costs.

The recovery in second half performance is evident in the improvement in Group EBITDAW[1] from a first half loss of $58.3 million to a second half profit of $9.0 million.

Net operating cash outflow of $104.2 million for the full year was driven by the UK underperformance along with payments to external advisers in relation to the ASIC review, AASB – 15 implementation and restructuring costs in relation to the UK operations and the Group's finance facilities. Gross operating cash flow (GOCF) improved materially in H2 FY16 to an outflow of $17.2 million (H1 FY16: outflow of $61.1 million). The Company recognises that significant improvement is still required to restore cash flow; however, the trend is positive with H2 GOCF just over breakeven when normalising non-recurring restructuring payments.

The Directors have not declared a dividend in respect of the year ended 30 June 2016.

In May we announced the successful amendment of the Group's finance facilities. The limits and maturity profile of the amended facilities are substantially the same as the previous facilities providing us with the time and flexibility to put in place initiatives to improve the profitability of the business and reduce debt. Our focus in the 2017 financial year will be on achieving these objectives.

Australian Operations

The Australian business delivered a strong fee and services revenue performance in FY16 despite a challenging operating environment with increased activity by competitors and the ongoing impact of legislative change in Queensland. A solid result from the Personal Injury Law (PIL) business was supplemented by strong organic growth in the family law and business and specialised litigation practices. Pleasingly, results from recent independent research measuring client satisfaction showed increasing client satisfaction levels in 2016. A review of our operations across the UK and Australia identified more opportunity to improve the Australian business, so operational effectiveness initiatives will be rolled out over the 2017 financial year.

UK Operations

In the UK, performance in the first half of FY16 was significantly below expectations and a performance improvement program was commenced in the second half. The initial activity involves reorganising our legal services business to service three key client areas – fast track personal injury, serious and specialised personal injury, and general law. Our structures, processes and technology will be optimised to ensure we are able to provide world-class services efficiently and profitably in each of these areas. This has involved ceasing operations in some locations and re-sizing the workforce. This component of the performance improvement program will be substantially completed by early 2017.

In November the 'Autumn 2015 Chancellor's Statement' included proposals that would limit the rights of people in the UK with lower value personal injury claims, if the proposals were implemented. Slater and Gordon will participate in the consultation process foreshadowed by the Ministry of Justice and also join with UK professional organisations and advocacy groups to oppose the changes proposed in the former Chancellor's Autumn Statement. The Company believes that the proposed changes, if implemented, will bring about a reduction in the rights of people in the UK to access fair compensation through the legal system.

It is not clear what the impact of Brexit will be on either the announced proposals or the UK economy, although the outcome of the Brexit referendum itself is not likely to have any material adverse impact on the local performance of the UK operations of the Company.

1. EBITDAW, EBITDAW – normalised, gross operating cash flow – normalised and net (loss)/profit after tax – normalised balances presented in this report are unaudited non-IFRS measures that, in the opinion of the Directors, are useful in understanding and appraising the Company's performance.

Board and Senior Management Changes

There has been a significant amount of change across the Slater and Gordon Group aimed at improving the performance and governance of a now much larger entity.

In December we welcomed James M. Millar to the Board as a Non-Executive Director and Chair of the Audit, Compliance and Risk Management Committee. James brings a wealth of experience to Slater and Gordon and will be a key part of our program to build greater capacity and confidence in our audit process.

Tom Brown has been appointed to the Slater and Gordon Board as a Non-Executive Director and Chair of the Remuneration Committee, commencing 1 September 2016. Tom is one of Australia's most senior human resources executives with extensive experience in global listed companies and over 20 years board level experience across multiple industrial sectors. We very much look forward to Tom's contribution heading into the new financial year.

Erica Lane and Ian Court will retire as Non-Executive Directors effective 30 August 2016. We would like to thank Erica and Ian for their contribution to the Board over the past eight and nine years respectively and wish them every success for the future.

Ken Fowlie has chosen to step down from his position as an Executive Director effective 30 August 2016. Ken and the Board believe that at this point in time his full attention should be devoted to his role as Chief Executive Officer UK. We also thank Ken for his significant contribution to the Board over the past 13 years.

A process to supplement the Board with an additional Non-Executive Director continues and we will update the market in due course.

We also bolstered our senior management team during the year with the appointment of Group Chief Financial Officer, Bryce Houghton, and Hayden Stephens as CEO, Australia. Bryce has extensive CFO experience and has already made significant improvements to our finance function.

Hayden has over 20 years' experience in legal services and is very capable of undertaking the change program underway to ensure we make the most of the opportunity available to us in Australia having built the most well-known brand for consumer legal services.

Delivering for our Clients

It is important to remember that despite a poor financial performance in 2016, we have continued to deliver a great service and some exceptional outcomes for over 395,000 clients across Australia and the UK.

In Australia, service highlights included:

- securing a significant settlement for a man injured in a head-on collision with a truck, who suffered a major head injury, permanently restricting his mobility and ability to work;
- successfully representing a young man who suffered severe burns to over 60% of his body while attending a friend's birthday celebrations. We were able to obtain a significant settlement to assist our client to obtain the best available medical treatment as he undergoes extensive and repeated surgical procedures; and
- signing an appeal launched by one of Australia's largest residential builders against a couple forced to live in a substandard house for the past six years.

In the UK, service highlights included:

- exposing serious failings in medical care that led to a mother's death, and successfully representing her family in a clinical negligence case against the hospital responsible;
- successfully representing a police officer who was the victim of racial discrimination; and
- securing a significant settlement to pay for the full-time care of a teenage boy who suffered devastating injuries after being knocked off his bike by a car.

Successful outcomes like these make a difference to our clients' lives and the feedback provided by our clients is testament to the quality of service we provide. It pleases us immensely to see words like professionalism, knowledge and dedication consistently used in

Andrew Grech
Group Managing Director

the feedback we receive from our clients. Our work can and does make a difference and our purpose remains as strong today as it was when we were founded in 1935. Thank you to all of our staff for their hard work and dedication serving our clients during the past 12 months.

Outlook

The Board and management team firmly believe that the challenges Slater and Gordon are facing can be overcome and that the business can be reset to deliver strong financial results as it has done consistently prior to FY16. We remain convinced that taking a leadership position in both the Australian and UK consumer legal services market best places us to deliver long-term value for our shareholders.

We thank you for your continued support of Slater and Gordon and look forward to updating you on our progress.

John Skippen
Chair

Andrew Grech
Group Managing Director

Overview

Who We Are

Employees

Australia

1,330

UK

3,310

Locations

Australia

61

UK

25

Brands

Australia

Slater and Gordon invests in a suite of key brands to drive client enquiries.

UK

Services

- **Personal Injury Law (PIL)**
  Provides expert legal services in a range of personal injury areas including motor vehicle accidents, workers' compensation and civil liability law.
- **General Law (GL)**
  GL is made up of Personal Legal Services (PLS) and Business and Specialised Litigation Services (B&SLS). PLS comprises family law, conveyancing, wills, estate planning and probate practices. B&SLS comprises business law, property law, estate, employment and professional negligence litigation, class or group actions and criminal defence work.
- **Claims**
  Our Slater Gordon Solutions claims business deals with the origination, assessment and resolution of personal injury claims with a focus on road traffic accidents.
- **Motor and Health services**
  Slater Gordon Solutions also provides motor vehicle accident management support and rehabilitation and medical reporting management solutions.

FY16 Revenue A$908.2 million

- Slater and Gordon Lawyers Australia **26%**
- Slater and Gordon Lawyers UK **24%**
- Slater Gordon Solutions **50%**

Strategy

Our Mission

To give people easy access to world-class legal services

Our Strategy

- Build an effective operating platform in the UK
- Continue to improve our Australian business
- Continue to lead the consolidation of consumer legal services markets in Australia and the UK

Our Objectives

- Satisfy our clients
- Engage our staff
- Use increased cash earnings to reduce debt
- Deliver improved returns to our shareholders

Our Values

- Do it right
- Work well with others
- Take the lead

People and Culture

Slater and Gordon is a people business and everyone across the organisation plays a pivotal role in enabling us to deliver a great service to our clients. Whilst FY16 has presented a number of challenges, we have continued to invest in our Australian and UK teams to build a values-led, high-performance culture that will enable us to achieve our mission of providing people with easy access to world-class legal services.

Culture and Values

A revised set of values was launched across the Group in FY15 to underpin the culture we are striving to embed. The last 12 months have seen a number of initiatives implemented to integrate these values into our performance and reward framework. This is helping to create a business where everyday activity is guided by these behaviours to create a strong culture across both Australia and the UK.

Building Capability

We have continued to review and develop our recruitment and retention processes to ensure we attract and keep the best people. By investing in designing and delivering a broader learning curriculum, the business has made significant progress in ensuring that our people have the skills and confidence to deliver a great client experience. Not only have we enhanced our leadership and professional development programs, but we have also begun work to develop a talent management framework to help prepare those with high potential for future roles within our business.

Employee Wellbeing

In recognition of the importance of creating a working environment where our people feel supported to perform and maximise their potential both personally and professionally, we have placed significant emphasis on providing a wide range of initiatives to support the health and wellbeing of our employees. Up-skilling our people leaders to proactively identify potential issues, mitigating risks and providing access to support resources remain integral to our commitment to our people.

We have continued to review and develop our recruitment and retention processes to ensure we attract and keep the best people.

Slater
Gordon
Lawyers

Social Responsibility

Increasing the affordability and accessibility of legal services and products for consumers is central to everything we do at Slater and Gordon. Over the years we have actively responded to changes in the legal industry and consumer expectations and addressed unmet needs through innovations such as the pioneering introduction of 'No win – No fee' arrangements, fixed fees and online legal service offerings. We seek to make a positive contribution to the communities where we operate and offer opportunities for our people through our social responsibility program.

Our social responsibility program has three key areas of focus:

1. Assisting people with disease and disability.
2. Addressing inequality and disadvantage.
3. Encouraging people to engage in healthy activity and lifestyles.

During FY16 we continued our significant investment in supporting individuals, communities and organisations aligned to our program objectives in Australia, while in the UK we consulted across relevant business units and practice groups to develop a cohesive and aligned strategy for implementation in FY17.

FY16 highlights included:

- distributing $117,000 to medical research organisations in Australia and £50,000 to health or research groups in the UK from the Slater and Gordon Health Projects and Research Fund;
- being awarded the largest corporate team title at both the Melbourne and Brisbane Mother's Day Classic events held in Australia;
- supporting the Spinal Injuries Association and sponsoring road safety and victim support charities such as BRAKE, Headway and Roadpeace in the UK;
- donating $94,000 to community groups in Australia from the Slater and Gordon Community Fund;
- increasing the donations collected through the Slater and Gordon Staff Giving Program in Australia;
- operating two 'Give-As-You-Earn' charity schemes in the UK with many employees donating to St Ann's Hospice in Manchester or making contributions through the Charitable Aid Foundation;
- partnering with a foundation and encouraging staff to volunteer with a program assisting the homeless and disadvantaged in Melbourne;
- UK fundraising efforts for Children in Need and Macmillan Cancer Relief;
- providing two grants for the Tracey McGuckin Travel Award, an award named in honour of a former employee providing financial support to help cover travel and accommodation expenses for an educational, charitable or community building project in the UK or abroad;
- partnering with the Brisbane Broncos on a number of initiatives including giving 1,000 children across Queensland the opportunity to participate in the Broncos Mini League; and
- supporting athletes and officials in the lead up to the Rio 2016 Olympic Games, as the official supplier of legal services to the Australian Olympic Team.

We also undertook the provision of pro bono support to many individuals and community groups in Australia and the UK including:

- the Cancer Council's pro bono legal referral scheme;
- advocacy for asylum seekers currently in detention;
- volunteering at a Lesbian Gay Bisexual Transgender Intersex (LGBTI) community legal clinic; and
- participating on legal panels for Aftermath, the Limbless Association, Mesothelioma UK and various asbestos support groups in the UK.

Environmental Responsibility

Slater and Gordon Group recognises that it has an obligation to reduce the Company's impact on the environment and to imbed sustainable work practices.

Since priorities and reduction targets were established in the Company's FY14 Environment and Sustainability Strategic Plan (Australia), we have been measuring and monitoring data to ensure that we are on track and that targets are appropriate and reasonably achievable. The strategy focuses on reductions across four key areas: paper, electricity, travel and waste, as well as general sustainability matters.

This work is overseen by an environment management team in the Australian business, which is made up of representatives of key business units. Activity is also undertaken in consultation with our employee Environmental Consultation Committee.

While progress has been made in achieving the key deliverables set for FY16, including surpassing our FY17 target for energy use, a review of current data shows that improvements need to be made to travel and paper use to meet targets.

As part of our pledge to improve our external environmental reporting, our overall environmental footprint was published in the Australian Legal Sector Alliance's annual report. We will use this tool to provide greater visibility to our efforts and to drive further improvements in our key impact areas.

The team behind
the team.

TEAM PARTNER

Board of Directors

John Skippen

Chair since 2012, Non-Executive Director since 2010. Chair of the Nomination Committee and member of the Audit, Compliance and Risk Management Committee.

Andrew Grech

Group Managing Director since 2000, Executive Director since 2001.

Ian Court[1]

Non-Executive Director since 2007. Member of the Audit, Compliance and Risk Management and Remuneration Committees.

Ken Fowlie[1]

Chief Executive Officer, UK. Executive Director since 2003.

Erica Lane[1]

Non-Executive Director since 2008. Chair of the Remuneration Committee.

Member of the Audit, Compliance and Risk Management Committee.

James M Millar

Non-Executive Director since 2015. Chair of the Audit, Compliance and Risk Management Committee.

Rhonda O'Donnell

Non-Executive Director since 2013. Member of the Audit, Compliance and Risk Management, Remuneration and Nomination Committees.

In FY17 Tom Brown was appointed to the Slater and Gordon Board as a Non-Executive Director and Chair of the Remuneration Committee commencing 1 September 2016. An additional Non-Executive Director will be appointed in the course of FY17.

For detailed information on each Director see pages 23 to 26.

1. Retired from board of directors 30 August 2016.

Operating and Financial Review

Review of Operations – Business Model

Overview

Slater and Gordon Group is a market-leading consumer legal services organisation with 4,640 staff operating in 86 locations across Australia and the UK. The Group provides legal services in two main areas of consumer law – Personal Injury Law (including motor vehicle accidents, workers' compensation/employers liability, industrial disease and civil liability law) and General Law (including family law, conveyancing, wills, estate planning, probate, business and specialised litigation, class actions, real estate, crime and regulation, employment, reputation and professional discipline). Slater and Gordon became the world's first listed law firm in 2007 and after successfully pursuing a strategy of geographic and practice area diversification in Australia, expanded into the UK in 2012. The UK business has since grown, organically and through further acquisition, into a leading UK consumer law firm with strong brand awareness. In FY15 the Group acquired a number of business assets from Watchstone Group Plc (formerly known as Quindell Plc), and has since re-branded it as Slater Gordon Solutions (SGS). The Group has three main operating segments: Slater and Gordon Lawyers Australia (SGL Australia), Slater and Gordon Lawyers UK (SGL UK) and SGS. The UK business is currently undergoing a major reorganisation to realign the business to serve the markets it operates in efficiently and to improve profitability.

Business Model

Slater and Gordon's mission is to provide people with easier access to world-class legal services. This is achieved by operating in segments of the legal market to which high levels of process and systems engineering can be applied to build operations of scale and capability that provide highly specialised services with a great deal of price certainty for clients.

Revenue is generated from providing legal and associated services to approximately 395,000 individual clients across Australia and the UK annually and is not reliant on any one key customer or case outcome. In FY16, 64% of fee and services revenue was derived from Personal Injury Law (PIL) and 72% of fee and services revenue came from the UK. Most PIL work is performed on a conditional fee basis ('No Win – No Fee') where legal fees are paid on the successful conclusion of a client's matter. In line with Australian accounting standards (AASB – 15 Revenue from Contracts with Customers), PIL revenue is recognised over the life of a case using a stage of completion basis, which relates to specific claim-related milestones for each matter. Recognising revenue on this basis gives rise to a corresponding asset on the balance sheet – work in progress (WIP) that represents the value of work completed but unbilled at the end of the period. The majority of General Law (GL) work is conducted on a fee for service basis. Class actions are largely funded by third parties on a fee for service basis. The Motor Services and Health Services divisions of SGS earn services revenue by providing car hire and repair services and medical report procurement and rehabilitation services respectively.

Major Events During the Year

Quindell Plc (now renamed Watchstone Group Plc)

On 5 August 2015, Quindell Plc, the vendor of SGS, published qualified financial statements in which the current directors and auditors of Quindell Plc explained, inter alia, that relevant information relating to transactions entered into by the former directors that could impact on the accounting, intention, commercial purpose or value of certain transactions was not available to them. On 5 August 2015 the Serious Fraud Office in the UK advised that it had opened a criminal investigation into the business and accounting practices of Quindell Plc.

The acquisition of SGS was structured as an acquisition of the various entities rather than an acquisition of the common stock of Quindell Plc. Moreover, Quindell Plc provided detailed warranties to the Company in relation to the operation of the assets comprising SGS. Those warranties are secured by a Warranty Escrow account holding £50 million.

The Directors are confident that the Company has no liability as a result of the matters described above. In the course of preparing these financial statements, the Directors have sought to identify, understand and properly account for all relevant prior transactions undertaken by entities within SGS. Despite reasonable inquiries, including of current directors of Quindell Plc, the Directors are unable to identify or rationalise every historic transaction undertaken by the former directors of the various entities and have made fair value adjustments as appropriate. The Directors believe that none of the known transactions relate to the fundamental business activities or economics of SGS and none of the known transactions are material in value or effect.

Accounting Changes

In August 2015, Slater and Gordon announced several accounting changes to enhance financial reporting including the early adoption of AASB–15, the new accounting standard for revenue recognition, at 31 December 2015.

The new standard requires that revenue under 'No Win – No Fee' arrangements only be recognised when it is 'highly probable that a significant reversal of revenue recognised will not occur'. Prior to the adoption of AASB–15, Slater and Gordon had applied AASB–118 which requires that revenue only be recognised when it is 'probable' that the economic benefits associated with a transaction will flow to a company.

Operating and Financial Review continued

Review of Operations – Business Model continued

To reflect the requirements of the new standard, the Company, in consultation with accounting and actuarial advisers has refined its methodology for measuring work in progress (WIP). The new methodology is underpinned by a more data driven approach to valuing WIP and specifically, the determination of average fees per file and probability of success. Consistent with the previous standard, revenue continues to be recognised over time, or the life of a case, using a basis that relates to specific claim-related milestones for each client matter.

The Company has adopted the new accounting standard on a fully retrospective basis. This necessitated derivation of WIP balances under the new standard as at 1 July 2014, 31 December 2014, 30 June 2015 and 31 December 2015. WIP balances under AASB – 15 are lower than the previously existing AASB – 118 balances by approximately 15% to 20% throughout that date range. This outcome provides comfort that the previous methodology, which had an inherent requirement for higher levels of management judgement, provides sound outcomes given the lower probability thresholds which previously applied.

Application of AASB – 15 will provide greater consistency and a more systematic approach to generating reported values of revenue and WIP.

Potential UK Legislative Changes

In November 2015 the 'Autumn 2015 Chancellor's Statement' included proposals that if implemented, would impact on the rights of people to obtain compensation in minor soft tissue injury claims and also see the limit of the Small Claims Court increase from £1,000 to £5,000.

The Company will participate in the consultation process foreshadowed by the Ministry of Justice and has made its best effort to factor potential changes into its assessment of the carrying value of goodwill and the resultant impairment losses recorded at 31 December 2015, even though results are not yet certain. Slater and Gordon maintains its view that SGS will be well positioned to be a leading provider of services to people who require legal, car hire, car repair and rehabilitation services assistance as a result of road traffic accidents and legal services for other fast track claims in the UK.

Goodwill Impairment

In the first half of the year ended 30 June 2016, the Company recognised a non-cash impairment charge of $876.4 million against the carrying value of its goodwill. The majority of this is accounted for by the $814.2 million impairment in goodwill from the SGS acquisition. This arises from a downward revision in the expectation for future performance of SGS having regard for the poorer than anticipated financial performance since acquisition and the assessment of its prospects going forward. In addition, the proposed changes to UK laws and the associated uncertainty of the future earnings trajectory of the UK business have been assessed and the assumptions addressing these issues have contributed to 27% of the impairment.

There was also a $52.7 million impairment charge in the Australian business. $13.9 million of this related to the General Law cash-generating unit and $38.8 million arose in the PIL cash generating unit as a result of moving to a methodology based on the performance of state based rather than national cash-generating units for assessing goodwill impairment. An additional $3.1 million impairment was recognised in PIL in the second half subsequent to the New South Wales Government announcing proposed changes to motor vehicle accident compensation. The proposals are not expected to have a material impact on the Group's performance.

UK Performance Improvement Program

In February 2016 the Company commenced execution of a comprehensive performance improvement program in the UK. As a part of this program, the Company will accelerate a reorganisation of its legal services businesses and operate through three specialised legal services divisions across the UK. It intends to continue to offer motor, health and other services adjacent to the delivery of services by its legal services divisions.

The program is on track in terms of implementation and delivery of benefits. The organisational restructure is progressing to plan with office closures and reorganisations substantially due for completion by the first quarter of 2017.

Restructure of Finance Facilities

In May 2016, the Group announced the successful agreement of amendments to its existing Syndicated Facility Agreement ('Facility') with its lending group. The limits and maturity profile of the amended facility are substantially the same as the previous facility. The facility includes a number of terms and conditions usual for a facility of this nature. These include increased frequency of reporting to the lending group, semi-annual debt amortisation and no declaration or payment of dividends.

Vesting Convertible Redeemable (VCR) Share Loans

The repayment of loans attached to all Vesting Convertible Redeemable (VCR) ordinary shares at 30 June 2016 has been extended to 30 June 2018.

Review of Operations – Profit and Financial Position

A summary of Slater and Gordon's results for the year ended 30 June 2016 and the prior corresponding period are shown below.

	FY16 A$m	FY15 A$m
Total Revenue	**908.2**	598.2
EBITDAW[1]	**(49.3)**	92.6
EBITDAW – normalised[2]	**36.6**	69.3
Net (loss)/profit after tax	**(1,017.6)**	62.4
Net (loss)/profit after tax – normalised[3]	**(48.7)**	39.1
Net operating cash flow	**(104.2)**	40.8
Gross operating cash flow – normalised[4]	**(57.6)**	56.0

1. EBITDAW is defined as earnings before interest, tax, depreciation, amortisation and movement in work in progress and is presented prior to non-cash impairment.
2. Normalised for AASB-3 adjustments, additional debtor/disbursement provisioning and non-recurring restructuring costs.
3. Normalised for AASB-3 adjustments, goodwill impairment, additional debtor/disbursement provisioning and non-recurring restructuring costs, finance costs and tax impact of normalisations.
4. Gross operating cash flow (GOCF) is defined as net cash (utilised)/provided by operating activities before interest received, borrowing costs paid, income tax paid and payments to former owners. GOCF has been normalised for non-recurring restructuring payments to suppliers.

EBITDAW, EBITDAW – normalised, gross operating cash flow – normalised and net (loss)/profit after tax – normalised balances presented in this report are unaudited non-IFRS measures that, in the opinion of the Directors, are useful in understanding and appraising the Company's performance.

Slater and Gordon reported a $1,017.6 million loss for the year ended 30 June 2016. The full year result was impacted by:

- $879.5 million non-cash impairment charge against the carrying value of goodwill, $876.4 million of which was recognised in the first half of the financial year;
- application of a revised accounting policy for revenue recognition as a result of early adoption of new accounting standard AASB-15 (Revenue from Contracts with Customers). A negative net movement in work in progress (WIP) of $41.3 million was recorded in FY16 due to case settlements exceeding the number of new files opened in Slater and Gordon Lawyers (SGL) Australia and reduced case volumes in SGL UK;
- $33.3 million of non-recurring restructuring costs including consultants costs, redundancy and property rationalisation costs associated with the Group's UK operations;
- $33.2 million of cash and share-based payments to former owners recognised under the Group's accounting policies for acquisition consideration (AASB-3 Business Combinations), which were adopted in FY15;
- $18.7 million of additional provisioning for debtors and disbursements across the Group;
- underperformance in the UK operations, in relation to resolution of personal injuries claims in Slater and Gordon Lawyers (SGL UK) and Slater Gordon Solutions (SGS) including lower resolutions in respect of Noise Induced Hearing Loss (NIHL) claims;
- finance costs of $42.5 million, which included $14.9 million in non-recurring facility establishment and amendment fees; and
- a tax credit of $11.9 million derived from UK current year tax losses and prior year fair value adjustments, noting that goodwill impairment is not tax deductible.

The consolidated statement of profit or loss and other comprehensive income contains a number of transactions that have been normalised to provide greater clarity to the underlying operational results. The normalisation items for FY16 and the FY15 comparative period are:

i. impairment charge against the carrying value of goodwill;
ii. payments to former owners reclassified as remuneration under the new accounting treatment for deferred consideration under AASB-3;
iii. restructuring costs in relation to the UK business reorganisation;
iv. additional provisioning for debtors and disbursements following a thorough review of provisioning policies;
v. gain from bargain purchase in FY15 resulting from the change in accounting policy in relation to the treatment of deferred consideration under AASB-3 Business Combinations; and
vi. costs relating to acquisitions.

The impact of these normalisations on net (loss)/profit after tax is as follows:

	FY16 A$m	FY15 A$m
Net (loss)/profit after tax – reported	**(1,017.6)**	**62.4**
Normalisation adjustments:		
Goodwill impairment charge	**879.5**	-
Payments to former owners	**33.2**	25.4
Non-recurring restructuring costs	**33.3**	-
Additional debtor/disbursement provisioning	**18.7**	-
Finance costs	**14.9**	-
Gain from bargain purchase	**-**	(72.5)
Costs associated with acquisitions	**0.7**	23.8
Tax implications of above	**(11.4)**	-
Net (loss)/profit after tax – normalised	**(48.7)**	**39.1**

Total revenue and other income increased by 51.8% due mainly to a full year contribution from SGS, acquired in May 2015. This increase was partly offset by reduced total revenue from SGL Australia and SGL UK, both of which were impacted by negative movements in WIP during the period. Fee and services revenue, excluding the movement in work in progress, prior year gain from bargain purchase and other income increased in SGL Australia and SGL UK by 8.1% and 1.8% respectively. SGL Australia and SGL UK segment results are discussed in more detail from page 17.

Total revenue in the consolidated statement of profit or loss and other comprehensive income includes an item shown separately as 'Services revenue'. This amount represents the revenue associated with the SGS Motor and Health Services businesses. The 'Cost of sales' line item also relates to the SGS Motor and Health Services businesses.

The largest components of operating costs are salaries and employee benefits. These also increased materially in FY16 due to a full year contribution from SGS. There are also material marketing and advertising expenses to support the Slater and Gordon suite of brands, with brand awareness being a key driver of client enquiries. Advertising and marketing expense also now includes other new business acquisition costs for SGS. SGS acquires new business from strategic partners including insurance industry participants and claims management companies and seeks to turn them into successfully resolved outcomes in a relatively short space of time.

After disappointing and unacceptable performance in the first half of the financial year the Company implemented a performance improvement program in the second half, to improve profitability and cash performance across the business. These initiatives have had a positive impact on second half financial performance with Group EBITDAW of $9.0 million in the second half, compared to a $58.3 million first half loss.

Cash Flow

Net operating cash flow improved materially in H2 FY16 to an outflow of $20.9 million (H1 FY16: outflow of $83.3 million). The Company recognises that significant improvement is still required to restore cash flow, however the trend is positive with H2 FY16 GOCF just over breakeven when normalised for non-recurring restructuring payments.

Financial Position

A summary of key items relating to the Group's financial position is provided below.

	FY16 A$m	FY15 A$m
Net assets	**305.1**	1,350.2
Net debt	**682.3**	614.1
Loan and overdraft facilities – £ denominated	**376.0**	376.0
Loan and overdraft facilities – A$ denominated	**94.0**	95.0

Review of Operations – Profit and Financial Position continued

Net Assets

The Group has net assets of $305.1 million, which has decreased by $1,045.1 million since 30 June 2015 primarily due to a goodwill impairment charge of $879.5 million, mainly relating to impairment of goodwill from the SGS acquisition.

The significant balance sheet items are: WIP – representing the value of work completed but unbilled; Receivables – including trade receivables and disbursements to support a client matter that are reimbursed at settlement; Borrowings (see Debt section below); and lastly Payables – including trade payables and legal creditors where Slater and Gordon has arranged deferred conditional payment terms on behalf of the client in relation to the disbursements incurred on a client matter.

Debt

At 30 June 2016, gross debt was $764.8 million and net debt $682.3 million. In May 2016, the Group announced amendments to its existing Syndicated Facility Agreement ('Facility') with its lending group. The facility included loan facility, bank guarantees and/or letter of credit with an overall limit of £375 million and $90 million with expiry dates between May 2018 and March 2019. As at 30 June 2016, the Group remains in compliance with all undertakings under the Facility.

In the balance sheet, foreign currency balances are translated at the spot rate at the 30 June 2015 and 2016 reporting dates. This accordingly has a foreign exchange translation impact upon the reported debt balances in a number of ways:

i. movement in the foreign exchange rate from one period to another where the exchange rate (or spot rate) has changed (i.e. the impact the foreign exchange movement has on the opening balance);

ii. a differential in the exchange rate from the cash flow from financing activities for proceeds or repayment of borrowings as a result of using an average exchange rate. Where the proceeds or repayments of borrowings are individually immaterial, an average foreign exchange rate is used, and as such there is a translation difference between the average rate and the year-end exchange rate; and

iii. where a significant transaction has occurred, such as the drawdown of borrowings for the Slater Gordon Solutions transaction, the cash flow translates at the exchange rate at the transaction date. As such, there is a translation difference for the impact the foreign exchange movement between the transaction date and the year-end exchange rate.

Dividends

Directors have not declared a dividend for the 2016 financial year consistent with its undertakings in the Facility amendments.

Off Balance Sheet Items

The balance sheet does not include a value for WIP associated with the portfolio of noise induced hearing loss (NIHL) cases acquired as part of the SGS acquisition. Once stronger evidence is collected in relation to the likely success rates of the NIHL cases, an appropriate value for the WIP will be revisited.

Review of Operations – Segment Performance

A summary of revenue and earnings by segment is provided below.

Fee and services revenue[1]	FY16 A$m	FY15 A$m	Variance %
SGL Australia	**265.6**	245.7	8.1
SGL UK	**230.0**	226.0	1.8
SGS	**437.2**	35.0	1,149.1
Group	**932.8**	506.7	84.1

(Loss)/Profit before tax and net finance expense	FY16 A$m	FY15 A$m	Variance %
SGL Australia	**(100.9)**	78.3	(228.9)
SGL UK	**(64.4)**	21.0	(406.7)
SGS	**(822.6)**	(6.0)	(13,610.0)
Group	**(987.9)**	93.3	(1,158.8)

EBITDAW – Normalised	FY16 A$m	FY15 A$m	Variance %
SGL Australia	**35.9**	41.6	(13.7)
SGL UK	**(2.6)**	33.3	(107.8)
SGS	**3.3**	(5.6)	(158.9)
Group	**36.6**	69.3	(47.2)

1. Fee and services revenue is revenue from contracts with customers less movement in WIP.

Slater and Gordon Lawyers Australia (SGL Australia)

Overview of Operations

SGL Australia is a market-leading provider of consumer legal services enjoying approximately 25% market share in the Personal Injury Law (PIL) market and a growing share in key areas of the General Law (GL) market. SGL Australia employs 1,330 staff across 61 locations.

The PIL business provides legal services to people in a range of areas including motor vehicle accidents, workers compensation and civil liability law. The PIL practice contributed 77% of SGL Australia's FY16 fee and services revenue.

The GL business is made up of Personal Legal Services (PLS) and Business and Specialised Litigation Services (B&SLS) practice areas. PLS comprises family and relationship law, conveyancing, wills, estate planning and probate practices. Work is predominantly performed on a fixed fee basis. B&SLS comprises commercial, estate, employment and professional negligence litigation, class or group actions and criminal defence work. The GL practice contributed 23% of SGL Australia's FY16 fee and services revenue.

The Australian consumer legal services market is highly regulated, with regulations varying state by state. SGL Australia has used its scale and strong brand awareness to deliver stable revenues and earnings by successfully responding to legislative change as and when it arises.

Strategic priorities for SGL Australia are protecting and improving operating leverage in PIL and significantly growing market share and achieving scale in selected areas of GL.

FY16 Performance Review

- Total fee and services revenue growth of 8.1% was an encouraging result comprising growth in PIL and GL.
- PIL growth was driven by strong performances in Victoria, South Australia and Western Australia. Performance in New South Wales was stable while Queensland continued to adjust to the impact of workers compensation legislative change.
- The GL business delivered 13.4% growth in fee and services revenue in FY16 due to growth in the B&SLS and family law practices. The conveyancing practice continued to perform below expectations and a strategic review will be completed shortly.
- Despite the strong operating revenue performance, total SGL Australia revenue declined in FY16 due to a $27.8 million adverse movement in the value of WIP.
- The net loss before tax and interest includes $55.8 million of goodwill impairment, a $27.8 million adverse movement in WIP and $22.1 million of non-recurring restructuring costs and debtors/disbursement provisioning.
- Normalised EBITDAW declined due to underperformance in some PIL practice groups, a deteriorating performance in conveyancing and an increase in the cost base associated with labour costs, IT costs, audit fees, legal fees and other corporate expenses.

Slater and Gordon UK

The Slater and Gordon Group entered the UK market in 2012 and has established a circa £300 million turnover integrated legal and allied services business with a leading position in each of the markets it serves, built on service excellence and innovation, strategic partnerships and growing brand awareness.

The Group operates in the UK as Slater and Gordon Lawyers (SGL UK) and Slater Gordon Solutions (SGS) employing 3,310 staff across 25 locations. SGS is comprised of the claims, motor and health businesses.

In February 2016 the Group announced a major UK business reorganisation, which is focused on establishing centres of excellence in serious and specialist personal injury, fast track personal injury and general law services as well as rationalising the provision of shared services across the UK.

SGL UK

Overview of Operations

As part of the UK business reorganisation, SGL UK has been restructured to focus on delivering personal injury services in serious and specialist personal injury law claims as well as targeted areas of general law.

The SGL UK Serious and Specialist Practice (SSP) provides legal services to clients in a range of personal injury law practice areas including motor vehicle accidents and employers liability, as well as in specialist areas such as industrial disease, clinical negligence, abuse and travel claims. The practice also provides specialist services to member services organisations. The SSP contributed 76% of SGL UK's FY16 fee and services revenue.

The SGL UK General Law (GL) business is organised into three practice areas: personal legal services – providing services such as employment, family law, residential property and crime; business law services – providing services such as commercial real estate, regulatory, business advisory and dispute resolution; and group litigation. SGL UK has the largest family and claimant employment law practices in the UK.

The strategic priorities of SGL UK are building market share and improving operating leverage in SSP and growing market share and scale in selected areas of GL.

Operating and Financial Review continued

Review of Operations – Segment Performance continued

FY16 Performance Review

- SGL UK performed disappointingly in H1 FY16 and management commenced a fundamental business reorganisation in H2 FY16, which resulted in a reduction in both operating sites and total headcount.
- Benefits have been realised from the reorganisation with GBP fee and services revenue growth on a substantially lower overall cost base, driving positive $7.6 million H2 normalised EBITDAW compared to a $10.2 million first half loss.
- As part of the reorganisation, private client fast track Road Traffic Accidents (RTA) and employers liability enquiries secured by the Slater and Gordon Lawyers brand were successfully transferred to the SGS Claims business.
- Progress in the remediation and improvement of process and systems also contributed to the improved H2 financial performance.
- Prompted brand awareness has continued to strengthen, despite a moderation in overall investment, with the Slater and Gordon Lawyers brand now recognised by 28% of UK survey respondents. New client enquiry numbers also continue to grow.

Slater Gordon Solutions (SGS)

Overview of Operations

SGS was acquired in May 2015 and is the leading fast track personal injury legal services provider in the UK, operating across the personal injury claims management value chain to provide claims, motor and health services. It is a collection of client-focused businesses with systems and processes that have been designed to fully service the needs of the 'not at fault' party who suffers loss or damage from an accident from one initial phone call.

There are three SGS operating businesses – Claims, Health and Motor Services. The Claims business deals with the origination, assessment and resolution of personal injury law claims with a focus on road traffic accidents. The Motor business division provides accident management services to affinity groups for the benefit of road users. The services include co-ordination of the provision of temporary replacement vehicles and automotive repairs. The Health Services business provides rehabilitation and medical reporting solutions that may be required as part of a personal injury claim.

SGS is also currently progressing a portfolio of noise induced hearing loss (NIHL) claims; however, substantial losses were made in FY16 from this portfolio of cases. As cases mature and protocols for resolution of claims are developed with insurers, revenue earned from settlement of cases will displace the cost of claims management over time.

FY16 Performance Review

- The FY16 SGS net loss before tax and finance costs was $822.6 million. The primary driver to this was the first half goodwill impairment charge of $814.2 million.
- SGS delivered positive $3.3 million normalised EBITDAW for FY16. There was significant improvement in H2 performance with normalised EBITDAW of $27.3 million compared to a $24.0 million H1 normalised EBITDAW loss.
- Management has driven consistent quarterly improvement in claims handling and resolution activity in SGS Claims, resulting in a 30% improvement in total billed revenue (from Q1 to Q4) in RTA claims underpinned by a substantial improvement in case handler productivity.
- While NIHL resolution levels remain lower than anticipated when the business was acquired, management has made significant progress with internal process improvements and engagement with key counterparties.
- Management has delivered consistently high levels of service performance to partners in SGS Motor and has made steady progress in reducing aged debt levels.
- SGS Health has performed broadly in accordance with expectations given intake volumes, benefiting from Group synergy opportunities and a stabilising operating environment.

Business Strategy and Prospects

Business Strategy

The Group's core strategy is to lead the consolidation of the consumer legal services market in Australia and the UK and to participate in adjacent markets where to do so complements its legal services offering.

Having established critical mass in both markets in which it operates, the Group aims to deliver sustainable shareholder returns through a business strategy built on organic growth and operational improvement. From an operational perspective, this involves the continued strengthening of the Group's current market-leading position in the consumer law market as well as optimising business performance. The current focus of the senior management team is executing a performance improvement program across the business to improve profitability and cash flow and reduce debt.

Outlook

The Directors remain convinced of the strategic merit of taking a leading position in both the Australian and UK consumer legal services markets. The momentum for further consolidation in both markets remains strong and the Group is well placed to take advantage of that trajectory given its position, brand strength and the breadth of its offering.

Risks

Achievement of the business strategy and objectives could be impacted by a number of risks. Those risks could, individually or together, have an adverse effect on the achievement of our objectives and associated prospects.

Risk is an accepted part of doing business and the Group recognises the importance of, and is committed to, embedding proactive risk management strategies, capabilities and culture across the Group. The identification, mitigation and management of material risks ensures, where possible, the viability and sustainability of our business.

As part of its management processes and operating cycle, the Group regularly reviews material business risks, as well as plans to mitigate these risks and discusses these plans with the Board.

Set out below are the principal risks and uncertainties associated with the Group that could possibly impact the achievement of our strategy and objectives. The risks and uncertainties are not listed in order of significance and do not comprise every risk we encounter in conducting our business or every risk that may affect the achievement of our strategy and objectives. Rather, they are the most significant risks that we believe we should be monitoring and seeking to mitigate or otherwise manage at this point in time.

Material Risks of the Group

Legislative Change Risk

The Group activities are subject to extensive regulation. Adverse regulatory or legislative changes may adversely impact the Group's operations, financial performance and position.

Comprehensive stakeholder engagement, informed discussion, government consultation to advocate our position, modelling of the potential impact of changes and business model and the optimisation of practice management service offerings are initiatives we use to monitor, manage and protect against potential legislative changes.

Financial Risk

It is critical that the Group ensures that it has appropriate liquidity to meet its financial commitments.

The building blocks of effective cash management are monitored on an ongoing basis by the business, being working capital optimisation, cash flow forecasting and liquidity management. Key mitigating activities include monthly reporting and ensuring that the requirements of the Syndicated Facility Agreement are met.

Operational Risk

There are a number of key risks that arise directly from the operations of the Group as a major participant in the Australian and UK legal services industry.

The Group's financial performance and position have been, and in the future may continue to be, impacted by these risks.

The Group has performance improvement programs in place designed to standardise, centralise, optimise and promote efficient and innovative operating platforms, IT systems and people strategies.

Competition and Market Share

The Group operates in a competitive market, which may adversely impact its financial performance and position. Increased competition for clients can lead to compression in profit margins or drive changes to market share. Strategic planning, innovation in marketing and IT systems, alignment of acquired businesses with Group practices and investment in business development opportunities are activities the Group undertakes to grow market share and protect the Slater and Gordon Group brand.

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Directors' Report

The Directors present their report, together with the financial report of the consolidated entity consisting of Slater and Gordon Limited ("the Company") and its controlled entities (jointly referred to as "the Group"), for the financial year ended 30 June 2016 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ("IFRS").

Directors

The directors in office at any time during the financial year and up to the date of this report are:

- John Skippen – Chair
- Andrew Grech – Group Managing Director
- Ian Court
- Ken Fowlie – Chief Executive Officer, UK
- Erica Lane
- Rhonda O'Donnell
- James M. Millar (appointed 1 December 2015)

Details of the skills, experience, expertise and special responsibilities of each Director are set out in the "Information on Directors and Company Secretaries" section of this report.

Principal Activities

The principal activity of the Group during the financial year was the operation of legal practices in Australia and the United Kingdom ("UK"). Following the acquisition of various business assets from Quindell Plc on 29 May 2015, which were rebranded as Slater Gordon Solutions ("SGS"), activities have expanded to include other services complementary to the processing and resolution of personal injury claims in the UK.

Results

The loss after income tax of the Group was $1,017.6 million (2015 restated: net profit after tax of $62.4 million).

Review of Operations

The review of operations is contained in the Operating and Financial Review report as set out on pages 11-19.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Group other than those disclosed in the Operating and Financial Review report.

Events Subsequent to Reporting Date

There have not been any matters or circumstances that have significantly affected, or may significantly affect, the results reported in the financial statements.

Likely Developments

The Group's core strategy is to lead the consolidation of the consumer legal services market in Australia and the UK and to participate in adjacent markets where to do so complements its legal services offering.

Having established critical mass in both markets in which it operates, the Group aims to deliver sustainable shareholder returns through a business strategy built on organic growth and operational improvement. From an operational perspective, this involves the continued strengthening of the Group's current market leading position in the consumer law market as well as optimising business performance from its other service lines. The current focus of the senior management team is executing a performance improvement programme across the business to improve profitability and cash flow and reduce debt.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations or laws in Australia or the UK.

Environmental, Social and Corporate Governance

Pursuant to ASX Corporate Governance Principle and Recommendation 7.4, which provides that companies disclose any material exposure to economic, environmental or social sustainability risks, the Company has conducted an assessment of material sustainability issues. Having undertaken a review of the company's key ESG risks, the Company commenced a thorough review, with reference to the aspects and indicators tabled in the Global Reporting Initiatives 'G4 Sustainability Reporting Guidelines'.

Directors' Report

Dividend Paid, Recommended and Declared

Pursuant to the amended Syndicated Facility Agreement executed on 1 May 2016 the Company has not declared or paid any dividends in respect of the 30 June 2016 financial year.

The dividends paid and declared since the start of the financial year are as follows:

	2016 $'000	2015 $'000
Dividends on ordinary shares		
No interim dividend paid in 2016 (2015: 3.50 cents per share, partially franked (40%) at the tax rate of 30%)	-	7,341
Final dividend (partially franked (40%) at the tax rate of 30% for the financial year ended 30 June 2015: 5.50 cents) (2014: 5.00 cents per share, fully franked at the tax rate of 30%)	19,330	10,279
	19,330	17,620

Dividend Reinvestment Plan

Since 27 February 2013, the Company has had in place a Dividend Reinvestment Plan ("DRP") to allow eligible shareholders to reinvest their dividends in further Company shares. The DRP was active for the interim and final dividend declared for the financial year ended 30 June 2015.

Share Options

Other than the 2.3m share options and 1.2m performance rights granted to the Group Chief Financial Officer on 5 August 2016 as part of his Board approved retention plan (refer section 4.5 in the Remuneration report), no options over unissued shares or interests in the Company were granted during or since the end of the financial year. There were no options outstanding at the end of the financial year.

An equity incentive plan ("EIP") was established in November 2014 to provide annual equity incentives to selected senior executives. Pursuant to the EIP 0.5m performance rights were granted in the prior year which are subject to vesting performance hurdles and continuing service (refer to Remuneration report for further details).

Indemnification and Insurance of Directors and Officers and Auditors

During the financial year, the Group has provided an indemnity or entered an agreement to indemnify, and paid insurance premiums for a twelve-month period in respect of directors, officers and the company secretary of the Company against a liability brought against such an officer.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

The Company has agreed (in certain circumstances) to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement. No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' Report

Information on Directors and Company Secretary

The skills, experience, expertise and special responsibilities of each person who has been a Director of the Company at any time during or since the end of the financial year is provided below, together with details of the company secretaries as at the year end.

John Skippen ACA Chair Non-Executive Director	**Experience** John has been a Board member since 2010 and Chair of the Board since 2012. John has over 30 years' experience as a chartered accountant and was the former Executive Finance Director of Harvey Norman Holdings Ltd. John brings to the Board extensive financial, public company and retail experience and skills in financial management, general management, mergers and acquisitions and strategy. **Other Current Directorships** Non-Executive Director of Flexigroup Limited (ASX: FLX) (appointed November 2006) Non-Executive Director of Super Retail Group Ltd (ASX: SUL) (appointed September 2008) **Former Directorships** Non-Executive Director of Emerging Leaders Investment Ltd (2010-2014) **Special Responsibilities** Chair – Board (current) Member – Audit, Compliance and Risk Management Committee (current) Chair – Nomination Committee (appointed 1 July 2015 – current)

Andrew Grech LLB MAICD Group Managing Director	**Experience** Andrew joined Slater and Gordon in 1994 and was appointed Managing Director in 2000. Before being appointed Managing Director, Andrew worked in most of Slater and Gordon's litigation practice areas, across both high profile class actions and individual compensation claims. Andrew brings to the Board extensive experience as a legal practitioner and law firm manager. **Other Current Directorships** None **Former Directorships** None **Other Positions** Member of the Advisory Council of the Melbourne Law School (2014 – current) **Special Responsibilities** Group Managing Director

Information on Directors and Company Secretary (continued)

Ken Fowlie
LLB BCom (NSW)
MSc (with distinction) (LBS)
MAICD
Executive Director

Experience

Ken joined the Company in 1995 and was appointed an Executive Director of the Company in 2003.

Ken has extensive litigation experience particularly in claims for sufferers of asbestos related illness (including acting for the Australian Council of Trade Unions ("ACTU") and asbestos support groups in negotiations with James Hardie) and large, multi-party group and representative actions. Ken brings to the Board a unique operational perspective in a number of the Group's key strategic areas. As an Australian legal practitioner with close to 20 years' experience and qualifications and a strong interest in economics and business management, Ken contributes skills in legal practice, legal practice management, risk management, financial analysis, financial reporting and mergers and acquisitions. Ken was appointed Head of Australia in July 2013 and until May 2015 was responsible for the overall management of the Slater and Gordon Australian operation. In May 2015 Ken was appointed Chief Executive Officer - UK, incorporating Slater Gordon Solutions.

Other Current Directorships

None

Former Directorships

None

Special Responsibilities

Chief Executive Officer – UK

Ian Court
FAICD
Non-Executive Director

Experience

Ian was appointed a Director of the Company in 2007 prior to the Company listing on the Australian Securities Exchange.

Ian has extensive experience as a senior executive and non-executive director in a diverse range of companies and industry sectors, including financial services, unlisted infrastructure, listed energy, superannuation, private equity and the property sector. Ian was inaugural president of the Australian Institute of Superannuation Trustees ("AIST"). Prior executive positions include CEO of Development Australia Funds Management Ltd (1998-2004) and Executive Chair of Cbus (1992-1998). Earlier in his career he was a senior industrial officer with the ACTU (1982-1992). Ian brings to the Board expertise and skills in finance, financial markets, business strategy, human resources, risk management and corporate governance.

Other Current Directorships

None

Former Directorships

None

Other Current Positions

None

Special Responsibilities

Member – Audit, Compliance and Risk Management Committee (current)

Member – Remuneration Committee (appointed 1 July 2015)

Information on Directors and Company Secretary (continued)

Erica Lane B App Sc, Grad Dip Comp, MBA (Melbourne), MBA (Chicago), MAICD Non-Executive Director	**Experience** Erica joined the Board of the Company in 2008. Since 2000, she has held various appointments in funds management, investment management, professional services and healthcare spanning both listed and non-listed environments and public and private sectors. She is an experienced member of Audit Committees and has chaired Nomination and Remuneration and IT Committees. In addition to Board appointments, Erica consults extensively in the public and private sectors at CEO and Board level on a range of business issues. In an executive capacity, Erica held senior positions in finance, funds management and insurance at the ANZ bank and worked with international consultancy firms. **Other Current Directorships** None **Former Directorships** Wilson HTM Investment Group Limited (ASX: WIG) – Member, Audit/Risk and Nomination and Remuneration Committees (2013-2014) **Other Positions** None **Special Responsibilities** Chair – Remuneration Committee (appointed 1 July 2015 – current) Member – Audit, Compliance and Risk Management Committee (current)

Rhonda O'Donnell M App Sc, MBA (Melbourne) Non-Executive Director	**Experience** Rhonda joined the Board of the Company in 2013. Rhonda has extensive experience in international and local industries including telecommunications, information technology, education, government and utilities. Rhonda has been a successful executive and board member in both the private and public sectors. Rhonda has received several industry achievements including the award for the Victorian Telstra Business Woman of the Year in 1999. **Other Current Directorships** Non-Executive director, Catapult Group International Ltd (ASX: CAT) (appointed September 2014) **Former Directorships** None **Other Current Positions** None **Other Former Positions** None **Special Responsibilities** Member – Audit, Compliance and Risk Management Committee (current) Member – Remuneration Committee (appointed 1 July 2015 – current) Member – Nomination Committee (appointed 1 July 2015 – current)

Directors' Report

Information on Directors and Company Secretary (continued)

James M. Millar BCom (UNSW), FCA, FAICD Non-Executive Director	**Experience** James was appointed a Director of the Company in December 2015. James is a former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young (now EY) and was a member of the Ernst & Young Global Board. His career prior to the leadership roles at Ernst & Young was as a corporate reconstruction professional. In 2012 James was appointed a Member in the General Division of the Order of Australia for service to Business & Commerce and for Community Leadership. **Other Current Directorships** Non-Executive Director – Fairfax Media Limited (appointed 2012) Director – Macquarie Media Ltd (appointed 2015) Non-Executive Director – Mirvac Limited (appointed 2009) **Former Directorships** Non-Executive Director – Helloworld Limited (2010 – 2016) Chair – Fantastic Holdings Limited (2012 – 2014) **Other Current Positions** None **Special Responsibilities** Chair – Audit, Compliance and Risk Management Committee (current)

Bryce Houghton B.Com GCFO and Company Secretary	**Experience** Bryce joined Slater & Gordon as Group Chief Financial Officer in November 2015. He was appointed Company Secretary on 23 March 2016. Bryce has 30 years of financial management experience with strong technical and treasury skills as well as substantial CFO experience in overseeing and development of systems, processes and resources. Before joining the Company, he served as CFO of Navitas Limited for 10 years, with prior experience as CFO with Evans & Tate Limited and senior management roles with Fonterra Cooperative Group and National Bank of New Zealand and Price Waterhouse in New Zealand. **Other Current Directorships** None

Directors' Report

Directors' Meetings

The number of meetings of the Board of Directors and of each Board committee held during the financial year and the number of meetings attended by each director were:

	Board of Directors		Audit, Compliance and Risk Management Committee		Remuneration Committee		Nomination Committee		Special Board Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
A Grech	14	14	-	-	-	-	-	-	10	10
K Fowlie	14	14	-	-	-	-	-	-	10	10
J Skippen	15	15	7	7	1	1	1	1	10	10
I Court	15	15	7	7	3	3	-	-	-	-
E Lane	15	15	7	7	3	3	-	-	-	-
R O'Donnell	15	15	7	7	3	3	1	1	-	-
J Millar (1)	9	9	3	3	-	-	1	1	10	10

(1) James M. Millar was appointed to the Board on 1 December 2015.

Directors' Interests in Shares

Directors' relevant interests in shares of the Company as at the date of this report are detailed below.

	Ordinary Shares of the Company	Performance Rights
A Grech	6,750,656	40,000
I Court	69,804	-
K Fowlie	5,646,221	16,000
E Lane	170,000	-
J Skippen	60,000	-
R O'Donnell	25,000	-
James M. Millar	20,000	-

Directors' Interest in Contracts

Directors' interests in contracts are disclosed in Note 6.1 to the financial statements.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-Audit Services

Written approval for non-audit services is provided by resolution of the Audit, Compliance and Risk Management Committee and approval is notified to the Board of Directors. Non-audit services provided by the auditors of the Group during the year are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Directors' Report

Non-Audit Services (continued)

During the year, the following fees were paid or payable for non-audit services provided by the current auditor of the parent entity, Ernst & Young(2), its related practices and non-related audit firms, and the former auditor of the parent entity, Pitcher Partners, its related practices and non-related audit firms:

	2016 $
Other Advisory	
• Ernst & Young	257,000
• Pitcher Partners	282,033
Total remuneration for other advisory	**539,033**
Total remuneration for non-audit services	**555,158**

(2) Ernst & Young were appointed auditors of the parent entity on 8 December 2015, following resignation of Pitcher Partners.

Rounding of Amounts

The amounts contained in the Directors' Report and financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.The Company is an entity to which the Class Order applies.

The Directors' Report and accompanying Audited Remuneration Report is signed in accordance with a resolution of the Directors.

John Skippen
Chair
Melbourne
29 August 2016

Andrew Grech
Group Managing Director

Directors' Report

Audited Remuneration Report

Dear Shareholder,

I am pleased to present our Remuneration Report for the year ended 30 June 2016.

The 2016 financial year has been a year of great challenge in light of the events faced by Slater and Gordon Limited ("SGH"), the impact this has had on the financial and operating performance of the group, and the effect that this has had on our shareholders over the year.

Over recent years the Board has reviewed the remuneration strategy for the executive key management personnel ("KMP") to align remuneration and reward with performance. The review in 2015 was undertaken using a comparator group of companies of similar market capitalisation at that time. There is now significant variance between the comparator group and the current market capitalisation of SGH. The Board will continue to monitor the relativity of the Company's remuneration strategy with the market, company performance, the need to retain key executives, and alignment of reward.

The review took into account the typical market approach to rewarding senior executives, but also recognised the unique challenges facing SGH in the short to medium term. Notwithstanding these issues, it is important that we continue to be able to attract and retain key personnel with the necessary skills and experience to drive the company forward.

The following sets out the key decisions and outcomes that occurred during FY16 as a result of the application of the remuneration policy previously established by the Board:

- During 2015, the Board fees were reviewed. The review used a comparator group of companies of a similar market capitalisation to SGH at that time. Subsequently, fees for the Chair and Non-Executive Directors were adjusted from 1 July 2015. In addition, the increase in the Annual Fee Pool was approved by shareholders at the AGM in November 2015. The Board will continue to monitor the fee structure taking into account comparisons to market and the workload of board members during this period of significant change for SGH (section 3.2).
- Two of the current executive KMP received a STI payment for FY16. These were for specific performance outcomes which the Board determined supported these payments (section 4.4.1). The majority of executive KMP did not receive any STI payment for FY16.
- Consistent with the remuneration policy detailed in the FY15 Remuneration Report, the Board approved and made offers of Performance Rights to executive KMP. However, due to the changing circumstances for SGH, these performance rights were not granted and the allocation was cancelled (section 4.4.2).
- The Group Chief Financial Officer ("GCFO") commenced employment with SGH on 30 November 2015. He has been a key contributor to the successful negotiation of the Syndicated Facility Agreement, and will be central to the management of SGH's financial performance over future years. Therefore, the Board determined that it is in the interest of shareholders and SGH that it offer the GCFO a revised reward structure focused on his retention with the business and the alignment of his remuneration with SGH performance (section 4.5).
- In line with developing practice in corporate governance, in June 2016 the Board approved the introduction of a clawback policy. This policy will apply from FY17 and applies to executive KMP. The policy enables SGH to clawback certain elements of an executive's remuneration if there has been a misstatement of SGH's financial statements which results in the executive receiving a reward which exceeds the outcome that would have been achieved had the misstatement not been made (section 4.7.1)
- Two executive KMP, being the Chief Executive Officer UK and the Group Chief Operating Officer received remuneration increases effective from 1 July 2015 in recognition of their expanded roles (section 4.9.1).

Taking into consideration the performance of the Company over FY16, the Board considers that the remuneration framework has resulted in outcomes that are in line with its purpose, in particular, in relation to at risk remuneration. Existing remuneration polices will be reviewed in FY17 to ensure that the remuneration policies continue to support the achievement of improved performance.

For a more fulsome analysis of these matters, please see the enclosed Remuneration Report.

Signed: ___________________________

Erica Lane

Chair, Remuneration Committee

Directors' Report

Audited Remuneration Report (continued)

Section	Title	Description
1.0	**Introduction**	Describes the scope of the Remuneration Report and the individual Board and executive key management personnel ("KMP") whose remuneration details are disclosed.
2.0	**Remuneration Governance**	Describes the role of the Board and the Remuneration Committee ("RC"), and the use of remuneration consultants when making Board and executive KMP remuneration decisions.
3.0	**Non-Executive Director Remuneration**	Provides details regarding the fees paid to Non-executive Directors ("NEDs").
4.0	**Executive Remuneration**	Outlines the principles applied to executive KMP remuneration decisions and the framework used to deliver the various components of remuneration, including explanation of the performance and remuneration linkages.
5.0	**Employee Share Scheme and Other Share Information**	Provides details regarding the Group's employee equity plans including the information required by the Corporations Act 2001 and applicable accounting standards.
6.0	**Service Contracts and Employment Agreements**	Provides details regarding the contractual arrangements between the Group and the executive KMP whose remuneration details are disclosed.

Directors' Report

Audited Remuneration Report (continued)

1. Introduction

The Group is a leading international consumer law firm employing 4,640 people across more than 86 locations in Australia and the United Kingdom. Our mission is to provide people with easier access to world class legal services. The Board has adopted contemporary executive remuneration strategies to reward executives fairly in a competitive environment. Policies are also flexible enough to enable Slater and Gordon ("SGH") to attract, motivate and retain competent executives in a number of locations.

The Board's philosophy and approach to executive remuneration has been to balance fair remuneration for skills and expertise with a risk and reward framework that supports sustainable growth.

The remuneration policies in respect of SGH executive Key Management Personnel ("KMP") are reviewed annually. A central success factor for SGH is the capability, motivation and performance of its staff. The past year has been challenging for SGH given the significant decline in shareholder value and the renegotiation of the Group's financing arrangements. This environment has had a direct impact on the reward of executive KMP, many of whom are also significant shareholders. Within this context, the Board believes SGH's approach to remuneration is balanced, fair and equitable. SGH has balanced the need for the conservative approach in recognition of the current challenges, with the need to retain, reward and motivate the executive team who are central to driving the transformation of the business.

In reviewing remuneration for the Board and executive KMP in 2015, the Board received advice and recommendations from an independent consultant. At the time SGH's remuneration policy was benchmarked against a peer group of similar size companies. Since then, there has been a decline in the value of the company versus this benchmark. The Board has taken a long term approach to managing remuneration, and will factor in relevant market information into future remuneration decisions. Central to this is to ensure that the remuneration policy is aligned with the business priorities necessary to undertake the transformation and achievement of financial performance targets.

1.1. Scope

This Remuneration Report sets out the remuneration arrangements in place for the Board and executive KMP of the Group during FY16, in accordance with the relevant provisions of the Corporations Act 2001 and the applicable accounting standard requirements.

Directors' Report

Audited Remuneration Report (continued)

1.2. Key Management Personnel ("KMP")

KMP have authority and responsibility for planning, directing and controlling the activities of the Group and comprise the NED and executive KMP (being the two (2) executive directors and other senior executives named in this report). Details of the KMP as at year end are set out in the table below:

Name	Title	Change during FY16	Country of Residence
Non-Executive Directors			
John Skippen	Chair of the Board, Member – Audit Compliance and Risk Management Committee (ACRMC), Chair – Nomination Committee, Non-Executive Director	No change. Full year	Australia
James M. Millar	Chair – ACRMC, Member – Nomination Committee, Non-Executive Director	Commenced as a Non-Executive Director. Appointed as Chair of ACRMC effective on 15 December 2015	Australia
Erica Lane	Chair – Remuneration Committee, Member – ACRMC, Non-Executive Director	No change. Full year	Australia
Ian Court	Member – ACRMC, Member – Remuneration Committee, Non-Executive Director	Resigned as Chair of ACRMC on 15 December 2015	Australia
Rhonda O'Donnell	Member – Remuneration Committee, Member – Nomination Committee, Member – ACRMC, Non-Executive Director	No change. Full year	Australia
Executive Directors			
Andrew Grech	Group Managing Director	No change. Full year	Australia
Ken Fowlie	Chief Executive Officer, UK	No change. Full year	United Kingdom
Other Executive KMP			
Bryce Houghton	Group Chief Financial Officer	Commenced on 30 November 2015	Australia
Hayden Stephens	Chief Executive Officer, General Law	No change. Full year	Australia
Felicity Pantelidis	Group Chief Operating Officer	Changed from Chief Operating Officer, to Group Chief Operating Officer on 1 July 2015	Australia
Former Executive KMP			
Wayne Brown	Group Chief Financial Officer	Ceased as KMP on 30 November 2015 and ceased employment on 6 May 2016	Australia
Neil Kinsella	Head of General Law, UK	Changed from Head of UK to Head of M&A (UK), October 2015. Ceased employment on 5 February 2016	United Kingdom
Cath Evans	Chief Executive Officer, Personal Injury Law	No change. Full year Ceased employment on 30 June 2016	Australia

Directors' Report

Audited Remuneration Report (continued)

2. Remuneration Governance

This section of the Remuneration Report describes the role of the Board and the Remuneration Committee ("RC"), and the use of remuneration consultants when making Board and executive KMP remuneration decisions.

2.1. Role of the Board and the Remuneration Committee

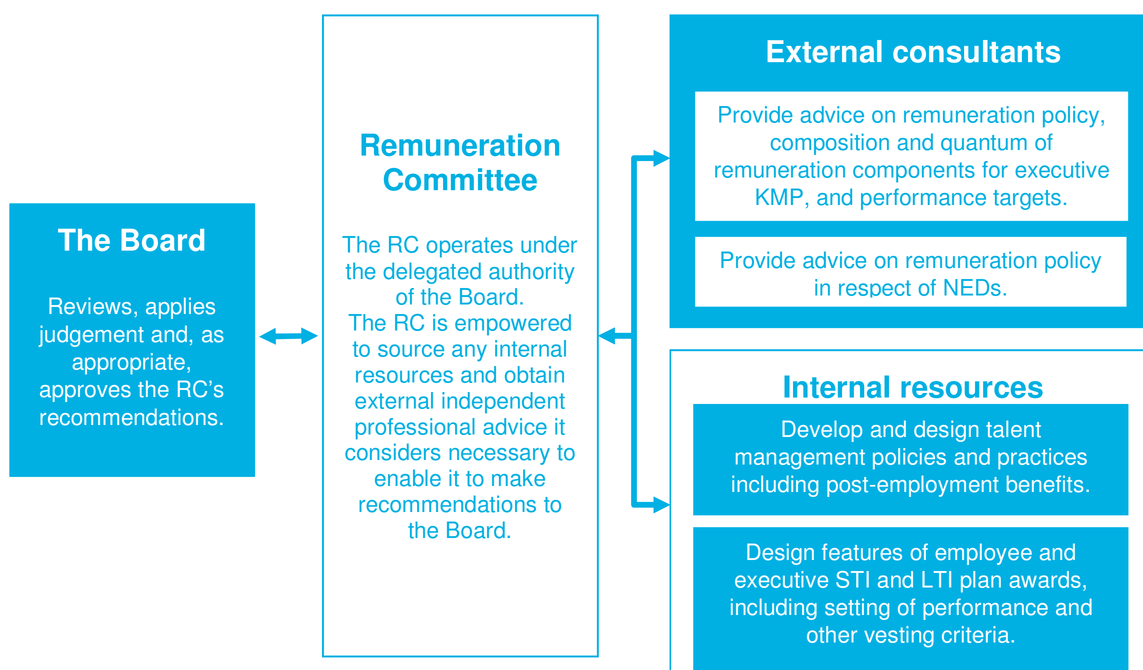
The Board has overall responsibility for SGH's remuneration strategy and policy. Consistent with this responsibility, the Board has established the RC, comprised solely of independent NEDs.

The role of the RC is set out in its Charter, which is reviewed annually and was last revised and approved by the Board in 2015. Prior to 1 July 2015, there was a combined Nominations and Remuneration Committee of the Board which was reconfigured into two (2) separate committees effective from 1 July 2015.

During the reporting year, the RC's role included:

- ensuring that appropriate procedures exist to assess the remuneration levels of the Chairman, other NEDs, executive KMP, Board committees, and the Board as a whole;
- ensuring that SGH meets the requirements of the ASX Corporate Governance Council's Guidelines, including gender diversity principles and recommendations;
- ensuring that SGH adopts, monitors and applies appropriate remuneration policies and procedures;
- ensuring that reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal requirements;
- developing, maintaining and monitoring appropriate talent management programs including succession planning, recruitment, development; and retention and termination policies and procedures for senior management; and
- developing, maintaining and monitoring appropriate post-employment and other benefit arrangements for the Group.

The RC's role and interaction with Board, internal and external advisors for FY16, is illustrated below:



Further information on the RC's role, responsibilities and membership will be contained in the SGH Corporate Governance Statement. The RC terms of reference can also be viewed in the Governance section of the Company's website, www.slatergordon.com.au.

Directors' Report

Audited Remuneration Report (continued)

2.2. Use of Remuneration Consultants

During FY16, remuneration consultancy contracts were entered into by SGH and accordingly the disclosures required under section 300A(1)(h) of the *Corporations Act 2001* are set out as follows:

Advisor / Consultant – FY16	Services provided	Remuneration consultant for the purpose of the Corporations Act
Crichton & Associates Pty Limited, Independent Remuneration Consultant	1. Benchmark remuneration, assessment and report in respect of the Board and executive KMP 2. Review of FY16 equity allocations 3. Drafting of FY15 Remuneration Report	Yes

The Group has an established protocol for procuring advice relating to KMP remuneration. The protocol requires that the Board provides written instructions to the consultant with a specified scope of works and requiring that the consultant report all findings to the Board in writing free of any interference from executive KMP. During FY16, the Board received a written report containing remuneration recommendations from Crichton & Associates.

The Board is satisfied that the remuneration information provided was free from any such undue influence from executive KMP, as the protocol for procuring advice relating to KMP remuneration has been followed.

Crichton & Associates was paid $68,232 for all remuneration services provided during FY16.

3. Non-Executive Director ("NED") Remuneration

3.1. NED Remuneration

Principle	Comment
Fees are set by reference to key considerations	Fees for NEDs are based on the nature of the NEDs work, their responsibilities and anticipated time commitment. The remuneration paid is intended to reflect the complexity of the business and its geographic spread. In determining the level of fees, independent survey data on comparable companies (ASX listed companies of similar size) was considered at the time of the review. NEDs fees are recommended by the RC and determined by the Board. Shareholders approve the aggregate amount available for the remuneration of NEDs.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, NEDs are not entitled to any form of incentive payments including options and the level of their fees is not set with reference to measures of SGH's performance.
Aggregate Board and committee fees are approved by shareholders	An increase in the aggregate board fee pool was approved by shareholders at the 2015 AGM. The total amount of fees paid to NEDs in FY16 was $725,358 in total which is 76% of the approved aggregate annual fee pool.

3.2. NED Fees and Other Benefits

In 2015, the Board sought independent advice in reviewing the fees for the Chair and NEDs. The review used a comparator group of companies of a similar market capitalisation to SGH at that time, and subsequently fees were adjusted for the Chair and NEDs from 1 July 2015 as detailed in the following table. The increase in the Annual Fee Pool was approved by shareholders at the AGM in November 2015. The Board will continue to monitor the fees structure taking into account comparison to market and the substantial increase in workload of board members during this period of significant change for SGH. Committee fees are not paid to the Chair of the Board.

Audited Remuneration Report (continued)

Elements	Details	Before 1 July 2015	From 1 July 2015
Board / Committee	Board Chair fee[1]	$158,055	$240,000
Fees per annum – FY16	Board NED base fee[1]	$89,565	$120,000
	Committee Fees		
	Audit, Compliance and Risk Management		
	• Chair	$10,000	$20,000
	• Member	$5,000	$5,000
	Nomination Committee		
	• Chair	-	-
	• Member	-	$5,000
	Remuneration Committee		
	• Chair	$10,000	$10,000
	• Member	$5,000	$5,000
	Annual Fee Pool	$650,000	$950,000
Post-Employment Benefits			
Superannuation	Superannuation contributions have been made in accordance with the Company's statutory obligations		
Other Benefits			
Equity instruments	NEDs do not receive any performance related remuneration, options or performance rights		
Other fees / benefits	NEDs receive reimbursement for costs directly related to SGH business		

3.3. NED Total Remuneration – Actual Paid

		Short-Term Benefits	Post-Employment Benefits	
Amounts $	**Year**	**Fees**	**Superannuation Benefits**	**Total**
John Skippen (Chair)	**FY16**	**221,573**	**19,308**	**240,881**
	FY15	137,835	24,131	161,966
James M. Millar	**FY16**	**76,396**	**7,451**	**83,847**
	FY15	-	-	-
Ian Court	**FY16**	**117,287**	**12,526**	**129,813**
	FY15	79,258	27,099	106,357
Erica Lane	**FY16**	**123,608**	**11,743**	**135,351**
	FY15	97,516	9,259	106,775
Rhonda O'Donnell	**FY16**	**123,713**	**11,753**	**135,466**
	FY15	88,384	8,391	96,775
Total	**FY16**	**662,577**	**62,781**	**725,358**
	FY15	402,993	68,880	471,873

[1] *Fees were increased on 1 July 2015 to reflect the additional workload and complexity arising from the SGS acquisition*

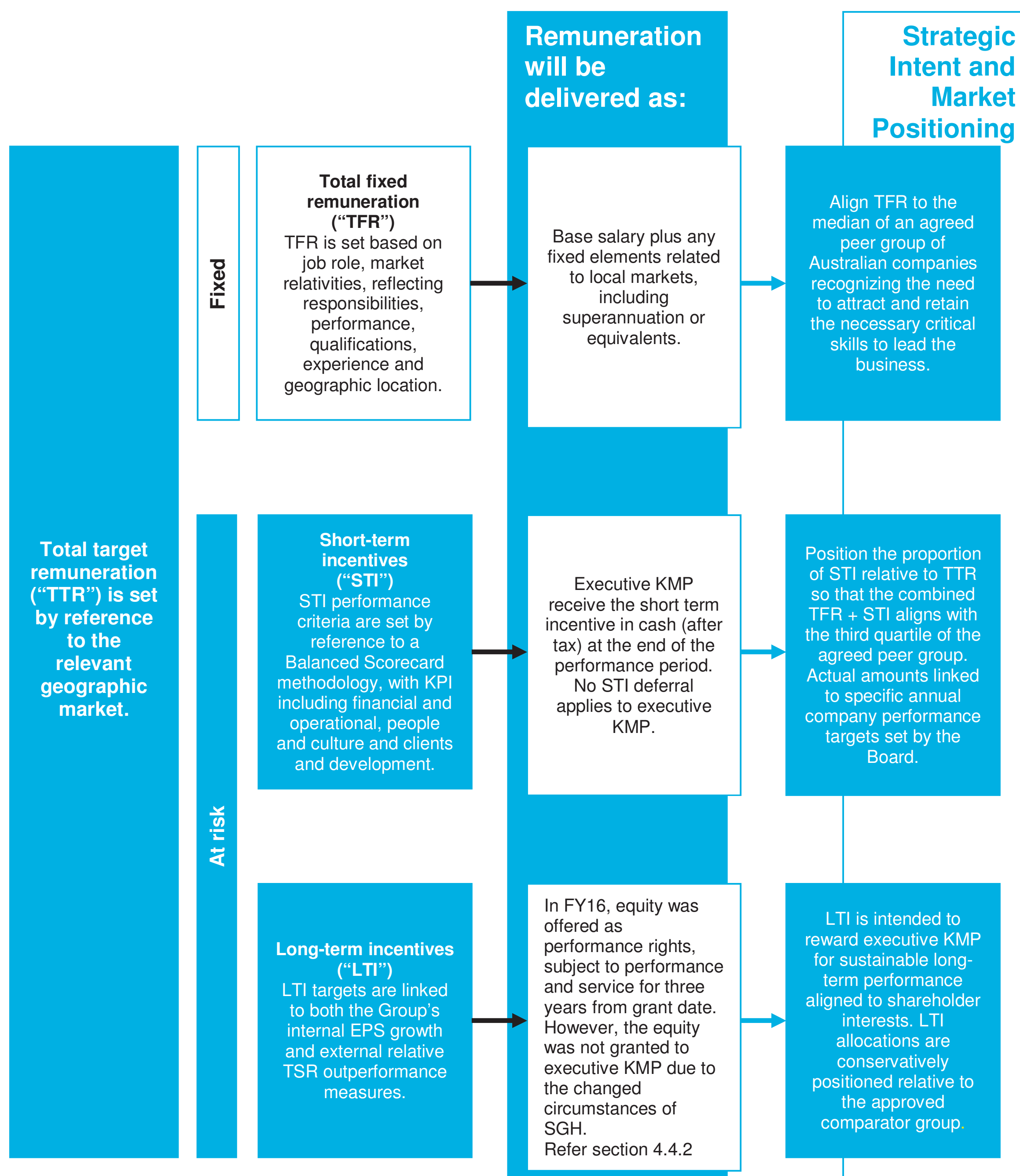
Directors' Report

Audited Remuneration Report (continued)

4. Executive Remuneration

4.1. Executive KMP Remuneration

The SGH executive remuneration policies are intended to fairly remunerate executives for their contribution to the Group. They are also designed to attract, motivate and retain qualified and experienced executives employed across diverse businesses and geographic locations. Fixed remuneration components are determined having regard to the specific skills and competencies of the executive KMP with reference to both internal and external relativities, including local market conditions. The 'at risk' components of remuneration consisting of both short and long term incentives are intended to reward (risk balanced) performance on the achievement of clearly defined targets. The table below describes the Company's remuneration policy and preferred market positioning over the longer term. It is recognised that the current challenges may result in a divergence from this desired state in the short term, however, the Board will continue to monitor this policy to maintain market alignment:



Audited Remuneration Report (continued)

4.2. Remuneration Composition Mix

The Group endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and at risk and paid in both cash and deferred equity. As stated in the FY15 Remuneration Report a review of the remuneration arrangements was conducted in FY15 and the Board determined that the KMP were conservatively valued relative to the market and that the remuneration should be increased with a particular focus on the variable or "at risk" elements of their reward strategy. Accordingly, the proposed remuneration mix for the KMP was re-profiled with a heavier weighting on the variable pay aspects with the desired position proposed to be:

Target Remuneration Mix for FY16

Position	TFR as a % of TTR	STI (at target) as a % of TTR	LTI (at target) as a % of TTR
Group Managing Director	48%	19%	33%
Other Executive KMP	50% – 60%	16% – 25%	23% – 33%

However, as has been previously stated the performance of the SGH group has been lower than expectations and as a result the variable pay elements for FY16 have been much lower and in some cases not provided at all. This has impacted the overall remuneration mix in FY16 and is illustrated as follows:

Actual Remuneration Mix for FY16

Position	TFR as a % of TTR	STI (at target) as a % of TTR	LTI (at target) as a % of TTR
Group Managing Director	69%	27%	4%
Other Executive KMP[(1)]	66% to 77%	21% to 33%	0% to 4%

1. *Excludes former KMPs*

Executive KMP remuneration is delivered on a cascading basis. This remuneration mix is designed to ensure executive KMP are focused on delivering results over both the short term and the long term if they are to maximise their remuneration opportunity. The Board believes this approach aligns executive KMP remuneration to shareholder interests and market expectations.

4.3. Total Fixed Remuneration Explained

Total fixed remuneration ("TFR") includes all remuneration and benefits paid to an executive KMP calculated on a total employment cost basis. In addition to base salary, selected overseas executives receive benefits that may include health insurance, car allowances and relocation allowances. In Australia, retirement benefits are generally paid in line with the prevailing Statutory Superannuation Guarantee. Elsewhere, retirement benefits are generally paid in line with local legislation and practice.

Executive KMP TFR is tested regularly for market competiveness by reference to appropriate independent and externally sourced comparable benchmark information. This includes comparable ASX listed companies based on a range of size criteria including market capitalisation, as well as taking into account an executive's responsibilities, performance, qualifications, experience and geographic location. In 2015 the Board approved the remuneration policy for executive KMP based on a benchmark group of companies with comparable market capitalisation levels. Accordingly, the remuneration review in FY16 assessed relativity of remuneration for the executive KMP against that peer group and the Board approved remuneration levels relative to that group. Since then the current market capitalisation of SGH has changed considerably and would now not be comparable to the other companies in the benchmark peer group based on this measure. However, it remains critically important that SGH continues to be able to attract and retain the calibre of senior management that would be available to those companies in the peer group.

TFR adjustments, if any, are made with reference to individual performance, an increase in job role or responsibility, and changing market circumstances; as reflected through independent benchmark assessments or promotion.

Any adjustments to executive KMP remuneration are approved by the Board, based on Remuneration Committee and Group Managing Director input and recommendations.

4.4. Variable (at risk) Remuneration Explained

The purpose of variable remuneration is to direct executives' behaviours towards maximising SGH's short, medium and long-term performance. The key aspects of each component are summarised below:

Audited Remuneration Report (continued)

4.4.1. Short-Term Incentives ("STI")

Purpose	The STI arrangements are designed to reward executives for achieving SGH's strategic and operational objectives under a Balanced Scorecard methodology with annual performance targets set by the Board at the beginning of the performance period. The STI program is reviewed annually by the Remuneration Committee and approved by the Board. All STI awarded to the Group Managing Director and other executive KMP are reviewed and endorsed by the Remuneration Committee and approved by the Board.
Performance Targets	The key performance criteria of the Group's FY16 STI were as follows: **Financial and Operational** performance (not less than 55% of weighting). Financial performance for KMP is based on Group financial performance (Group EBITDA, EBITDA margin, Group cash flow). Operational performance is based on the delivery of key elements of Group strategy; **People and Culture** (not less than 30% of weighting). These objectives typically relate to organisational planning and development for the Group; and **Client and Development** (not less than 15% of weighting). These objectives typically relate to business improvement initiatives within the Group. The mix of performance criteria and the individual key performance indicators may vary from year to year depending on the assessed annual performance priorities at the start of the year. An overall financial performance gate is applied to all executive KMP awards, unless the Board determines otherwise. Any anomalies or discretionary elements are validated and approved by the Board.
Rewarding Performance	The achievement against the performance criteria set is calculated under a predetermined matrix. Validation of performance against the measures set for the Group Managing Director are reviewed and endorsed by the Remuneration Committee and approved by the Board. Validation of performance against the measures set for the executive KMP is endorsed by the Group Managing Director, and then reviewed and endorsed by the Remuneration Committee and approved by the Board. Any anomalies or discretionary elements are validated and approved by the Board.

Actual STI awarded for FY16 compared to STI Opportunity

Executive KMP	Position	Target STI as a % of FY16 TTR	STI awarded as a % of Target STI	STI forfeited for FY16 as a % of Target STI	Accrued STI to be awarded in FY16 ($)
Andrew Grech	Group Managing Director	26.95%	-	100%	-
Ken Fowlie	Chief Executive Officer, UK	27.32%	-	100%	-
Bryce Houghton	Group Chief Financial Officer	32.90%	100%	-	189,600
Hayden Stephens	Chief Executive Officer, General Law	21.27%	-	100%	-
Felicity Pantelidis	Group Chief Operating Officer	23.27%	75%	25%	93,750
Former Executives					
Wayne Brown	Group Chief Financial Officer	-	-	100%	-
Neil Kinsella	Head of General Law, UK	23.28%	-	100%	-
Cath Evans	Chief Executive Officer, Personal Injury Law	24.96%	16.67%	83.33%	25,000

Ratings are based on meeting or exceeding expectations across all areas of responsibility. Recommendations are subject to rigorous moderation by the Remuneration Committee and the Board.

Audited Remuneration Report (continued)

4.4.1 Short-Term Incentives ("STI") (continued)

For FY16 two of the current executive KMP received a STI payment:

- The current GCFO joined SGH on 30 November 2015. He was paid $100,000 on completion of his probation period in accordance with his employment agreement. A further $89,600, being the balance of this potential STI, was awarded to him based on his contribution in finalising the Syndicated Facility Agreement.
- The Group Chief Operating Office ("GCOO") was awarded 75% of her STI based on her performance as project lead of the company refinancing exercise, and other major initiatives to drive group efficiencies.

At the time of publication of the Remuneration Report for FY15, the Board had not finalised the actual STI payments to executive KMP for that year. Provisional STI values were reported. As a result of the moderation process the STI payment for Mr N Kinsella changed from the provisional value of $40,000 to an actual value of $28,000, and the FY15 STI payment for Ms C Evans increased from the provisional value of $100,000 to an actual value of $125,000. These adjustments are reflected in the FY16 Remuneration disclosures for these KMP. All other payments were as reported for FY15.

4.4.2. Long-Term Incentives ("LTI")

The LTI provides an annual opportunity for executive KMP and other selected executives (based on their ability to influence and execute strategy) to receive an equity award, that is intended to align a portion of executives' overall remuneration to shareholder value over the longer term. All LTI awards are deferred for three years and remain at risk and subject to forfeiture or lapse until vesting. Company performance must meet or exceed earnings ("EPS") growth rates and/or relative TSR performance hurdles over the vesting period.

Purpose	To align executive KMP remuneration opportunity with shareholder value and to encourage retention.
Types of Equity Awarded	Until FY14, LTI was provided under the Employee Ownership Plan ("EOP"). The Executive Equity Incentive Scheme ("EEIS") was introduced in October 2014. See section 5.1 for further details on both plans. Under the EEIS, selected senior executives are offered performance rights (being a nil exercise price right to fully paid ordinary shares of SGH).
Time of Grant	All LTI grants are made after the AGM each year, but based on values determined prior to the AGM.

FY16 Long Term Incentive Plan

As described in section 4.1 and 4.2, SGH's remuneration policy includes offering executive KMP the opportunity to participate in a long term incentive. In accordance with the policy, an offer was made to executive KMP in November 2015, and was accepted by the executives invited to participate. Subsequently, the granting of the performance rights was placed on hold pending announcement to the market on the financial performance of SGH. No grant of performance rights was made to executive KMP during FY16 and the plan for that year was subsequently cancelled, as the Board did not consider the design of the plan was aligned with the new medium to long term objectives of the Group.

An expense amount for the FY16 plan is included in the remuneration tables consistent with AASB 2 accounting treatment, however, no value was received by the executives for this offer. It is the intention of the Board that a revised plan will be offered during FY17.

FY15 Long Term Incentive Plan

The first allocation of Performance Rights under the LTI was made in FY15 and testing of the vesting conditions will not apply until September 2017, but are reviewed at each reporting period, consistent with AASB 2. Details of the plan are provided in the following table:

Directors' Report

Audited Remuneration Report (continued)

Performance Hurdles and Vesting Schedule

The FY15 equity grants to the Group Managing Director and other executive KMP are in two equal tranches assigned **50%** to compound annual growth rate ("CAGR") in EPS and **50%** subject to ranking of TSR against the S&P/ASX 300 (excluding resources). The FY15 equity grants awarded to the Group Managing Director and other executive KMP are tested against the performance hurdles set, at the end of three financial years. If the performance hurdles are not met at the vesting date the performance rights lapse. The performance conditions applying to the FY15 grant are as follows:

Executive Directors Only Compound annual growth in EPS (3 years)		All other Executive KMP Compound annual growth in EPS (3 years)	
Performance[1]	**% of equity to vest**	**Performance**	**% of equity to vest**
< 10%	0%	< 7%	0%
10% to 15%	50% to 100% pro-rata	7% to 10%	50% to 100% pro-rata
> 15%	100%	> 10%	100%

[1] FY14 Basic EPS is the base. The Board imposed higher performance expectations on the two (2) Executive Directors. A slightly lower hurdle was determined for other executive KMP to, in part, acknowledge the relatively small dollar value of the opportunity in this initial grant. In future, hurdles for all executive KMP will be the same.

Ranking of SGH TSR against S&P/ASX 300 (excluding resources) (3 years)	
Performance	**% of equity to vest**
< 50th percentile	0%
50th to 75th percentile	50% to 100% pro-rata
> 75th percentile	100%

Performance rights vest if the time restrictions and relevant performance hurdles are met. The Board must approve any special provisions, in accordance with Company policies, in the event of termination of employment or a change of control. After the three year vesting schedule, any unvested performance rights lapse.

Dividends

No dividends are attached to performance rights.

Voting Rights

There are no voting rights attached to performance rights (prior to vesting).

Retesting

There is no retesting of performance hurdles under LTI.

LTI Allocation

The size of individual LTI grants for the Group Managing Director and other executive KMP is determined in accordance with the Board approved remuneration strategy mix. See section 4.2 for further details.

The target LTI dollar value for each executive was converted to performance rights according to LTI allocation values independently determined based on the gross contract value of the relevant equity instrument and based on a Black-Scholes-Merton pricing model without discounting for service or EPS and TSR performance hurdles:

Performance right allocation = LTI dollar value/Black-Scholes-Merton value before service or EPS and TSR performance discounts.

4.5. Group Chief Financial Officer Remuneration

4.5.1. GCFO – Retention Plan

The current Group Chief Financial Officer ("GCFO") is key to the achievement of the operational and strategic objectives of SGH. Accordingly, in FY16 the Board approved a "one off" Retention Plan to the GCFO that includes two components, both of which are subject to performance and restriction conditions:

- An allocation of 1.2m Performance Rights; and
- An allocation of 2.3m Options.

The key details of the Retention Plan are as follows:

Performance Period – From: 1 May 2016 to 30 June 2017.

Performance Measure – Relative Total Shareholder Return against the component companies in the ASX/S&P 300 (excluding resources).

Option Exercise Price of $0.2763, which is based on the VWAP for the 20 business days prior to 1 May 2016 and as agreed in the Syndicated Facility Agreement.

Audited Remuneration Report (continued)

4.5.1. GCFO – Retention Plan (continued)

The following scale shall apply:

Less than the 50th percentile	None
At or above the 50th percentile	50% (straight-line interpolation between the 50th and 75th percentile)
At or above the 75th percentile	100%

Vesting Conditions – The Performance Rights and Options may vest and be exercised subject to:

- The performance measure being achieved at the end of the performance period;
- The participant meeting the Service Condition of the plan; and
- The Board resolving that the hurdle has been achieved.

If the vesting conditions are satisfied, then all or some of the Performance Rights or Options will vest. Fifty percent of the vested and exercised Performance Rights will be converted to ordinary shares and transferred to the GCFO immediately. The remaining 50% of vested and exercised Performance Rights will be converted to ordinary shares and held in trust and cannot be traded until 31 December 2018.

Vested Options may be exercised once the performance hurdle has been achieved, or the GCFO may defer the exercising of these Options for up to 3 years from the grant date. When the GCFO elects to exercise some or all of the vested Options they will be converted into shares. Fifty percent of the resulting shares may be transferred to the GCFO on exercising of the Options, with the remaining 50% of the resulting shares to be held in trust to the end of the restriction period on 31 December 2018.

Any Options that have vested but have not been exercised will lapse 3 years from the grant date.

If the vesting conditions are not satisfied, the Performance Rights and Options will lapse, and the GCFO will not receive any value through this plan.

The Performance Rights and Options, as noted above, were granted to the GCFO on 5 August 2016. The GCFO will not participate in other equity plans that are offered to executive KMP during FY17.

4.5.2. GCFO – FY17 STI

In addition to the retention plan, the Board approved a variation in the structure of the FY17 STI plan for the GCFO as shown in the table below. Quarterly results are assessed against performance milestones approved by the Board. These will provide alignment between key performance outcomes for SGH and the reward for the GCFO. Any resulting payments are then reviewed by the Remuneration Committee prior to being referred to the Board for approval.

Period:	**1 July 2016 to 30 June 2017**	
Remuneration Value:	**$325,000**	
Assessment	**Weighting**	**Value ($)**
Quarter 1: 30 September 2016	20%	$65,000
Quarter 2: 31 December 2016	20%	$65,000
Quarter 3: 31 March 2017	20%	$65,000
Quarter 4: 30 June 2017	40%	$130,000

4.6. Remuneration Mix for FY17

The current environment of SGH has changed substantially since the review that was conducted in 2015. While there has been a significant divergence in performance from the comparator group, and decline in shareholder value, the remuneration outcomes have been aligned with these changed circumstances. There has been limited STI payments to executive KMP, and the value of previous equity plan allocations are currently substantially below the performance targets, and are unlikely to provide benefit to these executives.

SGH is now reviewing its remuneration mix and settings for FY17 to achieve the balance between the current environment, the need to address the immediate challenges facing SGH, and the alignment of the shareholder experience and business performance. This needs to be balanced with the ability to attract new talent and to retain key staff essential to driving future performance.

The objective of this review is to ensure that the remuneration mix for FY17, and beyond, aligns with the overall objectives of SGH, and maintains alignment between performance and reward.

Directors' Report

Audited Remuneration Report (continued)

4.7. Other Remuneration Elements and Disclosures relevant to Executive KMP

4.7.1. Clawback

In line with developing practice in corporate governance, in June 2016 the Board approved the introduction of a clawback policy. This policy is in place for FY17 and applies to executive KMP. The policy enables SGH to clawback certain elements of an executive's remuneration if there has been a misstatement of SGH's financial statements which results in the executive receiving a reward which exceeds the outcome that would have been achieved had the misstatement not been made. The clawback provisions are designed to further align the interests of KMP with the long-term interests of their company or group and to ensure that excessive risk taking is not rewarded.

4.7.2. Hedging and Margin Lending Prohibition

Directors and executive KMP must not engage in dealings based on short term fluctuations in SGH securities. If a Director or executive KMP acquires SGH securities, they should not sell or agree to sell any SGH securities of that class for at least 30 days.

Directors are prohibited from entering into margin loans under the SGH Share Trading Policy. Other executive KMP require prior approval to enter into a margin loan arrangement where the amount of shares mortgaged, provided as security, lent or charged to a financier amounts to 1% or more of the issued capital in SGH at the relevant time. KMP must notify the Company Secretary immediately if they are given notice by their financier of an intention to make a margin call and sell SGH securities during a prohibited trading period.

Directors and executive KMP must not enter into hedging arrangements in relation to SGH securities that are unvested or subject to disposal restrictions or minimum shareholding requirements.

Equity granted under the Executive Equity Incentive Scheme remains at risk until vested and exercised. It is a specific condition of grant that no schemes are entered into by an individual or their associates that specifically protect the unvested value of performance rights allocated.

The Group, in line with good corporate governance, has a Share Trading Policy setting down how and when employees may deal in SGH securities.

The SGH Share Trading Policy is available on the SGH website www.slatergordon.com.au under the Firm, and then Governance tab.

4.7.3. Minimum Shareholding Guidelines

The majority of executive KMP are subject to minimum shareholding requirements under agreements between the seven shareholders of the Company prior to listing in 2007.

Executive KMP subject to these agreements are required to maintain a minimum number of shares that is equivalent to the lesser of 20% of the value or 15% of the number of shares issued to them, while they remain a member or employee of the Group.

4.8. Relationship between the Group's Performance and Executive KMP Remuneration

4.8.1. The Group's Financial Performance (FY12 to FY16)

Company Performance	2012	2013	2014	2015 Restated	2016
Revenue ($'000)	217,704	297,963	438,228	598,185	908,185
Profit before tax ($'000)	36,494	61,341	95,747	85,408	(1,029,468)
Profit after tax ($'000)	24,992	41,521	68,236	62,374	(1,017,595)
Basic earnings per share (cents)	16.20	23.90	33.80	26.46	(289.10)
Diluted earnings per share (cents)	15.70	23.30	33.20	26.27	(289.10)
Dividends per share - paid during financial year (cents)	5.80	6.30	6.85	8.50	5.50
Total dividends paid during financial year ($'000)	8,786	10,647	13,770	17,620	19,330
Share price at 30 June ($)	1.85	2.78	5.16	3.56	0.39

Audited Remuneration Report (continued)

4.8.2. Group Current Year Performance and Relationship to Executive KMP Remuneration

The total of executive KMP remuneration for those executives that remained employed for the full year was lower in FY16 than in FY15. This reflects the low STI payout in FY16. The accrual of LTI Awards in 2015 was small and no LTI award will vest earlier than 2017, and then only if the EPS and TSR hurdles are met. The FY16 LTI plan was offered to executive KMP, however, this was not granted, and subsequently cancelled due to the changing circumstances of SGH during the year.

Overall, there has been strong alignment between the company performance and the "at risk" reward for executive KMP. This is reflected in the limited STI payments, and the decision not to proceed with the LTI equity grant during FY16.

4.8.3. Group EPS and TSR Performance and Relationship to Executive KMP Remuneration

As explained in section 4.1, SGH's remuneration framework aims to incentivise executive KMP towards long-term sustainable growth and the creation of shareholder value in the short, medium and long- term. This is developed in two ways:

- Cash STI, which is linked to achievement of performance objectives, including financial measures for the completed performance year (as explained in section 4.4.1); and
- The FY15 LTI Plan, in the form of performance rights, is linked to compound annual growth in EPS and relative TSR performance (as explained in section 4.4.2).

EPS (internal) and relative TSR (external) are generally accepted proxies for creation of shareholder value. It is the Board's intention to review the suitability of these performance criteria and settings on a regular basis to ensure they best serve shareholders' interests.

The FY15 plan is the only active long-term incentive plan and utilises EPS and TSR to assess performance, and the potential vesting of performance rights after the end of FY17. Both these measures are substantially below the level of performance required for any performance rights to vest.

No performance rights vested during FY16.

Directors' Report

Audited Remuneration Report (continued)

4.9. Executive Remuneration Tables

4.9.1. Executive Remuneration Table – Statutory Disclosure

Amounts $		Fixed Remuneration					Variable Pay					Proportion of Total Remuneration	
		Short-term		Post-Employment			Short Term	Long Term				Performance Related	Delivered as Equity
Name	Year	Salary	Non-monetary benefits	Super-annuation benefits	Long service leave	Total	Bonus	Performance Rights / Options	Total	End of Service	Total Remuneration	%	%
Andrew Grech	**FY16**	**543,225**	**5,082**	**39,209**	**19,952**	**607,468**	**-**	**29,797**	**29,797**	**-**	**637,265**	**4.7%**	**4.7%**
	FY15	542,937	10,163	38,684	15,325	607,109	35,000	14,451	49,451	-	656,560	7.5%	2.2%
Ken Fowlie[1]	**FY16**	**651,763**	**6,200**	**13,035**	**-**	**670,998**	**-**	**15,360**	**15,360**	**-**	**686,358**	**2.2%**	**2.2%**
	FY15	428,052	659	27,688	2,361	458,760	30,000	5,780	35,780	-	494,540	7.2%	1.2%
Bryce Houghton[2]	**FY16**	**385,619**	**6,059**	**19,674**	**2,658**	**414,010**	**189,600**	**12,938**	**202,538**	**-**	**616,548**	**32.9%**	**2.1%**
	FY15	-	-	-	-	-	-	-	-	-	-	-	-
Hayden Stephens	**FY16**	**383,471**	**17,240**	**30,779**	**18,306**	**449,796**	**-**	**12,723**	**12,723**	**-**	**462,519**	**2.8%**	**2.8%**
	FY15	381,260	17,240	18,783	11,486	428,769	30,000	5,549	35,549	-	464,318	7.7%	1.2%
Felicity Pantelidis[3]	**FY16**	**384,053**	**-**	**19,308**	**13,507**	**416,868**	**93,750**	**12,172**	**105,922**	**-**	**522,790**	**20.3%**	**2.3%**
	FY15	327,054	10,163	18,783	10,001	366,001	80,000	4,162	84,162	-	450,163	18.7%	0.9%
Former Executives													
Wayne Brown[4]	**FY16**	**141,849**	**4,300**	**8,712**	**-**	**154,861**	**-**	**(5,549)**	**(5,549)**	**124,329**	**273,641**	**(2.0%)**	**(2.0%)**
	FY15	351,187	50,591	18,783	9,280	429,841	25,000	9,514	34,514	-	464,355	7.4%	2.0%
Neil Kinsella[5]	**FY16**	**236,239**	**1,772**	**-**	**-**	**238,011**	**-**	**(4,814)**	**(4,814)**	**-**	**233,197**	**(2.1%)**	**(2.1%)**
	FY15	471,625	3,233	-	-	474,858	28,298	4,814	33,112	-	507,970	6.5%	0.9%
Cath Evans[6]	**FY16**	**318,926**	**-**	**19,756**	**6,318**	**345,000**	**25,000**	**921**	**25,921**	**375,002**	**745,923**	**3.5%**	**0.1%**
	FY15	382,681	-	18,783	6,501	407,965	125,000	4,814	129,814	-	537,779	24.1%	0.9%
Total	**FY16**	**3,045,145**	**40,653**	**150,473**	**60,741**	**3,297,012**	**308,350**	**73,548**	**381,898**	**499,331**	**4,178,241**	**9.1%**	**1.8%**
Total	FY15	2,884,796	92,049	141,504	54,954	3,173,303	353,298	49,084	402,382	-	3,575,685	11.3%	1.4%

[1] K Fowlie received a remuneration adjustment based on his appointment to the role of Chief Executive Officer, UK from 1 May 2015. The increase was effective from 1 July 2015. He was paid in Pound Sterling, which has been converted to AUD using an average exchange rate.
[2] B Houghton commenced 30 November 2015.
[3] F Pantelidis received a remuneration adjustment on appointment to the role of Group Chief Operating Officer from 1 July 2015.
[4] W Brown ceased as KMP on 30 November 2015.
[5] N Kinsella ceased employment on 5 February 2016.
[6] C Evans was on a leave of absence without pay from 29 March 2016 and ceased employment on 30 June 2016.

Audited Remuneration Report (continued)

4.9.2 Executive Remuneration Table

This table represents the value to the executives of cash paid and vested equity awards (intrinsic value) received during the year and unvested equity awards (AASB 2 value) granted during the financial year, at risk. The LTI equity granted is a value determined under AASB 2 discounted for vesting probabilities of performance criteria which may or may not vest depending on future outcomes that are uncertain. Accordingly, this table incorporates data that represents the accumulation of outcomes arising from multiple years.

		Fixed Remuneration and Cash Incentives Received			
Name	Year	Fixed Remuneration	Cash Incentives received in the current year	Total Cash	Future at risk remuneration received during the year (LTI)[1]
Andrew Grech	**FY16**	**587,515**	**35,000**	**622,515**	**-**
	FY15	591,784	125,000	716,784	61,608
Ken Fowlie	**FY16**	**670,998**	**30,000**	**700,998**	**-**
	FY15	456,399	50,000	506,399	24,643
Bryce Houghton	**FY16**	**411,352**	**100,000**	**511,352**	**-**
	FY15	-	-	-	-
Hayden Stephens	**FY16**	**431,490**	**30,000**	**461,490**	**-**
	FY15	417,284	50,000	467,284	23,657
Felicity Pantelidis	**FY16**	**403,361**	**80,000**	**483,361**	**-**
	FY15	356,000	46,750	402,750	17,743
Former Executives					
Wayne Brown	**FY16**	**154,861**	**25,000**	**179,861**	**-**
	FY15	420,561	60,000	480,561	23,657
Neil Kinsella	**FY16**	**238,011**	**28,298**	**266,309**	**-**
	FY15	474,858	94,325	569,183	23,807
Cath Evans	**FY16**	**338,682**	**125,000**	**463,682**	**-**
	FY15	401,465	265,000	666,465	23,807
Total	**FY16**	**3,236,270**	**453,298**	**3,689,568**	**-**
Total	FY15	3,118,351	691,075	3,809,426	198,922

(1) See 4.4.2 regarding the cancellation of the FY16 LTI.

Directors' Report

Audited Remuneration Report (continued)

5. Employee Share Scheme and Other Share Information

5.1. Employee Share Schemes operated by the Group

Plan Details	Type of Instruments	Details	Purpose
Employee Ownership Plan ("EOP") Date established: 2006 Last offered: 2009	Vesting Convertible Redeemable Ordinary Shares ("VCR shares")	Issue of VCR shares with a loan (full recourse but interest free) equal to the subscription amount to eligible and invited executives. Vesting was dependent on meeting designated performance criteria (Balanced Scorecard), remaining employed and repaying the loan. No executive KMP are current participants in the EOP.	The purpose of the EOP was to encourage key participating employees to take on a significant stake in SGH over the course of their careers. As at 30 June 2016, there was a total of 1,963,667 ordinary shares subject to disposal restrictions (value – $705,171) under the EOP. The loans outstanding in relation to these shares totalled $8,300,784 which are only repayable if the VCR shares vest.
Equity Incentive Plan ("EIP") Date established: Nov 2014	Performance rights under Executive Equity Incentive Scheme ("EEIS")	A performance incentive scheme designed to reward participants with achieving market competitive business outcomes. Participants receive an award based on a predetermined formula, as approved by the Board from time to time based on market standards and trends.	The purpose of the EIP is to provide annual equity incentives to invited executives in line with current market standards and expectations. The offer terms for EIP awards are flexible, but meet contemporary LTI design standards. The first grant of performance rights under this plan was made on 18 November 2014. As at 30 June 2016, 45 employees held 412,000 performance rights (Value - $147,953). Vesting is subject to continuing service and meeting performance hurdles. Also refer section 4.4.2.
Equity Incentive Plan ("EIP") Date established: Nov 2014	Service rights under Deferred Short Term Incentive Scheme ("DSTIS")	A deferred short term incentive scheme designed to reward participants in equity by deferring for 2 years a portion of their STI earned (up to 30%). An initial offer was made to invited executives in FY16, however, no subsequent grants were made in respect of the STI deferred scheme. The plan is currently suspended. No executive KMP participate in the DSTIS.	The purpose of the EIP is to provide annual equity to invited executives in line with current market standards and expectations. There are currently no Service Rights issued through the DSTIS.
Equity Incentive Plan ("EIP") Date established: Nov 2014 Grant date: 13 Nov 2015	Exempt shares under Share Save Scheme ("SSS)	The exempt share save scheme allows participating Australian employees to acquire up to $1,000 of SGH shares each year tax free (subject to qualifying conditions) on a co-contribution basis (the November 2014 offer under the SSS was $500 company and $500 individual).	The purpose of the exempt SSS is to encourage broad based employee equity participation in Australia on an affordable and sustainable basis in line with current market standards and expectations. During FY16, 401 employees accepted 142,756 exempt shares in the SSS (Value – $200,500).
Share Incentive Plan ("SIP") Date established: Dec 2014	Ordinary shares under SIP	The SIP allows participating United Kingdom employees to acquire SGH shares each year on a tax concessional basis (subject to qualifying conditions) and on a co-contribution basis (the December offer under the SIP was GBP 375 company and GBP 375 individual). No SIP was offered during FY16.	The purpose of the SIP is to encourage broad based employee equity participation in the UK on an affordable and sustainable basis in line with current market standards and expectations.

Directors' Report

Audited Remuneration Report (continued)

5.2. Employee Share Scheme Grants to Executive KMP

5.2.1. Vesting and Exercise of Performance Rights granted as Remuneration

During FY16, no performance rights vested or were exercised.

5.2.2. Analysis of Movement in Performance Rights

During the financial year, the movement in the number and value of performance rights over ordinary shares of SGH acquired under EIP LTI held by executive KMP is detailed below:

	Number held at 1 July 2015	Number offered in year [1]	Offer Value ($)	Number exercise-ed in year	Number cancelled during year	Number forfeited during year	Number held at 30 June 2016	Intrinsic Value at 30 June 2016 ($)
Andrew Grech	40,000	133,578	15,295	-	(133,578)	-	40,000	15,600
Ken Fowlie	16,000	83,486	9,559	-	(83,486)	-	16,000	6,240
Bryce Houghton	-	113,000	12,939	-	(113,000)	-	-	-
Hayden Stephens	16,000	58,440	6,691	-	(58,440)	-	16,000	6,240
Felicity Pantelidis	12,000	66,789	7,647	-	(66,789)	-	12,000	4,680
Former Executives								
Wayne Brown	16,000	-	-	-	-	(16,000)	-	-
Neil Kinsella	16,000	-	-	-	-	(16,000)	-	-
Cath Evans	16,000	50,092	5,736	-	(50,092)	(16,000)	-	-
Total	**132,000**	**505,385**	**57,867**	**-**	**(505,385)**	**(48,000)**	**84,000**	**32,760**

(1) Rights were offered and accepted but not granted, see 4.4.2.

5.3. KMP Equity Interests

In accordance with the *Corporations Act* (section 205G(1)), the Company is required to notify the interests (shares and rights to shares) of directors to the ASX.

In the interests of transparency and completeness of disclosure, this information is provided for each NED (as required under the *Corporations Act*) and all executive KMP.

Please refer section 4.7.2 Hedging and margin lending prohibition for more information.

The table below indicates shareholdings of SGH KMPs:

	Number held at 1 July 2015	Acquisitions	Disposals	Number held at 30 June 2016	Intrinsic Value at 30 June 2016 ($)
John Skippen	25,000	35,000	-	60,000	23,400
James M. Millar	-	20,000		20,000	7,800
Ian Court	59,804	10,000	-	69,804	27,224
Erica Lane	170,000	-	-	170,000	66,300
Rhonda O'Donnell	25,000	-	-	25,000	9,750
Andrew Grech	6,750,656	-	-	6,750,656	2,632,752
Ken Fowlie	5,646,221	-	-	5,646,221	2,202,026
Bryce Houghton	-	-	-	-	-
Hayden Stephens	4,804,115	-	-	4,804,115	1,873,605
Felicity Pantelidis	16,161	305	-	16,466	6,422
Former Executives					
Wayne Brown	345,103	-	-	345,103	134,590
Neil Kinsella	427,127	-	-	427,127	166,580
Cath Evans	4,081,433	-	-	4,081,433	1,591,759
	22,350,620	**65,305**	**-**	**22,415,925**	**8,742,208**

Audited Remuneration Report (continued)

The table below indicates any unvested performance rights issued to executive KMP before 30 June 2016, but still subject to performance hurdles and service conditions:

	Unvested EOP Shares	Unvested Performance Rights	Total Number held at 30 June 2016	Intrinsic Value at 30 June 2016 ($)
Andrew Grech	-	40,000	40,000	15,600
Ken Fowlie	-	16,000	16,000	6,240
Bryce Houghton	-	-	-	-
Hayden Stephens	-	16,000	16,000	6,240
Felicity Pantelidis	-	12,000	12,000	4,680
Former Executives				
Wayne Brown	-	-	-	-
Neil Kinsella	-	-	-	-
Cath Evans	-	-	-	-
	-	**84,000**	**84,000**	**32,760**

6. Service Contracts and Employment Agreements

6.1. Employment Agreements: Executive Directors and Other KMP Executives

The following sets out details of the employment agreements relating to the executive KMP:

Length of Contract	Executive KMP are on rolling contracts, which are ongoing employment contracts until notice is given by either party.
Notice Periods	In order to terminate the employment arrangements, executive KMP are required to provide the Company between three (3) and six (6) months' written notice. In the case of the GCFO, he is required to provide a minimum of 6 months' notice of termination during the first 18 months of service. Subsequently, a minimum of 3 months' notice must be given.
Resignation	On resignation, unless the Board determines otherwise, all unvested STI or LTI benefits are forfeited.
Termination on Notice by the Company	The Company may terminate employment by providing between three (3) months' and six (6) months' written notice or payment in lieu of the notice period based on TFR. On termination, unless the Board determines otherwise, unvested STI or LTI benefits may be exercised or paid within 30 days of notice being given. In the case of the GCFO SGH is required to provide a minimum of 6 months' notice of termination during his first 18 months of service. Subsequently a minimum of 3 months' notice must be given.
Redundancy	If the Company terminates employment for reasons of redundancy, under Company policy a severance payment may include 4 weeks' notice plus one additional week if the employee has completed 5 years' service and is over the age of 45. Any additional redundancy payments will be made in accordance with relevant legislation. All STI and LTI benefits are either: • released in full or on a pro-rata basis; or • remain subject to performance criteria and vesting date, at the discretion of the Board with regard to the circumstances.
Death or Total and Permanent Disability	On death or total and permanent disability, the Board has discretion to allow all unvested STI and LTI benefits to vest.
Termination for Serious Misconduct	The Company may immediately terminate employment at any time in the case of serious misconduct, and executive directors and other KMP Executives will only be entitled to payment of TFR up to the date of termination. On termination without notice by the Company in the event of serious misconduct: • all unvested STI or LTI benefits will be forfeited; and • any ESS instruments provided to the employee on vesting of STI or LTI awards that are held in trust, will be forfeited.
Statutory Entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.
Vendor Shareholders	Any executive who was one of the seven Vendor Shareholders is a party to the Vendor Shareholder Agreement released to the ASX on 21 May 2007, and is subject to minimum shareholding requirements and the consequences which flow from the cessation of their employment as a term of that agreement.
Post-Employment Restraints	The employment agreement contains a restraint of trade provision which applies for a period of between 6 months and 12 months.

End of Remuneration Report

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

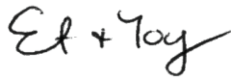
Auditor's Independence Declaration to the Directors of Slater and Gordon Limited

As lead auditor for the review of Slater and Gordon Limited and Controlled Entities for the year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Slater and Gordon Limited and the entities it controlled during the financial year.



Ernst & Young

Christopher George
Partner
Melbourne
29 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000 Restated*
Revenue			
Fee revenue		698,486	486,267
Net movement in work in progress		(41,318)	10,706
Services revenue		234,302	20,472
Revenue from contracts with customers	3.1	**891,470**	**517,445**
Gain from bargain purchase		-	72,508
Other income		16,715	8,232
Total revenue and other income	2	**908,185**	**598,185**
Less expenses			
Salaries and employee benefit expense	3.2	416,294	263,348
Payments to former owners		18,529	13,933
Share based payment expense to former owners		14,699	11,506
Cost of sales	3.2	170,297	16,662
Rental expense		38,169	27,807
Advertising and marketing expense		136,596	56,289
Administration and office expense		92,528	44,195
Consultant fees		36,158	6,595
Finance costs	3.2	42,548	11,210
Bad and doubtful debts		39,342	11,585
Depreciation and amortisation expense	3.2	17,743	9,945
Costs associated with acquisitions		738	23,769
Other expenses		34,506	15,933
Impairment of intangible assets	4.1	879,506	-
(Loss)/Profit before income tax expense		**(1,029,468)**	**85,408**
Income tax (benefit)/expense	3.4	(11,873)	23,034
(Loss)/Profit for the year after income tax		**(1,017,595)**	**62,374**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(35,013)	60,867
Changes in fair value of cash flow hedges		(1,130)	(409)
Total items that may be reclassified subsequently to profit or loss		**(36,143)**	**60,458**
Other comprehensive (loss)/income for the year, net of tax		**(36,143)**	**60,458**
Total comprehensive (loss)/income for the year, net of tax		**(1,053,738)**	**122,832**
(Loss)/Profit for the year attributed to:			
Owners of the Company		(1,017,306)	62,288
Non-controlling interests		(289)	86
		(1,017,595)	**62,374**
Total comprehensive (loss)/income for the year attributed to:			
Owners of the Company		(1,053,426)	122,654
Non-controlling interests		(312)	178
		(1,053,738)	**122,832**
Basic earnings per share (cents)	3.6	(289.1) cents	26.5 cents
Diluted earnings per share (cents)	3.6	(289.1) cents	26.3 cents

The accompanying notes form an integral part of these financial statements.

*Certain amounts shown here do not correspond to the 30 June 2015 full year financial statements and reflect adjustments made for AASB 15 – *Revenue from Contracts with Customers*, refer to Note 1.3.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 $'000	2015 $'000 Restated*	1 July 2014 $'000 Restated*
Current assets				
Cash and cash equivalents	5.1	82,494	96,985	25,270
Receivables	4.2	528,915	574,295	183,684
Work in progress	4.3	361,898	454,767	192,259
Current tax assets	3.4	16,803	34,636	-
Other current assets		24,217	26,454	12,403
Total current assets		**1,014,327**	**1,187,137**	**413,616**
Non-current assets				
Property, plant and equipment	4.4	33,207	31,959	12,964
Receivables	4.2	8,853	31,744	45,684
Work in progress	4.3	225,635	221,927	189,260
Intangible assets	4.1	393,970	1,343,224	123,655
Deferred tax assets	3.4	46,725	88,230	22,264
Other non-current assets		11,314	8,545	11,844
Total non-current assets		**719,704**	**1,725,629**	**405,671**
Total assets		**1,734,031**	**2,912,766**	**819,287**
Current liabilities				
Payables	4.5	463,570	612,670	190,527
Short term borrowings	5.2	3,642	3,753	9,076
Current tax liabilities	3.4	9,301	23,412	3,899
Other current liabilities		7,490	10,985	10,103
Provisions	4.6	52,455	38,317	20,124
Total current liabilities		**536,458**	**689,137**	**233,729**
Non-current liabilities				
Payables	4.5	510	3,121	7,383
Long term borrowings	5.2	761,138	707,354	117,255
Deferred tax liabilities	3.4	112,950	144,088	97,108
Derivative financial instruments		2,841	1,621	1,020
Provisions	4.6	15,037	17,274	4,760
Total non-current liabilities		**892,476**	**873,458**	**227,526**
Total liabilities		**1,428,934**	**1,562,595**	**461,255**
Net assets		**305,097**	**1,350,171**	**358,032**
Equity				
Contributed equity	5.5	1,116,048	1,098,345	217,049
Reserves		54,290	80,119	14,122
Retained profits		(865,348)	171,288	126,620
Total equity attributable to equity holders in the Company		**304,990**	**1,349,752**	**357,791**
Non-controlling interest		107	419	241
Total equity		**305,097**	**1,350,171**	**358,032**

The accompanying notes form an integral part of these financial statements.

* Certain amounts shown here do not correspond to the 30 June 2015 full year financial statements and reflect adjustments made for AASB 15 – *Revenue from Contracts with Customers*, refer to Note 1.3 and fair value adjustments on finalisation of acquisition accounting.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

2016	Note	Contributed Equity	Retained Profits	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Total	Non-controlling interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2015 (restated*)		**1,098,345**	**171,288**	**(1,189)**	**70,689**	**10,619**	**1,349,752**	**419**	**1,350,171**
Net loss after tax for the year		-	(1,017,306)	-	-	-	(1,017,306)	(289)	(1,017,595)
Total other comprehensive loss for the year		-	-	(1,130)	(34,990)	-	(36,120)	(23)	(36,143)
Total comprehensive income for the year		**-**	**(1,017,306)**	**(1,130)**	**(34,990)**	**-**	**(1,053,426)**	**(312)**	**(1,053,738)**
Transactions with owners in their capacity as owners									
Ordinary and VCR shares issued (net)	5.5	3,128	-	-	-	-	3,128	-	3,128
Dividends paid	3.5	-	(19,330)	-	-	-	(19,330)	-	(19,330)
Transfer from share based payments reserve	5.5	11,808	-	-	-	(11,808)	-	-	-
Recognition of share based payments expense to former owners		-	-	-	-	14,699	14,699	-	14,699
Costs of equity raising	5.5	2,767	-	-	-	-	2,767	-	2,767
Issue of warrants						7,422	7,422		7,422
Performance rights	5.5	-	-	-	-	(22)	(22)	-	(22)
Total transactions with owners in their capacity as owners		**17,703**	**(19,330)**	**-**	**-**	**10,291**	**8,664**	**-**	**8,664**
Balance as at 30 June 2016		**1,116,048**	**(865,348)**	**(2,319)**	**35,699**	**20,910**	**304,990**	**107**	**305,097**

2015 Restated*	Note	Contributed Equity	Retained Profits	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Total	Non-controlling interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2014 (restated)		**217,049**	**126,620**	**(780)**	**9,914**	**4,988**	**357,791**	**241**	**358,032**
Net profit after tax for the year (previously reported)		-	83,554	-	-	-	83,554	249	83,803
Total other comprehensive income for the year (previously reported)		-	-	(409)	63,438	-	63,029	104	63,133
Adjustments	1.3	-	(21,266)	-	(2,663)	-	(23,929)	(175)	(24,104)
Total comprehensive income for the year (restated)		**-**	**62,288**	**(409)**	**60,775**	**-**	**122,654**	**178**	**122,832**
Transactions with owners in their capacity as owners									
Ordinary and VCR shares issued (net)	5.5	896,352	-	-	-	-	896,352	-	896,352
Dividends paid	3.5	-	(17,620)	-	-	-	(17,620)	-	(17,620)
Transfer from share based payments reserve	5.5	6,199	-	-	-	(6,199)	-	-	-
Recognition of share based payments expense to former owners		-	-	-	-	11,506	11,506	-	11,506
Costs of equity raising	5.5	(21,255)	-	-	-	-	(21,255)	-	(21,255)
Performance rights	5.5	-	-	-	-	324	324	-	324
Total transactions with owners in their capacity as owners		**881,296**	**(17,620)**	**-**	**-**	**5,631**	**869,307**	**-**	**869,307**
Balance as at 30 June 2015 (restated)		**1,098,345**	**171,288**	**(1,189)**	**70,689**	**10,619**	**1,349,752**	**419**	**1,350,171**

The accompanying notes form an integral part of these financial statements.

* Certain amounts shown here do not correspond to the 30 June 2015 full year financial statements and reflect adjustments made for AASB 15 – *Revenue from Contracts with Customers*, refer to Note 1.3 and fair value adjustments on finalisation of acquisition accounting.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flow from operating activities			
Receipts from customers		1,056,757	520,954
Payments to suppliers and employees		(1,135,083)	(464,980)
Payments to former owners		(14,211)	(2,592)
Interest received		381	2,294
Borrowing costs		(35,263)	(8,865)
Income tax refund/(paid)		23,175	(6,049)
Net cash (used in)/provided by operating activities	3.3	**(104,244)**	**40,762**
Cash flow from investing activities			
Payment for software development		(5,314)	(9,166)
Payment for plant and equipment		(12,743)	(13,142)
Costs associated with acquisition of businesses		(738)	(23,662)
Costs associated with originating loans		-	(9,464)
Proceeds from disposal of businesses		168	-
Repayment of cash consideration for SGS acquisition		2,386	-
Payment for acquisition of businesses, net of cash in subsidiaries		-	(1,333,973)
Payment for acquisition of businesses – deferred consideration		(12,002)	(14,720)
Net cash used in investing activities		**(28,243)**	**(1,404,127)**
Cash flow from financing activities			
Proceeds from share issue	5.5	-	890,939
Costs of equity issued		(85)	(18,438)
(Loans/payments to)/proceeds from related parties and employees		(5,353)	3,356
Proceeds from borrowings		192,787	594,068
Repayment of borrowings		(44,759)	(43,966)
Dividends paid		(17,060)	(15,924)
Net cash provided by financing activities		**125,530**	**1,410,035**
Net (decrease)/increase in cash held		(6,957)	46,670
Net foreign exchange difference		(7,534)	25,045
Cash at beginning of financial year		96,985	25,270
Cash at end of financial year		**82,494**	**96,985**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 1: Basis of Preparation

This note sets out the accounting policies adopted by Slater and Gordon Limited (the “company” or “parent”) and its consolidated entities (the “consolidated entity” or the “Group”) in the preparation and presentation of the financial report. Where an accounting policy is specific to one note, the policy is described within the note to which it relates.

The financial report was authorised for issue by the directors as at the date of the Directors’ Report.

Slater and Gordon Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

1.1 Basis of Accounting

This financial report is a general purpose financial report, for a ‘for-profit’ entity, which has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements of Slater and Gordon Limited also comply with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The financial report has been prepared under the historical cost convention, except where noted.

This year the Group’s financial statements have been presented in a more streamlined manner by changing the format and the layout to simplify the information disclosed and make it more relevant to users. Similar notes have been grouped into sections with relevant accounting policies and judgement and estimate disclosures incorporated within the notes to which they relate.

Comparatives have been updated for changes in accounting policies as described in Note 1.3 below.

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and accordingly, amounts in the consolidated financial statements and Directors’ Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Going Concern

The financial report has been prepared on a going concern basis.

The Directors, having given consideration to the current financial forecasts for the Group, the engagement with the banking syndicate and its financial advisers, the comprehensive review, and the performance improvement programmes being implemented by management, consider the going concern basis of preparation is appropriate. Refer to Note 5.2 for additional details.

1.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent entity and of all entities which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position.

Any changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

1.3 Adoption of New Accounting Standards

The Group adopted all the new mandatory standards and interpretations for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position of the Group as they did not result in any changes to the Group’s existing accounting policies.

1.3 Adoption of New Accounting Standards (continued)

The Group has elected to early adopt AASB 15 *Revenue from Contracts with Customers* as issued in December 2014, which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2018. The initial application date for the Group is 1 July 2015. The Group elected to apply the standard on a full retrospective basis as permitted by AASB 15 whereby the cumulative effect of retrospective application is recognised by adjusting opening retained profits or other relevant components of equity for the earliest comparative period presented (which for the Group is the comparative period beginning on 1 July 2014). See below for further details on the key impacts arising from the adoption of the new standard. Refer to Note 3.1 for additional details, however key judgements adopted as part of the adoption of the new standard include:

(i). Estimating variable consideration

Prior to the adoption of AASB 15, in previous reporting periods, variable consideration expected to be received from services (including services provided on a No Win – No Fee basis) was estimated based on historical average fees and success outcomes.

Under AASB 15, where consideration in respect of a contract is variable, revenue can only be recognised to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract will not be subject to a significant reversal when the uncertainty associated with the variable consideration is subsequently resolved (this is referred to as the "constraint" requirements). As a result, the Group has applied the new constraint requirements in estimating the amount of variable consideration included in the transaction price compared to the amount of variable consideration previously included.

(ii). Stage of completion

As a result of more detailed requirements under AASB 15 with respect to measuring the stage of completion of a performance obligation, the Group has conducted a review of its methodology for measuring progress towards completion of relevant performance obligations.

In summary, as a result of early adopting AASB 15 on a full retrospective basis, the following adjustments were made to the amounts recognised in the statement of financial position and statement of profit or loss and other comprehensive income at 1 July 2014 and at the end of the comparative period (30 June 2015):

	AASB 118 carrying amount	Prior Period Remeasurement	Current Period Remeasurement	AASB 15 carrying amount
	1 Jul 2014			1 Jul 2014
Statement of Financial Position	$'000	$'000	$'000	$'000
Work in progress (current and non-current)	467,334	-	(85,815)	381,519
Current tax liabilities	2,481	-	1,418	3,899
Deferred tax liabilities	123,621	-	(26,513)	97,108
Reserves	14,217	-	(95)	14,122
Retained profits	187,213	-	(60,593)	126,620
Non-controlling interests	271	-	(30)	241
	30 Jun 2015			30 Jun 2015
Statement of Profit or Loss and Other Comprehensive Income	$'000	$'000	$'000	$'000
Net movement in work in progress	53,399	-	(42,693)	10,706
Income tax expense	30,728	-	(7,694)	23,034
Earnings per share	35.6 cents	-	(14.9 cents)	20.7 cents
	30 Jun 2015			30 Jun 2015
Statement of Financial Position	$'000	$'000	$'000	$'000
Receivables	619,855	-	(113)	619,742
Work in progress* (current and non-current)	825,898	(86,706)	(45,576)	693,616
Current tax liabilities*	22,556	1,612	(1,001)	23,167
Deferred tax liabilities*	180,508	(26,886)	(9,021)	144,601
Reserves*	82,877	(808)	(2,415)	79,654
Retained profits	253,147	(60,592)	(33,079)	159,476
Non-controlling interests	624	(32)	(173)	419

1.3 Adoption of New Accounting Standards (continued)

Remeasured amounts relate solely to the application of AASB 15 and do not reflect other adjustments as a result of finalisation of provisional accounting for acquisitions.

* Prior period remeasurements converted at the closing rate in the current period with the resulting foreign exchange difference included in the Foreign Currency Translation Reserve included in Equity.

1.4 Significant Accounting Judgements, Estimates and Assumptions

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are outlined in detail within the specific note to which they relate. Noted below are new significant accounting judgements and key sources of estimation uncertainty applied in the current reporting year:

(i). Revenue Recognition – Identifying the Performance Obligation

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Group in delivering these services. Management considers the methods used provide a faithful depiction of the transfer of goods or services.

The Group has some contractual arrangements outside of personal injury matters that include multiple performance obligations. In these transactions, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. In most cases, the price for each separate performance obligation is identified in the contract and in most cases, these prices are considered to be reflective of the stand-alone selling price of each performance obligation.

The Group notes that it is not practicable to determine and track on a case-by-case basis the elements of a transaction that should be attributed to pre- and post-acquisition performance, given the nature of the estimates of variable consideration, and the methodology adopted (based around actual historical average fees and estimates of success rates on a cohort-by-cohort rather than case-by-case basis).

(ii). Revenue Recognition – Estimating the Transaction Price: Variable Consideration – No Win – No Fee Arrangements

The Group provides various services on the basis of No Win – No Fee conditional fee arrangements. The uncertainty around the fees ultimately receivable under these types of contracts is generally only fully resolved when a matter is concluded.

Where the Group has sufficient historical experience in similar contracts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue is estimated using the expected value method. Fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded.

To determine the probability of success of a case using the expected value method, a level of judgement is required to be applied based on past experience and historical performance of similar matters. The estimated amount of variable consideration is based on the expected fee for the nature of the legal service provided with reference to internal historical fee levels and relative rates of successful and unsuccessful outcomes.

Where historical averages are not predictive of the probability of outcomes for a given contract, or where the Group has limited historical experience with similar contracts, the expected amount of variable consideration is estimated using a most likely amount approach on a contract by contract basis. In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

In addition, when new businesses are acquired, there is a transition period during which time the Group's practices and procedures are embedded into the operations of the new business. Therefore the valuation of work in progress acquired in a business combination may be adjusted during the period of provisional accounting for the acquisition.

1.4 Significant Accounting Judgements, Estimates and Assumptions (continued)

(iii). Recognising Revenue: Measuring the Stage of Completion

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation. The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance.

In addition, when new businesses are acquired, there is a transition period during which time the Group's practices and procedures are embedded into the operations of the new business. Therefore the valuation of work in progress acquired in a business combination may be adjusted during the period of provisional accounting for the acquisition.

(iv). Proposals from the Autumn 2015 Chancellor's Statement

The proposed reforms announced by the UK Government in November 2015 are expected to affect personal injury cases below £5,000. As yet there has been no announcement in relation to the commencement of the foreshadowed consultation process and the Company has made its best effort to factor potential changes into its assessment of the future cash flows, even though the results are not yet certain.

As both the Slater and Gordon UK ("SGL UK") and Slater Gordon Solutions ("SGS") segments of the Group operate in the UK, management has also given consideration to the possible influence of the outcome of the UK referendum to withdraw from the European Union ("Brexit") on the progress of the consultation process.

It is not clear what the impact of Brexit and the process which will now ensue to implement the UK's exit from the European Union will be on the UK economy however management assesses that the outcome of the Brexit referendum itself is not likely to have any material adverse impact on the performance of the Group.

1.5 Foreign Currency Translations and Balances

Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars which is also the functional currency of the parent entity and all Australian subsidiaries. The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated group are translated into the respective functional currency of each entity at the rate of exchange ruling at the date of the transaction. The assets, liabilities and results of foreign operations where their functional currency is different to the presentation currency are translated as disclosed below.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement of monetary items are recognised as income and expenses for the financial year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not remeasured unless they are carried at fair value.

Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into the presentation currency of the Group at the closing rate on the reporting date. Income and expenses are translated at average exchange rates for the period, unless the exchange rate fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. All resulting exchange differences are recognised in Other Comprehensive Income in the foreign currency translation reserve, a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Note 2: Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment results are regularly reviewed by the Group's Managing Director, who is the Chief Operating Decision Maker, to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has three operating segments which also represents its three reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit is managed separately. The following summary describes each of the Group's reportable segments:

- **Slater and Gordon Australia ("AUS")** – includes the parent company Slater and Gordon Limited and its subsidiaries in Australia. This segment conducts a range of legal services within the geographical area of Australia. This segment also includes investments in the Group's other segments, and borrowings and capital raising activities to finance investment and operations of the combined Group.
- **Slater and Gordon UK ("SGL UK")** – conducting a range of personal injury and general law legal services in the United Kingdom.
- **Slater Gordon Solutions ("SGS")** – represents the acquired business assets/entities from Quindell Plc in the UK, offering legal services relating to road traffic accidents, employee liability and noise induced hearing loss. This segment also provides complementary services in health and motor services.

Segment assets and liabilities are allocated to countries based on where the assets are located.

	AUS		SGL UK		SGS		TOTAL	
	2016 $'000	2015 $'000 Restated	2016 $'000	2015 $'000 Restated	2016 $'000	2015 $'000 Restated	2016 $'000	2015 $'000 Restated
Revenue								
Fee and services revenue	**265,629**	245,706	**229,958**	225,991	**437,201**	35,042	**932,788**	506,739
Movement in WIP	**(27,848)**	14,067	**(17,391)**	(3,218)	**3,921**	(143)	**(41,318)**	10,706
Revenue from contracts with customers	**237,781**	259,773	**212,567**	222,773	**441,122**	34,899	**891,470**	517,445
Gain from bargain purchase							**-**	72,508
Other income							**16,715**	8,232
Total revenue and other income							**908,185**	598,185
Result								
EBITDA*	**(35,506)**	84,058	**(49,053)**	25,014	**(6,102)**	(5,780)	**(90,661)**	103,292
Depreciation and amortisation	**(9,578)**	(5,715)	**(5,952)**	(4,023)	**(2,213)**	(207)	**(17,743)**	(9,945)
Impairment of intangible assets	**(55,803)**	-	**(9,458)**	-	**(814,245)**	-	**(879,506)**	-
(Loss)/Profit before tax and net finance expense	**(100,887)**	78,343	**(64,463)**	20,991	**(822,560)**	(5,987)	**(987,910)**	93,347
Net finance expense							**(41,558)**	(7,939)
(Loss)/Profit before income tax							**(1,029,468)**	85,408
Income tax (benefit)/expense							**(11,873)**	23,034
Net (loss)/profit after income tax							**(1,017,595)**	62,374
EBITDAW**	**7,657**	69,992	**(31,663)**	28,231	**(10,023)**	(5,637)	**(49,343)**	92,586
Total segment assets	**429,675**	535,503	**512,157**	638,894	**792,199**	1,738,369	**1,734,031**	2,912,766
Total segment liabilities	**316,555**	307,037	**794,308**	867,243	**318,071**	388,315	**1,428,934**	1,562,595
Net assets per statement of financial position	**113,120**	228,466	**(282,151)**	(228,349)	**474,128**	1,350,054	**305,097**	1,350,171

*EBITDA = Earnings before net interest, taxes, depreciation, amortisation and impairment.

**EBITDAW = Earnings before net interest, taxes, depreciation, amortisation, impairment and movement in WIP.

Note 3: Financial Performance

3.1 Revenue from Contracts with Customers

3.1.1 Accounting Policies

Provision of Legal Services – Personal Injury Law Claims

The personal injury law practice operates on the basis of No Win – No Fee conditional fee arrangements, whereby fees are earned only in the event of a successful outcome of a customer's claim. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements (primarily in the UK), fees are fixed as a specified percentage of damages awarded under a claim.

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Group in delivering these services. Management considers the methods used provide a faithful depiction of the transfer of goods or services.

The uncertainty around the fees receivable under a contract is generally only resolved when a matter is concluded. In recognising revenue in the personal injury practice, where the Group has sufficient historical experience in similar contracts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue from the fees from contracts is estimated using the expected value method based. The estimate amount of variable consideration is based on the expected fee for the nature of the legal service with reference to historical fee levels and relative rates of successful and unsuccessful outcomes. To determine the probability of success of a case, a level of judgement is required to be applied based on past experience and historical performance of similar matters.

Expected fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded.

Where historical averages are not predictive of the probability of outcomes for a given contract, or where the Group has limited historical experience with similar contracts, the expected amount of variable consideration is estimated using a most likely amount approach on a contract by contract basis. In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation. The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance

Estimates of revenues (including interim billing), costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the personal injury revenue streams. This is because in personal injury matters, a substantial amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group.

A receivable in relation to these services is recognised on settlement of the client matter and when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company arranges for the disbursement activities on behalf of the client; however it does not control the output from those activities. The Company cannot influence the content of the medical reports or court filings, therefore no profit margin is recognised on the activities and the clients are charged the direct cost incurred by the Company. As such, the Company acts as an agent for disbursements, which are only recognised when it is assessed that a reimbursement will be received from the client or on his or her behalf. The disbursements are treated as a separate asset. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred.

The amount of any expected reimbursement is reduced by an allowance for non-recovery based on past experience.

3.1 Revenue from Contracts with Customers (continued)

3.1.1 Accounting Policies (continued)

When new businesses are acquired, there is a transition period during which time the Group's practices and procedures are embedded into the operations of the new business. Therefore the valuation of work in progress acquired in a business combination may be adjusted during the period of provisional accounting for the acquisition.

Provision of Legal Services – General Law Legal Services

The Group also earns revenue from provision of general legal services, incorporating project litigation. Revenue for general legal services is recognised over time in the accounting period when services are rendered.

Fee arrangements from general legal services include fixed fee arrangements, unconditional fee for service arrangements ("time and materials"), and variable or contingent fee arrangements (including No Win – No Fee arrangements for services including project litigation, and some consumer and commercial litigation).

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract by contract basis using a milestone based approach, which was explained above.

In fee for service contracts, revenue is recognised up to the amount of fees that the Group is entitled to invoice for services performed to date based on contracted rates.

The Group estimates fees for variable or conditional service fee arrangements using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success of each case. Variable consideration is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved (generally when a matter is concluded).

Certain project litigation matters are undertaken on a partially funded basis. The Group has arrangements with third party funders to provide a portion of the fees receivable on a matter over time as services are performed. In such arrangements, the funded portion of fees is billed regularly over time and is not contingent on the successful outcome of the litigation. The remaining portion of fees is variable consideration which is conditional on the successful resolution of the litigation. The variable consideration is included in revenue as services are performed only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved.

As in the case of personal injury claims, estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the general law services revenue streams. This has been determined on fee for service and fixed fee arrangements as the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. For No Win - No Fee arrangements this has been determined because a significant amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group.

A receivable in relation to these services is recognised when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of Other Services – Slater Gordon Solutions

Legal Services

Revenue from Road Traffic Accidents ("RTA") and Employer Liability/Public Liability ("EL/PL") files is recognised over the life of the case based on prescribed milestones in a matter.

The legal services practice operates on the basis of No Win – No Fee conditional fee arrangements and applies the same accounting policies as personal injury claims described above. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

No revenue has been recognised for Noise Induced Hearing Loss ("NIHL") files that are in progress as at 30 June 2016 due to the low number of NIHL cases that have settled within SGS during the year and the inherent uncertainty over the consideration to be achieved in each successful matter.

3.1 Revenue from Contracts with Customers (continued)

3.1.1 Accounting Policies (continued)

Vehicle Hire and Repair

Revenue from the provision of car repair is recognised at a point in time. Revenue from the provision of car hire and cost recovery services are recognised over the time that the services are performed.

For car repair services, revenue is recognised upon completion of all repair work and upon the customer signing a "client satisfaction note" in taking back possession of the car. The amount of revenue recognised is the amount as agreed in writing between the parties prior to the service being provided in the repair contract.

For car hire and cost recovery services, the revenue is recognised over time, being the period between the commencement of the car hire and settlement of costs through the Third Party Insurer ("TPI"). The amount of revenue recognised is the amount as agreed in writing between the parties prior to the service being provided in the hire rental agreement.

Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded. A dilution rate is applied on the invoice to recognise the fact that there may be a settlement adjustment with the insurer if the insurer disputes any costs. This also takes into account the fact that some cases may not be 'no fault'.

A receivable in relation to these services is recognised when a bill has been issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For car hire and repair services provided for not at fault clients, the Group acts as a principal. Although the services are provided by third party suppliers, the Group has the primary responsibility to ensure that the services have been delivered to the clients. The Group cannot vary the prices set by the supplier, as it is governed by an industry framework and the Group collects the revenue from the customer and bears all credit risk.

Revenue resulting from car hire and repair services within SGS Motor Services is recognised on a gross basis.

Medical Reports and Rehabilitation Services

Revenue from the provision of medical appointments and rehabilitation services is recognised at a point in time.

For medical appointments, the revenue is recognised when the medical report is received from the medical expert. The amount of revenue recognised is based on the average fee per case calculated on a historic basis. This value remains in work in progress until the medical report is issued to the Instructing Party ('IP') at which point the sales invoice is raised.

For rehabilitation services, the revenue is recognised when the course of treatment is completed and the final assessment or discharge report is issued to the IP. The amount of revenue recognised is based on the average fee per case calculated on a historic basis. This value remains in work in progress until the final assessment or discharge report is issued to the IP at which point the sales invoice is raised.

A receivable in relation to these services is recognised when a bill has been issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract Costs

Applying the practical expedient in paragraph 94 of AASB 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred.

3.1.2 Disaggregation of Revenue from Contracts with Customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, in the major product lines of Personal Injury Law ("PIL") and General Law ("GL") and the geographical regions of Australia and the UK:

	Australia		UK			
Year ended 30 June 2016	**PIL $'000**	**GL $'000**	**PIL $'000**	**GL $'000**	**SGS $'000**	**Total $'000**
Type of contract:						
Fixed price	-	22,448	1,862	10,066	72,098	106,474
Time and Materials	-	29,532	5,025	41,733	164,761	241,051
No Win – No Fee	173,721	12,080	151,417	2,464	204,263	543,945
Revenue from contracts with customers	**173,721**	**64,060**	**158,304**	**54,263**	**441,122**	**891,470**
Year ended 30 June 2015 (restated)						
Type of contract:						
Fixed price	-	21,765	1,819	4,567	21,065	49,216
Time and Materials	-	27,923	10,330	43,281	-	81,534
No Win – No Fee	201,935	8,150	160,839	1,937	13,834	386,695
Revenue from contracts with customers	**201,935**	**57,838**	**172,988**	**49,785**	**34,899**	**517,445**

3.2 Expenses

3.2.1 Accounting Policies

Interest

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Depreciation

The depreciable amounts of all property, plant and equipment, excluding land, are depreciated over their estimated useful lives, commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rates	Depreciation Method
Plant and equipment	5.00 – 66.67%	Straight Line and Diminishing Value
Low value asset pool	18.75 – 37.50%	Diminishing Value

Amortisation

Amortisation is calculated using a straight-line method to allocate the cost of intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use.

Software development costs have been assessed as having a finite useful life and once operating in the Group are amortised over the useful life of 5-8 years. Trademarks that have been assessed as having a finite useful life are amortised over the useful life of 3 years.

Share Based Payments

The accounting policy for share based payments is included in Note 5.6.

3.2.2 Expense Analysis by Nature

Finance costs expense	2016 $'000	2015 $'000 Restated
Interest and fees on bank overdraft and loans (includes costs of borrowing)	41,293	8,739
Interest on deferred consideration payable to vendor on acquisitions	623	1,941
Interest on obligations under hire purchases	632	530
	42,548	11,210
Salaries and employee benefit expense		
Wages and salaries	398,747	249,148
Post-employment benefits	16,290	12,169
Share based payments expense	1,257	2,031
	416,294	263,348
Cost of sales		
Ancillary revenue	147,806	14,493
Rendering of services – non-legal	22,491	2,169
	170,297	16,662
Depreciation and Amortisation		
Property, plant & equipment	8,195	4,442
Software development	4,489	1,807
Trademarks	5,059	3,696
	17,743	9,945
Research costs expensed	255	-

3.3 Cash Flow Information

Reconciliation of profit for the period to cash flows from operating activities	2016 $'000	2015 $'000 Restated
Profit after income tax	(1,017,595)	62,374
Non-cash flows in profit from ordinary activities		
Notional interest on VCR share loans	(611)	(975)
Depreciation and amortisation	17,743	9,945
Goodwill impairment	879,506	-
Share based payment expenses	15,957	13,537
Accrual for payments to former owners	18,529	13,933
Notional interest on deferred consideration	623	1,942
Bad and doubtful debts	39,342	11,585
Deferred costs of borrowing	10,850	217
Gain from bargain purchase	-	(72,508)
Notional FX loss	2,808	-
Items shown in investing activities		
Costs associated with acquisition	738	23,662
Proceeds from disposal of businesses	(168)	-
Changes in assets and liabilities		
Increase in receivables	(37,241)	(67,445)
Increase in other assets	(1,284)	(2,690)
Decrease / (increase) in work in progress	40,486	(19,335)
(Decrease) / increase in payables	(70,573)	37,726
Decrease in income tax payable	(14,408)	(5,048)
Increase in net deferred tax	4,801	22,524
Increase in provisions	6,253	11,318
Cash flows from operating activities	**(104,244)**	**40,762**

3.4 Income and Other Taxes

3.4.1 Accounting Policies

Income and other taxes consist of income tax, Goods and Services Tax and Value Added Tax.

Income Tax

Current income tax expense or benefit for the current and prior periods is measured at the amount expected to be recovered from or paid to the tax authorities. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

Current and deferred tax for the year are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Critical Accounting Estimates and Judgements

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation both in Australia and the UK and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised only if management considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Goods and Services Tax ("GST") and Value Added Tax ("VAT")

Revenue, expenses and assets are recognised net of the amount of GST/VAT, except where the GST/VAT incurred is not recoverable from the Australian Taxation Office ("ATO"), UK Her Majesty's Revenue and Customs ("HMRC") or Malta Inland Revenue ("MIR") and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of GST/VAT.

The net amount of GST/VAT recoverable from, or payable to, the ATO/HMRC/MIR is included as part of receivables or payables in the consolidated statement of financial position.

The major components of income tax expense are:

Consolidated statement of profit or loss	2016 $'000	2015 $'000 Restated
Current income tax (benefit)/expense	(9,482)	11,981
Adjustment for current tax relating to prior periods	(12,167)	(1,072)
Deferred income tax relating to the origination and reversal of temporary differences	9,776	12,125
	(11,873)	23,034
Consolidated statement of OCI		
Deferred tax credit arising on revaluation of cash flow hedges	(144)	(150)
Deferred tax charge arising on foreign exchange gain on revaluation of loans	(310)	5,190
	(454)	5,040
Income tax recognised directly in equity		
Current tax credit on share issue costs	(26)	(7)
	(26)	(7)

3.4.2 Income Tax Expense

	2016 $'000	2015 $'000 Restated
Deferred income tax expense included in income tax expense		
Decrease in deferred tax assets	41,505	(64,958)
Deferred income tax relating to items charged to OCI	454	(5,040)
Deferred income tax relating to items charged directly to equity	26	7
(Decrease)/increase in deferred tax liabilities	(31,138)	41,084
Recoup prior year losses and over/under on prior year losses	-	(78)
Net deferred taxes arising from changes in accounting standards	-	2,839
Net deferred taxes arising on business combinations	-	36,162
Exchange differences	(1,071)	2,109
	9,776	12,125

The prima facie tax payable on profit before tax differs from the income tax expense as follows:		
Accounting (loss)/profit before tax	**(1,029,468)**	**85,408**
At the Australian statutory income tax rate of 30% (2015: 30%)	(308,840)	25,622
Non-deductible expenses	212,724	8,520
Non-assessable income	(3,016)	(15,303)
Adjustments in respect to prior periods	175	(1,068)
Difference in overseas tax rate	74,116	883
Deferred tax assets not recognised	12,968	4,273
Deferred tax assets now recognised	-	(5)
Other	-	112
Income tax (benefit)/expense	(11,873)	23,034

3.4.3 Recognised Tax Assets and Liabilities

	2016 $'000	2015 $'000 Restated
Current tax assets		
Balance at the beginning of the year	34,636	-
Balance acquired per SGS acquisition	-	29,041
Tax (refunded)/paid	(29,464)	5,595
Adjustments in respect to prior periods	9,215	-
Exchange differences	2,416	-
Balance at the end of the year	16,803	34,636
Current tax liability		
Balance at the beginning of the year	(23,412)	(2,465)
Balances arising from business acquisitions	-	(13,977)
Current income tax benefit/(expense)	9,482	(11,981)
Tax paid	6,289	6,049
Adjustments in respect of prior periods	2,937	(785)
Losses utilised	(4,597)	-
Exchange differences	-	(253)
Balance at the end of the year	(9,301)	(23,412)

3.4.3 Recognised Tax Assets and Liabilities (continued)

	2016 $'000	2015 $'000 Restated
Deferred tax assets		
Provision for impairment	3,521	13,474
Employee benefits	6,931	6,602
Provision for legal costs	552	378
Accruals	2,788	3,122
Non-deducted business related costs	144	251
Fair value of cash flow hedges	521	378
Unrendered WIP and disbursements not yet deducted	326	15,752
Property, plant and equipment	-	706
Other	1,577	2,119
Revenue losses carried forward	26,811	26,269
Advanced Company Income Tax ("ACIT") refund in Malta	3,554	12,490
Deductible goodwill	-	6,689
Balance at the end of the year	46,725	88,230
Deferred tax liabilities		
Prepayments	(629)	(917)
Work in progress	(77,987)	(110,575)
Unrendered disbursements	(12,156)	(15,036)
Intangibles/Goodwill	(17,179)	(9,779)
Foreign currency translation reserve	(6,424)	(7,276)
Other	1,425	(505)
Balance at the end of the year	(112,950)	(144,088)

3.4.4 Unrecognised Deferred Tax Assets

At 30 June 2016 the Group has unrecognised deferred tax assets of $53.6m mainly relating to unrecognised tax losses as well as costs incurred for Trademarks and acquisition costs. No deferred tax has been recognised for these costs as the Group does not plan to dispose of the relevant subsidiaries in the foreseeable future. A portion of the deferred tax asset on tax losses carried forward is also unrecognised.

3.5 Dividends

	2016 $'000	2015 $'000
Dividends paid during the year		
Dividends on ordinary shares		
No interim dividend paid for 2016 (2015: 3.50 cents, partially franked (40%))	-	7,341
Final dividend for 2015 partially franked (40%): 5.50 cents (2014: 5.00 cents, fully franked)	19,330	10,279
Total dividends paid during the year	19,330	17,620
Dividends proposed and not recognised as a liability		
Dividends on ordinary shares		
No final dividend proposed for 2016 (2015: 5.50 cents, partially franked (40%))	-	19,330
Franking credit balance		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:	844	891
Impact on franking account of dividend recommended by the directors since the year end but not recognised as a liability at year end:	-	3,307

3.6 (Loss)/Earnings per Share

The following reflects the income and share data used in the calculations of basic and diluted (loss)/earnings per share:

	2016 $'000	2015 $'000 Restated
(Loss)/earnings used in calculating basic and diluted earnings per share	(1,017,306)	62,288
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share ('000's)	351,907	234,842
Adjusted weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share ('000's)	352,085	236,522

Note 4: Assets and Liabilities

This section shows the assets used to generate the Group's revenue and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are disclosed in Section 5. Deferred tax assets and liabilities are disclosed in note 3.4.

On the following pages there are notes covering intangible assets, working capital, work in progress, other non-current assets, payables and provisions.

4.1 Intangible Assets

4.1.1 Accounting Policies

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

Software Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resources and intent to complete the development and its costs can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

Trademarks and Brand Names

Trademarks acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). The fair value of trademarks is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned.

Trademarks are carried at cost less accumulated amortisation and any accumulated impairment losses.

Brand names acquired as part of the acquisition of Slater Gordon Solutions have been carried at cost. These brand names have been assessed as having an indefinite useful life, based on the Company's long-term strategy for using the asset, therefore no amortisation is applicable but they are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

4.1 Intangible Assets (continued)

	Goodwill $'000	Software Development $'000	Trademarks & Brand Names $'000	Total $'000
Gross Cost	1,269,456	38,984	60,173	1,368,613
Accumulated amortisation	-	(19,908)	(5,481)	(25,389)
At 30 June 2015 (restated)*	**1,269,456**	**19,076**	**54,692**	**1,343,224**
Gross Cost	1,119,599	38,006	53,452	1,211,057
Accumulated amortisation	-	(20,597)	(9,759)	(30,356)
Accumulated impairment loss	(786,731)	-	-	(786,731)
At 30 June 2016	**332,868**	**17,409**	**43,693**	**393,970**
Movement in carrying amounts				
Balance at 1 July 2014	108,492	5,105	10,058	123,655
Additions	-	9,970	-	9,970
Additions through acquisition of entities	1,121,611	3,724	46,578	1,171,913
Reclassification from plant & equipment	-	1,995	-	1,995
Exchange differences	39,353	149	1,752	41,254
Amortisation expense	-	(1,807)	(3,696)	(5,503)
Disposals	-	(60)	-	(60)
Balance at 30 June 2015 (restated)*	**1,269,456**	**19,076**	**54,692**	**1,343,224**
Additions	-	5,314	-	5,314
Exchange differences	(57,082)	(2,437)	(5,940)	(65,459)
Amortisation expense	-	(4,489)	(5,059)	(9,548)
Impairment expense	(879,506)	-	-	(879,506)
Disposals	-	(55)	-	(55)
Balance at 30 June 2016	**332,868**	**17,409**	**43,693**	**393,970**

* Reflects adjustments made for finalisation of the accounting for acquired entities under AASB 3 *Business Combinations.*

4.1.2 Impairment Testing of Goodwill and Indefinite Life Intangible Assets

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable, largely independent cash inflows (cash generating units "CGU's"). Goodwill and indefinite life intangible assets are allocated to CGU's according to applicable business operations as follows:

	AUS PIL	AUS GL	UK PIL	UK GL	UK SGS	Total
2016						
Goodwill recognised ($'000)	5,637	-	43,788	-	283,443	332,868
Indefinite life intangibles ($'000)	57	-	1,715	-	41,921	43,693
2015 (restated)						
Goodwill recognised ($'000)	47,499	13,939	50,843	9,574	1,147,601	1,269,456
Indefinite life intangibles ($'000)	57	-	1,956	-	47,823	49,836

Impairment testing is completed at least annually for goodwill, intangible assets not yet ready for use and indefinite life intangible assets or more frequently if events or changes in circumstances indicate that the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset or CGU exceeds its recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its fair value less costs of disposal and value-in-use.

4.1.2 Impairment Testing of Goodwill and Indefinite Life Intangible Assets (continued)

Critical Accounting Estimates and Judgements

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU's to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the CGU and a post-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4.1.3 Impairment Losses Recognised

The Group considered the relationship between its market capitalisation and the book value of its equity, among other factors, when reviewing for indicators of impairment. As at 31 December 2015, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and other assets. In addition, the performance of the UK business had not been in line with the Directors' expectations and internal forecasts and there was an indication that the business would be adversely impacted by changes in the UK regulatory environment in relation to the proposals from the Autumn 2015 Chancellor's statement. Furthermore, the Australian General Law ("GL") business and, in some states, the Australian Personal Injury Law ("PIL") businesses had not met acquisition targets.

As a result, management performed an impairment test as at 31 December 2015 for all CGUs. The impairment test was based on value-in-use methodology.

A further assessment was performed as to whether there were any indicators of impairment in relation to the CGUs in accordance with AASB 136. The NSW Government announced proposals to change the circumstances in which a person injured in a car accident may claim compensation. If the proposals succeed any impact is not likely to occur until 2019/2020. Notwithstanding the uncertainty of the impact of the proposals, management have impaired the remaining NSW PI goodwill balance of $3.1m at 30 June 2016.

Given the level of impairment taken in the UK business as at 31 December 2015 and the continued potential impact from regulatory change as a result of the Autumn 2015 Chancellor's statement, and the added impact of the "Brexit" vote in July 2016, management performed an impairment test as at 30 June 2016 for the UK CGUs. The impairment test was based on value-in-use methodology. The result of that impairment testing was that no further impairment was identified for the UK CGUs to that recognised at 31 December 2015.

The following CGUs were impaired during the year ended 30 June 2016:

CGU	Impairment loss $'000	Recoverable amount $'000
Slater & Gordon Solutions (SGS)	814,245	504,561
UK – GL	9,458	45,207
Australia – PIL NSW, QLD and WA	41,864	101,676
Australia – GL	13,939	19,565

At 30 June 2015, goodwill for Australia was tested at the operating segment level, being GL and PIL. At 31 December 2015 and 30 June 2016 goodwill for PIL was tested for impairment at a more disaggregated state level.

4.1.4 Key Assumptions used in value-in-use calculations and sensitivity to changes in Assumptions

Discount rates used in the calculation of value-in-use at 30 June 2016

Australian CGUs

A post-tax discount rate of 9.25% (30 June 2015: 9.25%) was used for all Australian CGUs.

United Kingdom CGUs

A post-tax discount rate of 9.25% was used for each of the 3 UK CGUs (30 June 2015: 10.45% for SGS and 9.25% for UK PIL and UK GL). The discount rate for SGS was assessed at a higher rate at 30 June 2015 due to the recent acquisition of SGS by the Group at that date and the inherent risk that new acquisitions carry with them, as well as the risk characteristics of the forecast cash flows. For the current year a risk adjustment and updated assumptions have been included in the cash flow to reflect uncertainty in the UK legal market rather than adjusting the discount rate.

4.1.4 Key Assumptions used in value-in-use calculations and sensitivity to changes in Assumptions (continued)

Cash Flow Forecasts used in the calculation of Value-in-Use

Value-in-use was calculated using approved forecasts covering a period of five years for each of the individual CGU's. The average growth rates used in the value-in-use calculation for the next five years range between -6.5% and 4.6%. The negative rates relate to the impact of the UK Autumn 2015 Chancellor's statement (referred to below) in the Slater and Gordon Solutions (SGS) CGU. Cash flows beyond five years were subject to a terminal growth rate of 2.5% for all CGUs (30 June 2015: 3.0%).

Key assumptions underlying cash flow forecasts were:

For each of the CGUs, performance in the financial year ending 30 June 2017 was based upon the Board approved budget.

Australia – GL

The cash flow forecasts used in the impairment test showed operating cash outflows in all periods covered by the five year model. Accordingly, management fully impaired the goodwill of $13.9m in the Australian GL CGU.

Australia – PIL

Value-in-use was calculated separately for the PIL business in each state. The cash flow forecasts in New South Wales ("NSW") and Queensland reflect the impact of regulatory change to workers' compensation. In other states the forecasts assumed an average growth consistent with growth rates experienced over the last three years in the five year forecast period. The value-in-use calculation resulted in impairment losses in Queensland, New South Wales and Western Australia as at 31 December 2015 which were recorded in the 31 December 2015 financial report. As at 30 June 2016 the recoverable amounts for each of these CGUs, with the exception of NSW, exceeded the carrying amounts and there are no reasonably possible changes that could cause the recoverable amounts to be less than the carrying amounts. An impairment of $3.1m was recorded in relation to goodwill allocated to the NSW CGU at 30 June 2016.

The remaining aggregate carrying amount of goodwill in the Australian PIL CGUs after impairment is $5.6m.

United Kingdom Businesses

The proposals from the Autumn 2015 Chancellor's statement announced in November 2015 are expected to affect personal injury claims below £5,000. The cash flow forecasts for the UK businesses assume that the proposed reforms will be implemented as announced and will affect forecast fees beginning from July 2018. The forecasts assume that fees on claims below the £5,000 threshold will be significantly impacted, with a proportionate reduction in direct operating costs. Management's estimate of the impact is based on the current proportion of total fees that represent claims below the threshold. Management expects that the UK businesses will be able to take advantage of other opportunities following these proposed reforms, however given the inherent uncertainty regarding any such opportunities they have not yet been reflected in the cash flow forecasts.

The cash flow forecasts assume a steady state for practice areas that are not affected by the proposed reforms in the five year forecast period.

Sensitivity

Increases in the discount rate in the impairment analysis of the SGL PI CGU from 9.25% to 13.5% or a reduction in the cash flows of the CGU by 50% in the terminal year would result in the recoverable amount to be less than the carrying amount.

Increases in the discount rate in the impairment analysis of the SGS CGU from 9.25% to 10.5%, or a reduction in the cash flows of the CGU by 15% in the terminal year would result in the recoverable amount to be less than the carrying amount.

4.2 Receivables

4.2.1 Accounting Policies

Collectability of trade debtors is reviewed at each reporting period. Management considers whether further impairment of debtors is required based on the aging profile and use calculated historical rates of recovery to determine the required impairment. Debts that are known to be uncollectible are written off when identified.

Disbursements are only recognised when it is assessed that a reimbursement will be received from the client or on his or her behalf. The disbursements are treated as a separate asset. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred. The amount of any expected reimbursement is reduced by an allowance for non-recovery based on past experience.

4.2 Receivables (continued)

Current	2016 $'000	2015 $'000 Restated
Trade debtors	299,502	371,138
Impairment of trade debtors	(92,824)	(104,327)
	206,678	266,811
Disbursements	340,605	346,257
Allowance for non-recovery	(20,035)	(47,514)
	320,570	298,743
Other receivables	1,667	8,741
	528,915	574,295
Non-current		
Disbursements	88,991	78,547
Allowance for non-recovery	(80,138)	(46,803)
	8,853	31,744
Impairment of receivables		
Balance at beginning of the year	(104,327)	(8,690)
Receivables written off as uncollectible	835	2,980
Provision for impairment recognised, including balances from business acquisitions	(9,059)	(94,434)
Provision for discount	7,856	-
Foreign exchange translation differences	11,871	(4,183)
Balance at end of the year	(92,824)	(104,327)

4.3 Work in Progress

4.3.1 Accounting Policies

Work in progress represents client cases which have not yet reached a conclusion and comprises personal injury cases, services performed ancillary to personal injury cases, non-personal injury cases and project litigation cases. Refer to note 3.1 for further details.

Contracts for legal services are billed based on time incurred. As permitted under AASB 15, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations under these contracts has not been disclosed.

The Group allocates work in progress between current and non-current classifications based on a historical analysis of the Group's work in progress balances and velocity rates to determine expected timing of settlements.

Current	2016 $'000	2015 $'000 Restated
Non-personal injury	17,493	21,421
Personal injury	333,792	429,225
Project litigation	10,613	4,121
	361,898	454,767
Non-current		
Non-personal injury	-	718
Personal injury	224,174	218,575
Project litigation	1,461	2,634
	225,635	221,927

Work in progress has decreased during the year ended 30 June 2016 by $89.2m. Of this decrease $41.3m is largely due to a decline in case volumes in the Australian and UK PIL practice and the resolution of acquired work in progress during the period. The remaining decrease is as a result of the decline in the GBP foreign exchange rate during the year.

4.4 Property, Plant and Equipment

4.4.1 Accounting Policies

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period. Any depreciation and impairment losses of an asset are recognised in the profit or loss.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss when the asset is derecognised.

	Plant & Equipment $'000	Land & Buildings $'000	Low Value Asset Pool $'000	Total $'000
Gross Cost	74,350	302	2,442	77,094
Less accumulated depreciation	(43,514)	-	(1,621)	(45,135)
At 30 June 2015 (restated)	**30,836**	**302**	**821**	**31,959**
Gross Cost	77,345	265	2,877	80,487
Less accumulated depreciation	(45,173)	-	(2,107)	(47,280)
At 30 June 2016	**32,172**	**265**	**770**	**33,207**
Movement in carrying amounts				
Balance at 1 July 2014	12,450	-	514	12,964
Additions	16,823	-	515	17,338
Additions through acquisition of entities	7,389	157	81	7,627
Reclassification of plant & equipment	(2,140)	145	-	(1,995)
Exchange differences	581	-	-	581
Depreciation expense	(4,153)	-	(289)	(4,442)
Disposals	(114)	-	-	(114)
Balance at 30 June 2015	**30,836**	**302**	**821**	**31,959**
Additions	12,443	-	300	12,743
Reclassification of plant & equipment	(40)	-	40	-
Exchange differences	(2,478)	(37)	(21)	(2,536)
Depreciation expense	(7,825)	-	(370)	(8,195)
Disposals	(764)	-	-	(764)
Balance at 30 June 2016	**32,172**	**265**	**770**	**33,207**

The carrying amount of plant and equipment under finance lease included above amounted to $6,784,000 (30 June 2015: $6,493,000).

4.5 Payables

4.5.1 Accounting Policies

Trade creditors and accruals are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Legal creditors are carried at cost and represent liabilities in relation to disbursements where there is an agreement with the vendor that payment will not be made by the Group until the Group has received payment from any settlement proceeds on the matter.

Vendor liabilities are carried at net present value and refer to deferred consideration payable to vendors in relation to previous acquisitions.

4.5 Payables (continued)

Current	2016 $'000	2015 $'000 Restated
Unsecured liabilities		
Trade creditors and accruals	173,672	257,164
Legal creditors	287,655	336,588
Vendor liabilities - acquisitions	2,243	18,918
	463,570	612,670
Non-current		
Unsecured liabilities		
Vendor liabilities - acquisitions	510	3,121

4.6 Provisions

4.6.1 Accounting Policies

Non-employee provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result in an amount that can be reliably measured.

Solicitor Liability Claims – Critical Accounting Estimates and Judgements

A provision for solicitor liability claims is made for the potential future cost of claims brought against the Group by former clients. The provision relates to open claims and potential future claims as identified at the end of the reporting period. The provision is determined based on historical data, taking into account the nature of the existing claim, expected reimbursed expense and includes the estimated maximum amount payable by the Group under its Professional Indemnity Insurance Policy on all claims notified to its insurer.

Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. Liabilities arising later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. These estimated future cash flows have been discounted using market yields, at the reporting date, on corporate bonds with matching terms to maturity.

A bonus provision is recognised when it is payable in accordance with the employee's contract of employment and the amount can be reliably measured.

A provision for termination benefits is recognised when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

Employee benefit obligations are presented as current liabilities if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Onerous Contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. The economic benefits expected to be received include direct and indirect benefits under the contract and contractual and non-contractual benefits.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

4.6 Provisions (continued)

	2016 $'000	2015 $'000 Restated
Current		
Employee benefits	19,700	18,641
Solicitor liability claims	9,158	6,067
Provision for onerous contracts	4,160	2,467
Provision for payments to former owners	19,437	11,142
	52,455	38,317
Non-current		
Employee benefits	3,404	3,366
Provision for onerous contacts	3,804	3,978
Other non-current provisions	7,829	9,930
	15,037	17,274

4.7 Fair Value Measurements

4.7.1 Accounting Policies

Critical Accounting Estimates and Judgements

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

4.7.2 Fair Value Hierarchy

30 June 2016 **Recurring fair value measurements**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivative financial instruments – interest rate swaps	-	2,841	-	2,841
Contingent consideration *	-	-	2,977	2,977
	-	2,841	2,977	5,818

30 June 2015 **Recurring fair value measurements**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivative financial instruments – interest rate swaps	-	1,621	-	1,621
Contingent consideration *	-	-	6,090	6,090
	-	1,621	6,090	7,711

* Included in Vendor Liabilities

4.7.3 Valuation Techniques and Inputs used in Level 2 and 3 Fair Value Measurements

The fair value of the interest rate swaps is measured with reference to market data which can be used to estimate future cash flows. The key input into this valuation is the interest rate swap revaluation statement as provided by Westpac Banking Corporation and National Australia Bank.

The fair value of contingent consideration payable in a business combination is measured with reference to current fee and performance forecasts which can be used to estimate future cash flows. The key inputs into this valuation are the estimated future cash flows and the average discount rate of 9% (30 June 2015: 9%) used to determine the present value the future cash flows.

4.7.4 Reconciliation of recurring Level 3 Fair Value Movements

	2016 $'000	2015 $'000 Restated
Opening balance	6,090	7,927
Acquisitions	-	4,185
Payments relating to contingent consideration	(3,455)	(1,865)
Adjustment to contingent consideration	-	(4,983)
Interest	342	378
Exchange differences	-	448
Closing balance	**2,977**	**6,090**

There has been no change in the range of undiscounted contingent consideration outcomes during the year. A reasonable movement in the unobservable inputs would not significantly impact the fair value of contingent consideration as at the end of the reporting period and therefore not impact profit after tax and equity.

Note 5: Capital Structure and Financing

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

When managing capital, management's objective is to ensure the Group continues to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

5.1 Cash and Cash Equivalents

5.1.1 Accounting Policies

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding banking overdrafts.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

5.2 Financing Arrangements

5.2.1 Accounting Policies

Borrowing Costs

Borrowing costs can include interest expense, finance charges in respect of finance leases, amortisation of discounts or premiums, ancillary costs relating to borrowings, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed in the period which they are incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

5.2.2 Financing Arrangements

The Group has net assets of $305.1m, which have decreased by $1,045.1m since 30 June 2015 primarily due to a non-cash impairment charge of $879.5m and the adoption of AASB 15. The Group has net current assets of $477.9m (30 June 2015: $498.0m).

The Group entered into a multi-currency (AUD/GBP) Syndicated Facility Agreement ("SFA") in May 2015. This facility was amended in May 2016 with the following structure and maturity profile (these facilities will be referred to subsequently as 'bills of exchange'):

- a GBP 157,500,000 term loan facility. This facility expires on 29 May 2018 and interest is charged on the loans at LIBOR plus an agreed margin;
- a GBP 157,500,000 term loan facility. This facility expires on 31 March 2019 and interest is charged on the loans at LIBOR plus an agreed margin;
- a GBP 60,000,000 term loan facility, bank guarantee facility and/or letter of credit. This facility expires on 29 May 2018 and interest is charged on the loans at LIBOR plus an agreed margin;
- an AUD 45,000,000 term loan facility. This facility expires on 29 May 2018 and interest is charged on the loans at BBSY Bid plus an agreed margin; and
- an AUD 45,000,000 term loan facility. This facility expires on 31 March 2019 and interest is charged on the loans at BBSY Bid plus an agreed margin.

5.2.2 Financing Arrangements (continued)

The key terms under the amended SFA are substantially unchanged to those under the original facility, however, as the discounted present value of the cash flows under the amended SFA are greater than 10% different to the discounted present value of the remaining cash flows under the original facility, the amended SFA is treated as an extinguishment of the old facility and the recognition of a new financial liability under AASB 139. As a result, the remaining amendment fee of $9.2m that was being carried on the balance sheet on 1 July 2015 under the original facility was amortised to the Statement of Comprehensive Income in full during the year ended 30 June 2016. The amendment fee of $4.2m paid in relation to the amended SFA is currently on the balance sheet and being amortised to the income statement over the earliest maturity date of the facility.

Under the amended SFA, the Company is also required to pay a deferred fee to the lenders in the form of cash or warrants, at the irrevocable election of the lenders. The costs associated with this deferred restructure fee totalling $17.8m have been treated as transaction costs relating to the underlying borrowing and are being amortised to the income statement over the term of the facility. Refer to note 5.6.5 for further details on how this deferred fee has been accounted for.

The Group has drawings of $765.6m (30 June 2015: $710.9m) under the SFA, against limits of $765.6m at 30 June 2016. The Group has cash on hand of $82.5m (30 June 2015: $97.0m), other borrowings of $8.5m (30 June 2015: $9.4m), offset by deferred debt raising costs of $9.6m (30 June 2015: $9.2m) resulting in net debt of $682.3m (30 June 2015: $614.1m) and available liquidity of $88.3m (30 June 2015: $253.5m). The Group's net debt position has increased since 30 June 2015 by $68.2m, reflecting underlying cash requirements in the business.

The bills of exchange and bank guarantee facility/letter of credit have been used to fund business acquisitions, to meet the day to day working capital requirements and for general corporate purposes. They are secured by a fixed and floating charge over the assets of the Group.

As at 30 June 2016 the Group remains in compliance with all its undertakings under the SFA.

The Directors are of the view that the Group will continue to comply with the obligations under the SFA. The Group has further initiated a comprehensive review including an assessment of revised financial forecasts, and the implementation of performance improvement programmes with the aim of improving the profitability of the business and reducing the level of drawn debt.

5.2.3 Summary of Borrowing Arrangements

At reporting date, the following banking facilities had been executed and were available.

	2016	2015
Total banking facilities	**$'000**	**$'000**
Bank overdrafts	5,799	7,053
Bills of exchange	765,893	859,688
Other sundry facilities	10,000	12,736
Total credit facilities	781,692	879,477

	2016	2015
Facilities utilised		
Current		
Bills of exchange	280	447
Finance lease liability	3,362	3,306
	3,642	3,753
Non-current		
Bills of exchange	765,613	710,477
Debt raising costs under the SFA facility[1]	(9,567)	(9,246)
Finance lease liability	5,092	6,123
	761,138	707,354

[1] Comprises the unamortised value of borrowing costs on establishment of $3.7m (30 June 2015: $9.2m) and refinance of net debt facilities of $5.9m. These costs are deferred on the balance sheet and amortised to the Statement of Comprehensive Income (in Finance Costs) over the earliest maturity date of the facility.

A portion of the bills of exchange is the subject of interest rate swaps to hedge the risk of an adverse interest rate movement. Refer to Note 5.4 for more details.

Bank overdraft facilities are arranged with Westpac Banking Corporation and Royal Bank of Scotland (National Westminster Bank) with the general terms and conditions being set and agreed to annually. The current facilities are $4.0m and £1.0m respectively (30 June 2015: $5.0m and £1.0m). Interest rates on the bank overdrafts are charged at variable rates plus an agreed margin, subject to adjustment.

5.3 Leasing

5.3.1 Accounting Policies

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if the right is not explicitly specified in the arrangement. The lease is classified at the inception date as a finance lease or an operating lease.

Finance Leases

A lease that transfers substantially all of the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease, the inception date fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the statement of profit or loss and other comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the Group will obtain ownership of the asset, or if not, over the shorter of the estimated useful life of the asset and the term of the lease.

The Group leases a certain number of its fixed assets under finance leases. The lease terms range from 3 to 10 years (30 June 2015: 3 to 10 years). The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Interest rates underlying all obligations under finance leases are fixed at respective contract rates ranging from 3.96% to 9.25% (30 June 2015: 3.2% to 9.25%) per annum.

Future minimum rentals payable under finance leases as at 30 June are, as follows:

			2016 $'000			2015 $'000
	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
Within one year	3,808	(446)	3,362	3,784	(478)	3,306
One year or later and not later than five years	5,536	(444)	5,092	6,778	(655)	6,123
Greater than five years	-	-	-	-	-	-
	9,344	(890)	8,454	10,562	(1,133)	9,429

Operating Leases

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the relevant taxation authority.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are, as follows:

	2016 $'000	2015 $'000
Within one year	33,731	31,223
One year or later and not later than five years	80,470	76,894
Greater than five years	52,632	65,007
	166,833	173,124

5.4 Financial Risk Management

5.4.1 Accounting Policies

The Group's principal financial instruments comprise cash and cash equivalents, loans and receivables, trade payables and loans. The classification of financial instruments depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

5.4 Financial Risk Management (continued)

5.4.1 Accounting Policies (continued)

Financial Assets

Loans and receivables are non-interest bearing, non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loans are initially recognised based on fair value plus directly attributable transactions costs and are subsequently stated at amortised cost using the effective interest rate method.

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence of impairment.

For loans and receivables carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

Non-Derivative Financial Liabilities

Non-derivative financial liabilities include trade payables, other creditors and loans from third parties including loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt, net of directly attributable transaction costs less principal payments and amortisation using the effective interest rate method.

Non-interest bearing financial liabilities for deferred cash consideration on the acquisition of acquired firms is measured at amortised cost using the effective interest rate method. The implied interest expense is recognised in profit or loss.

Derivative Financial Instruments

The Group designates certain derivatives as either:

- hedges of fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- Hedges of highly probable forecast transactions (cash flow hedges).

The Group currently has cash flow hedges only, relating to interest rate risk management. At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions are documented. It is the Group's policy to hedge a portion of its exposure in order to minimise the impact of an adverse change in interest rates that the Group is subject to.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flow hedged items, are also documented.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedge reserve which forms part of equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to profit or loss in the periods when the hedged item will affect profit or loss.

5.4.2 Interest Rate Risk

The Group's exposure to interest rate risk and the effective interest rates of non-derivative financial assets and financial liabilities both recognised and unrecognised at the end of the reporting period are as follows:

	Variable interest rate		Fixed interest rate		Total	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash	82,494	96,985	-	-	82,494	96,985
Total financial assets	82,494	96,985	-	-	82,494	96,985
Financial liabilities						
Other current liabilities	7,490	10,985	-	-	7,490	10,985
Finance lease liability	-	-	8,454	9,429	8,454	9,429
Bills of exchange	675,913	614,610	89,980	96,314	765,893	710,924
Total financial liabilities	683,403	625,595	98,434	105,743	781,837	731,338

5.4.2 Interest Rate Risk (continued)

Interest rate swap transactions are entered into by the Group to exchange variable interest payment obligations to fixed, to protect long-term borrowings from the risk of increasing interest rates. The Group uses swap contracts to maintain a designated proportion of fixed to floating debt.

The notional principal amounts of the swap contracts approximate 12% (30 June 2015: 14%) of the Group's outstanding borrowings on the SFA at 30 June 2016. The net interest payments or receipt settlements of the swap contracts are matched to the maturity of the cash advance they are hedging. The net settlement amounts are brought to account as an adjustment to interest expense. At the end of the reporting period, the details of outstanding contracts, all of which are to receive floating/pay-fixed interest rate swaps, are as follows:

Maturity of notional amounts	Effective average fixed interest rate payable		Notional principal value	
	2016	2015	2016 $'000	2015 $'000
0 to 2 years	2.06%	2.23%	27,992	35,534
2 to 5 years	2.47%	2.27%	61,988	60,780
			89,980	96,314

Interest rate swaps are measured at fair value with gains and losses taken to the cash flow hedge reserve until such time as the profit or loss associated with the hedged risk is recognised in the consolidated statement of comprehensive income.

Interest Rate Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the end of the reporting period, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity would be as follows:

	2016 $'000	2015 $'000
+/- 100 basis points:		
Impact on profit after tax	-	-
Impact on equity	2,121	3,098

As borrowings are measured at amortised cost and not fair value, any movement in interest rates does not impact the carrying value of those borrowings but would impact their related interest charges.

5.4.3 Foreign Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency), and the Group's net investments in foreign subsidiaries ("translational risk").

Translational risk relating to the acquisition of United Kingdom subsidiaries is partially hedged on an economic basis through borrowings of those United Kingdom subsidiaries also denominated in GBP, resulting in an overall reduction in the net assets that are translated. The remaining translation exposure is not hedged.

The Group has no significant exposures to currency risk other than the transactional and translational foreign currency exposures in relation to its UK subsidiaries. Any impacts on the balances relating to Slater and Gordon subsidiaries in the UK as a result of movements in the foreign exchange rate are recorded in other comprehensive income in the foreign currency translation reserve which forms part of equity. Refer to Note 1.5.

The Group has no other significant exposures to foreign exchange risk.

5.4.4 Credit Risk

Credit risk arises from the financial assets of the Group. The main exposure to credit risk in the Group is represented by receivables (debtors and disbursements) owing to the Group. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements.

The Group held cash and cash equivalents of $82.5m at 30 June 2016 (30 June 2015: $97.0m). The credit risk associated with cash and cash equivalents is considered as minimal as the cash and cash equivalents are held with reputable financial institutions in Australia and the UK.

5.4.4 Credit Risk (continued)

Credit Risk – Slater Gordon Solutions (Motor Services)

Debts are almost exclusively due from insurance companies. The capitalisation of insurers is regulated by the Financial Conduct Authority in the UK. The insurance industry operates a policyholders' protection scheme to alleviate the impact of the failure of an insurance company.

Credit risk is therefore spread across major UK based motor insurers in proportion to their respective share of the market. No credit insurance is taken out given the regulated nature of these entities.

No interest is charged on the receivables balances, however late penalty payments become payable at certain dates under the Association of British Insurers' General Terms of Agreement. SGS does not hold any collateral over these balances nor has the legal right of offset with any amounts owed by SGS to the receivables counterparty.

Receivables

There is also credit risk associated with unrendered disbursements and trade receivables. Once client matters are billed, a significant portion of receivables related to the personal injuries business are considered low risk. This is because these receivables are collected directly from settlements paid by insurers into trust funds held on behalf of the Group's clients. For the non-personal injury law business, the Group is exposed to the credit risk associated with the client's ability to meet their obligations under the fee and retainer agreement. The Group minimises the concentration of this credit risk by undertaking transactions with a large number of clients.

Management of Credit Risk

The Group actively manages its credit risk by:

- assessing the capability of a client to meet its obligations under the fee and retainer agreement;
- periodically reviewing the reasons for bad debt write-offs in order to improve the future decision making process;
- maintaining an adequate provision against the future recovery of debtors and disbursements;
- including in practitioner's Key Performance Indicators ("KPI's") measurements in respect of debtor levels, recovery and investment in disbursements;
- providing ongoing training to staff in the management of their personal and practice group debtor portfolios; and
- where necessary, pursuing the recovery of debts owed to the Group through external mercantile agents and the courts.

Due to the nature of the "No Win No Fee" arrangements applicable to the majority of the legal matters managed by the Group an increase in the required processing time between initiation and settlement and an increase in the ageing of receivables, particularly disbursements, does not always increase the associated credit risk.

Management performs periodic assessment of the recoverability of receivables, and provisions are calculated based on historical write-offs of the receivables as well as any known circumstances relating to the matters in progress.

5.4.5 Liquidity Risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities. The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. Refer to the statement of cash flows and Note 3.3 Cash Flow Information, for further information on the historical cash flows. Further information in relation to bank facilities available and utilised are outlined in Note 5.2 Financing arrangements.

KPIs are set for practitioners relating to budgeted fee events, which are closely monitored by senior management.

Maturity Analysis

The table below represents the estimated and undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

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For the Year Ended 30 June 2016

5.4.5 Liquidity Risk (continued)

2016	< 12 Months $'000	1-5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivative financial liabilities				
Payables	463,570	510	464,080	464,080
Borrowings	43,736	841,326	885,062	764,780
Other current liabilities	7,490	-	7,490	7,490
Financial liability maturities	514,796	841,836	1,356,632	1,236,350
2015 (restated)				
Non-derivative financial liabilities				
Payables	612,670	3,121	615,791	615,791
Borrowings	19,034	768,478	787,512	711,107
Other current liabilities	10,985	-	10,985	10,985
Financial liability maturities	642,689	771,599	1,414,288	1,337,883

Refer to Note 5.4.2 for the maturity analysis of interest rate swaps.

5.4.6 Fair Value Risk

The fair value of financial assets and financial liabilities not measured at fair value approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements except as set out in Note 4.7.2.

The Group measures its interest rate swaps at fair value. These fair values are based on level 2 fair value measurements, as defined in the fair value hierarchy in AASB 13 *Fair Value Measurement* with reference to market data which can be used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period.

5.5 Contributed Equity

	2016 Shares	2016 $'000	2015 Shares	2015 $'000
Ordinary shares fully paid	352,377,933	1,116,573	350,719,894	1,097,928
VCR Shares	-	(525)	833,334	417
Balance at the end of the year	**352,377,933**	**1,116,048**	**351,553,228**	**1,098,345**
Movement in Ordinary Share Capital				
Balance at the beginning of the year	**350,719,894**	**1,097,928**	**204,338,625**	**214,514**
Issued during the year				
• Consideration for acquisitions	**-**	**-**	4,873,700	2,679
• Conversion of vested VCR shares	728,334	1,399	1,275,333	2,397
• Dividend Reinvestment Plan	786,949	2,270	257,719	1,696
• Equity Incentive Plan	142,756	401	151,668	759
• Shares issued through Entitlement Offer*	-	-	139,822,849	890,939
• Transfer from share-based payment reserve	-	11,808	-	6,199
• Reversal of capital raising costs, net of tax	-	2,767	-	(21,255)
Balance at the end of the year	**352,377,933**	**1,116,573**	**350,719,894**	**1,097,928**

*The Group made two Entitlement Offers during the previous year to eligible shareholders to raise finance for the acquisition of SGS being the Institutional Entitlement Offer and a Retail Entitlement offer. Under the Entitlement Offers, eligible shareholders were invited to subscribe for two ordinary shares for every three existing ordinary shares held at the record date per the ASX announcement. Each new share ranks equally with the existing shares.

Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During 2016, the company paid a dividend of $19,330,000 (30 June 2015: $17,620,000).

5.5 Contributed Equity (continued)

VCR Shares

All VCR shares have vested (728,334 VCR shares) or been redeemed (105,000 VCR shares) in the current year. As at 30 June 2016 there were nil VCR shares on issue (30 June 2015: 833,334 VCR shares). Please refer to Note 5.6 for discussion on the rights attached to VCR shares.

5.6 Share-Based Payment Arrangements

5.6.1 Accounting Policies

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The consolidated entity operates share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

5.6.2 Employee Equity Incentive Plan (“EIP”)

For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

The Group introduced a broad based equity incentive plan which was approved by the Shareholders at the 2014 Annual General Meeting (“AGM”).

(i). Exempt Share Save Scheme (“SSS”)

In 2015 the Group introduced an offer for Exempt Shares in the Equity Incentive Plan. The Plan gives the Group’s employees the opportunity to acquire shares in the Company. Each year, participating employees can make contributions from their pre-tax salary to acquire $500 worth of shares. Such employee contributions are matched by the Group with an additional $500 worth of shares being acquired for each participating employee. All employees who are Australian tax residents with at least 6 months service are entitled to participate in this Plan. Shares acquired under this Plan are subject to a holding period of 3 years. In the year ended 30 June 2016, 142,756 shares were issued under this scheme (30 June 2015: 65,688 shares).

(ii). Share Incentive Plan (“SIP”)

The plan also incorporates a tax-approved scheme to employees in the UK. The Plan gives the Group’s employees the opportunity to acquire shares in the Company. Employees can make contributions from their pre-tax salary to acquire £375 (max) worth of shares. Such employee contributions are matched by the Group with a free share for every share purchased by the employee. All employees of the Group in the UK with at least 6 months service are entitled to participate in this Plan. Shares acquired under this plan are held in trust by MM&K Share Plan Trustee Ltd for a period of 5 years from the date of acquisition. There was no issue of shares under this plan in the current year ended 30 June 2016 (30 June 2015: 85,980 shares).

(iii). Executive Equity Incentive Scheme (“EEIS”)

The plan introduces an ownership-based compensation scheme for executives and senior employees.

Performance rights are granted for no consideration. Under the scheme each performance right carries an entitlement to one fully paid ordinary share in the Company subject to satisfaction of performance hurdles and/or continued employment at an exercise price of nil. These executives and senior employees are not entitled to vote or receive any dividends or attend the meeting of the shareholders during the vesting period. Performance rights may not be transferred, disposed or pledged as security. If the executive ceases to be employed by the Group within the vesting period, the rights will be forfeited, except in limited circumstances that are approved by the Board.

The performance hurdles are based on the following:

- Total Shareholder Return (“TSR”) Outperformance Hurdle – This performance hurdle is based on the Company’s TSR against the TSR of the constituent companies within the S&P/ASX200 (30 June 2015:S&P/ASX 300) index (excluding resources) over the Measurement Period.

5.6.2 Employee Equity Incentive Plan ("EIP") (continued)

- Compound Annual Growth Rate in Earnings Per Share ("CAGR EPS") Hurdle – This performance hurdle is based on the Company's Compound Annual Growth Rate in Earnings Per Share over the Measurement Period.
- Compound Annual Growth Rate in Regional EBITDA ("CAGR EBITDA") Hurdle – This performance hurdle is based on the designated Region's Compound Annual Growth Rate in EBITDA over the Measurement Period.

Any performance rights not vested at the end of the performance period are forfeited.

FY16 EEIS Offer

An offer for 547,128 rights was made to Executives in November 2015, and was accepted by those invited to participate. The granting of the performance rights was, however, placed on hold and the plan for FY16 was subsequently cancelled. Under AASB 2, cancellation of performance rights results in an acceleration of vesting and therefore the full fair value of the performance rights of $63,412 was recognised as a share based payment expense in profit or loss in the year ended 30 June 2016.

FY15 EEIS Offer and Grant

In late 2014, an offer for performance rights was made and accepted by Executives invited to participate, resulting in 496,000 rights being granted to Executives.

The performance conditions applying to the FY15 grant were as follows:

CAGR EPS Hurdle (Group Directors only)		CAGR EPS Hurdle		TSR Outperformance Hurdle		CAGR EBITDA	
Performance	% of equity to vest	Performance	% of equity to vest	Performance	% of equity to vest	Performance	% of equity to vest
< 10%	0%	< 7%	0%	< 50th percentile	0%	< 15%	0%
10% to 15%	50% to 100% pro-rata	7% to 10%	50% to 100% pro-rata	50th to 75th percentile	50% to 100% pro-rata	15% to 20%	50% to 100% pro-rata
> 15%	100%	> 10%	100%	> 75th percentile	100%	> 20%	100%

The fair value of services received in return for the performance rights granted is calculated by reference to the average of volume weighted average price of ordinary shares on each of 5, 10, 15 and 20 days immediately preceding the grant date and is measured at grant date. The weighted average fair values at grant date are determined using a fair valuation model which reflects the fact that vesting of the shares is dependent on meeting performance criteria based on TSR. The vesting of the shares is also subject to non-market conditions but these are not taken into account in the grant date fair value measurement of the services received. The assessed fair value of performance rights granted under this scheme as remuneration is allocated equally over the period from grant date to vesting date.

The key terms and conditions related to the performance rights granted under this plan are as follows:

Grant date/employee entitled	Performance rights granted	Fair value of rights at Grant date	Vesting conditions*	Contractual life of performance rights
Group Executive Directors and Non-Directors in Australia (31 October 2014)	124,000	2.4643	50% subject to TSR Outperformance hurdle and 50% subject to CAGR EPS hurdle	3 years
Group Executives in the UK (12 December 2014)	44,000	2.4799	Same as above	3 years
Regional Executives in Australia (31 October 2014)	176,000	6.1608	50% subject to CAGR EBITDA hurdle and 50% subject to CAGR EPS hurdle	3 years
Regional Executives in the UK (12 December 2014)	152,000	6.1997	Same as above	3 years

* All performance rights include 3 years' service condition from grant date.

Notes to the Financial Statements

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5.6.2 Employee Equity Incentive Plan ("EIP") (continued)

Total number of rights granted under both the FY15 and FY16 plan:

Grant date	Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
31 October 2014	300,000	-	-	(16,000)	-	284,000	-
12 December 2014	196,000	-	-	(68,000)	-	128,000	-
18 December 2015	-	547,128 [1]	-	-	(547,128)	-	-

[1] Performance rights were offered, accepted but not granted as the plan was subsequently cancelled.

Share-based payment expenses recognised in profit or loss are disclosed in Note 3.2.

5.6.3 Employee Ownership Plan ("EOP")

The EOP has been replaced by the EIP (refer 5.6.2 above) and is therefore currently in run-off. No new shares have been issued under the EOP during the year ended 30 June 2016.

The EOP provided for the issue of VCR shares to participants in a number of tranches and for the Company to make a full recourse loan to participants equal to the total amount that is to be subscribed.

The loan is secured by the VCR shares or the converted VCR shares. The offer made by the Board specified the date by which the loan must be repaid.

Vesting, Redemptions and Conversion

Vesting conditions were set by the Board and related to the performance of the participant and the performance of the Company. Cessation of employment with the Group resulted in the forfeiture of that participant's VCR shares. The Board has the power to specify other forfeiture events.

Where vesting conditions were not met or a forfeiture event occurred, the Company had the power to redeem the relevant tranche (or tranches) of VCR shares for an amount equal to the relevant proportion of the subscribed amount (this amount may be offset against any loan made to the participant).

If all vesting conditions were satisfied, and no forfeiture event had occurred, each tranche of VCR shares vested, and then automatically converted to ordinary shares on a one for one basis, on the relevant vesting date.

All remaining VCR shares were either redeemed or vested and converted to ordinary shares during the current year, resulting in nil VCR shares as at 30 June 2016.

After Conversion

After conversion the shares rank in all respects pari passu with all other shares on issue. However those shares will be subject to disposal restrictions.

If the participant ceases employment with the Group, their converted VCR shares can be forfeited or bought back by the Company and set off against any outstanding loan. The participant may be deemed liable for any shortfall between the value of the shares forfeited or brought back by the Company and the loan amount.

At the cessation of the Buyback Period, each participant is required to enter into a Binding Commitment with the Company in respect of their converted VCR shares. Under the Binding Commitment the participants in the EOP will be under the following restrictions:

They will be required to maintain a minimum level of shareholding for as long as they remain an employee of the Group. The minimum holding is calculated based on the:

- lower of 15% of the aggregate number of VCR shares, or 20% of the aggregate value (based on the issue price) of VCR shares, issued to that employee which have vested and converted to shares.
- if they cease to be employed by the Group, they may forfeit or be required to dispose of some or all of their shares upon such termination. The ramifications of a departure from employment are linked to the circumstances surrounding that departure.

Transfer

VCR shares may not be transferred. During the Buyback Period, converted VCR shares may not be transferred; however, an exception applies for a takeover or scheme of arrangement relating to the Company that meets certain conditions set out in the EOP.

5.6.3 Employee Ownership Plan ("EOP") (continued)

Profile of Vesting, Conversion and Redemption of VCR Shares to Ordinary Shares

The profile of the conversion of VCR shares relating to the issued VCR shares in February 2011, December 2011, December 2012 and February 2013 into ordinary shares (subject to disposal restrictions) based on the shares issued under the EOP as at 30 June 2016:

	Vested '000	1 year or less '000	1 to 5 years '000	More than 5 years '000	Total '000
VCR shares which have (or may) vest as ordinary shares	5,683	-	-	-	5,683
VCR shares which may convert to ordinary shares but are subject to disposal restrictions	3,719	-	1,964	-	5,683

Accounting Recognition

The VCR Share loan receivable is initially recognised at its fair value and is ascertained with reference to the effective interest method under AASB 139 *Financial Instruments: Recognition and Measurement*. The profit or loss impact is taken as the difference between the expected repayment period and the expected present value of the loan amount at the reporting date and is recognised as interest income.

The key assumptions used in the present value calculation are:

Date VCR shares issued	22 February 2011	31 December 2011	20 December 2012 and 25 February 2013
Shares issued	1,830,000	2,390,000	2,425,000
Issue price	$2.05	$1.79	$1.95
Effective interest rate	8.5%	8.5%	8.5%
Final repayment date	1 July 2014 to 1 July 2018 (1)	1 July 2015 to 1 July 2018 (1)	1 July 2016 to 1 July 2018 (1)

(1) During the year, the Board extended the final repayment date for each remaining tranche to 30 June 2018.

The benefit provided to the employee is required to be recognised in the accounts under AASB 2 *Share-based Payment*. The benefit is assessed as the difference between the fair value of the VCR shares at the issue date and the present value discounted over the vesting period. The benefit is expensed with reference to the effective interest rate method over the vesting period. The share based payments expense has been disclosed in Note 3.2.

5.6.4 Share Based Payment Arrangements to Former Owners

The Group has changed its accounting treatment of deferred consideration payable for the acquisition of legal service practices. Arrangements that include contingent consideration to vendors of the business that are subject to so-called "bad leaver" provisions were previously considered as part of the consideration paid or payable for the business combination.

Included in the terms of a number of purchase agreements entered into by the Group is an arrangement whereby the payment of cash consideration to and/or the retention of share-based consideration by the vendors of acquired entities is contingent upon the relevant vendors remaining with the Group for a defined period. If a vendor ceases to remain with the Group for the prescribed period, the vendor may forfeit its entitlement to payment of the cash consideration and/or its ability to retain its share-based consideration, at the discretion of the Group.

These arrangements are treated as a share-based payment transaction with the former owners. The transaction is measured at the fair value of the equity instruments granted and then recognised as an expense over the vesting period as agreed per each contract. The relevant expense is disclosed in the statement of profit or loss and other comprehensive income.

5.6.5 Share Based Payment Arrangements under the Syndicated Facility Agreement ("SFA")

As mentioned in note 5.2.1, in May 2016, the terms of the multicurrency SFA were revised. Under the revised terms, the company is required to pay a deferred restructure fee to its lenders on refinancing or maturity of the debt in the form of cash or warrants, at the irrevocable option of the lender. As reported to the market on 6 June 2016, 58.4% of lenders elected to be paid in cash whilst 41.6% have elected to be paid in warrants. The warrants provide for a placement of shares of up to 15% of any uplift in the market capitalisation of the Company from the effective date of the SFA amendment to such refinancing or maturity.

5.6.5 Share Based Payment Arrangements under the Syndicated Facility Agreement ("SFA") (continued)

The deferred restructure fee was accounted for as a compound share-based payment within the scope of AASB 2, including a debt and equity component. The total value of the restructure fee was measured directly, with reference to the fair value of the debt establishment services, being $17.8m. This was determined by proxy as the present value of the cash settlement option which amounted to $20.2m, therefore the initial liability was recognised at $17.8m and the residual equity component was initially measured at nil. The costs associated with this deferred restructure fee have been treated as transaction costs relating to the underlying borrowing and are being amortised to the income statement over the term of the facility. Refer note 5.2.2 for more information.

Partial settlement of the deferred restructure fee liability occurred in June 2016 when 41.6% of the lenders elected to take the warrant payment option. This resulted in a reclassification from liability to share based payment reserve in equity of $7.4m with no gain or loss recognised on reclassification. Despite not being due until at least 29 May 2018, the warrants vested immediately, as there are no conditions attached to the exercise of the warrants. This equity component is not remeasured after vesting and no gain or loss will be recognised when the share capital is issued on settlement. Upon settlement and issuance of shares, the equity amount will be transferred to contributed capital.

The remaining cash payment restructure fee is treated as a cash-settled share-based payment and is remeasured to fair value at each reporting date up until settlement, with gains and losses recognised in profit or loss. Gains and losses on remeasurement of $0.1m are presented within finance costs for the year ended 30 June 2016. The liability recognised for the remaining cash component as at 30 June 2016 is $10.5m and is presented included in the net long term borrowings amounts as detailed in Note 5.2.3.

Note 6: Other Notes

6.1 Related Party Disclosures

6.1.1 Equity Interests in Related Parties

The table below lists the primary operating controlled entities of the Group. Individual controlled entities that are dormant have not been listed. All are owned 100% unless noted.

Country of incorporation

Australia

Trilby Misso Lawyers Limited	Schultz Toomey O'Brien Pty Ltd
Slater & Gordon Lawyers NSW Pty Limited	All States Legal Co Pty Ltd
Conveyancing Works (Qld) Pty Limited	SG NSW Pty Ltd

United Kingdom

SGL UK

Walker Smith Way Limited	4 Legal Solutions Limited
WSW Limited	Slater & Gordon (UK) LLP
Slater & Gordon (UK) 1 Limited	Adroit Financial Planning Limited
4 Legal Limited	

SGS

Quindell Legal Services Limited	Quindell Business Process Service (UK) Limited
iSaaS Technology Limited	Accident Advice Helpline Direct Limited
Compass Costs Consultants Ltd	Legal Facilities & Management Services Limited
Intelligent Claims Management Limited	Access to Compensation Limited
Mobile Doctors Group Limited	Liberty Protect Limited
Medici Legal Limited	Slater Gordon Solutions Legal Limited
Mobile Doctors Solutions Limited	Quindell ACH Limited
Mobile Doctors Limited	Crusader Group Holdings Limited
React & Recover Medical Group Limited	Equi-Medical Reports Limited
Recover Healthcare Limited	Equi Rehab Limited
React Medical Reporting Limited	Crusader Uninsured Loss Recovery Services Limited
React Medical Management Limited	Crusader Connect Limited
Medicalaw Limited	SGS Business Process Services (UK) Limited
Abstract Legal Holdings Limited	

Malta

Overland Limited	Overland Malta (Trading) Limited
Overland Health Limited	

6.1.1 Equity Interests in Related Parties (continued)

ACH Group Management Limited was disposed of during the period. Overland Legal Limited and Property Home Buyer Limited were liquidated during the period.

6.1.2 Deed of Cross Guarantee

All Australian segment entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. Please refer to the Slater and Gordon Australia segment in Note 2 for further information.

6.1.3 Key Management Personnel Compensations

	2016 $	2015 $
Compensation by category		
Short-term employment benefits	4,056,725	3,733,136
Post-employment benefits	213,254	210,386
Other long term employment benefits	60,741	54,954
Share based payments	73,548	49,084
Other benefits	499,331	-
	4,903,599	4,047,560

6.1.4 Transactions with Other Related Parties

The shareholdings of related parties and remuneration of KMP are disclosed in the Directors' Report.

Outstanding receivables, if any, between related parties are included in Note 4.2. Outstanding payables, if any, are included in Note 4.6.

6.2 Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2016 the parent entity of the Group was Slater and Gordon Limited. Investments in subsidiary are accounted for at cost, less any impairment recognised since acquisition.

	2016 $'000	2015 $'000 Restated
Results of parent entity		
(Loss)/profit for the year	(1,133,848)	71,538
Other comprehensive loss	(334)	(351)
Total comprehensive (loss)/income for the year	(1,134,182)	71,187

There has been a recharge by the parent entity of management and associated services and interest expense to the subsidiary entities up to 31 May 2016.

	2016 $'000	2015 $'000 Restated
Financial position for the parent entity at year end		
Current assets	134,306	328,910
Total assets	412,799	1,518,650
Current liabilities	91,857	102,520
Total liabilities	290,813	270,493
Total equity of the parent company comprising of		
Contributed equity	1,115,993	1,098,292
Reserves	34,705	25,399
Retained profits	(1,028,712)	124,466
Total Equity	121,986	1,248,157

6.3 Auditor's Remuneration

The auditor of the Group for the year ended 30 June 2016 is Ernst & Young (30 June 2015: Pitcher Partners).

	2016 $	2015 $
Audit Services		
Ernst & Young		
Audit and review of financial reports	700,000	-
Overseas Ernst & Young firms		
Audit and review of financial reports	2,797,090	1,614,080
Other regulatory audit services	57,446	-
Other Auditor		
Audit and review of financial reports	218,553	685,557
Other regulatory audit services	51,531	43,472
	3,824,620	2,343,109
Other Services		
Ernst & Young		
Other – consulting services	257,000	-
Overseas Ernst & Young firms		
Due diligence investigations	-	1,475,791
Other Auditor		
Other – consulting services	282,033	-
Due diligence investigations	16,125	177,860
	4,379,778	**3,996,760**

6.4 Accounting Standards issued but not yet effective at 30 June 2016

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective, which have not been early adopted are listed below. A formal assessment of the expected impacts of these standards and interpretations has not taken place, however, it is not expected that there will be significant changes in the Group's accounting policies.

Reference	Title	Application date of Standard	Application date for Group
AASB 9	*Financial Instruments*	1 January 2018	1 July 2018

AASB 9 is the replacement of AASB139 Financial Instruments: Recognition and measurement and comprises three parts. The first part introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are:

- Financial assets that are debt instruments will be classified based on (i) the objective of the entity's business model for managing the financial assets, and (ii) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- 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 recognising the gains and losses on them, on different bases.
- 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

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

6.4 Accounting Standards issued but not yet effective at 30 June 2016 (continued)

The second part of AASB 9 relates to hedge accounting and represents a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

The final part of AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments and other assets e.g. contract assets/work in progress recognised under AASB15 that are subject to impairment requirements of AASB 9.

Reference	Title	Application date of Standard	Application date for Group
AASB 2016-3	*Amendments to Australian Accounting Standards – Clarifications to AASB 15*	1 January 2018	1 July 2018

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.

Reference	Title	Application date of Standard	Application date for Group
AASB 16	*Leases*	1 January 2019	1 July 2019

The key features of AASB 16 are as follows:

Lessee Accounting

- Lessees are required to recognise assets and liabilities for all leases on balance sheet with a term of more than 12 months, unless the underlying asset is of low value.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

Lessor Accounting

- AASB 16 substantially carries forward the lessor accounting requirements in the current lease standard AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

Note 7: Unrecognised Items

7.1 Guarantees

The Group has entered into lease rental guarantees and performance guarantees with a face value of $12.5m (30 June 2015: $28.6m).

7.2 Contingent Consideration

The Group may be required to pay contingent consideration in relation to acquisitions that have been undertaken. Further details are included in Notes 4.7 and 9.

7.3 Other Commitments and Contingencies

The Group has agreements with third party disbursement funders, ASK Funding Limited and Equal Access Funding Proprietary Limited ('the existing funders"), who fund disbursements in respect of individual matters and are reimbursed out of any settlement proceeds on the matter. The Group has provided a financial guarantee to the funders for the repayment of clients' obligations.

During the prior financial year, the Group ended its arrangement with ASK Funding and settled all disbursements previously funded by ASK Funding and recognised them as part of the receivables balance at 30 June 2015. The total amount funded by the funders to the Group's clients at 30 June 2016 is $19.0m (30 June 2015: $18.9m). The maximum exposure of the Group at 30 June 2016 is $19.0m (30 June 2015: $18.9m) if the disbursements on client matters are not recovered from any other party.

Note 8: Subsequent Events

Subsequent to the end of the financial year there have been no matters or circumstances that have significantly affected, or may significantly affect, the results reported in the financial statements.

Note 9: Business Combinations

9.1 Accounting Policies

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition-date fair value, and the amount of any non-controlling interests in the acquiree. Deferred consideration payable is measured at present value. Any contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Contingent consideration classified as a liability that is a financial instrument and within the scope of AASB 139 is measured at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or the proportionate share of the acquiree identifiable net assets. Acquisition related costs are expensed as incurred.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a gain from bargain purchase.

In conjunction with the business combination transaction there may be a transfer of assets between controlled entities as part of restructuring the acquired business. The parent accounts for such transfers through reallocation of the cost of the investments in its statement of financial position.

Critical Accounting Estimates and Judgements

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method ("MEEM") whilst the fair value of trademarks acquired in a business combination is based on a relief from royalties approach. These methods require estimates by management of future income streams, applicable royalty rates and discount rates

Provisional accounting is applied by the Group to account for business combinations when the initial accounting is incomplete at the end of the reporting period. An entity has 12 months to finalise its provisional accounting. By its nature provisional accounting involves estimates and judgements based on the information available to the Group at the end of the reporting period, while it continues to seek information about facts and circumstances that existed as of the acquisition date.

9.2 Current Period Business Combinations

There were no business combinations during the year ended 30 June 2016.

9.3 Prior Period Business Combinations

9.3.1 Acquisition of business – All States Legal Co Pty Ltd trading as Nowicki Carbone

On 31 October 2014, the Group acquired the business of Nowicki Carbone, a personal injury law firm based in Melbourne, Victoria.

The strategic rationale for this business acquisition was:

- to further expand the Group's personal injury law practice;
- synergies expected to be achieved as a result of combining the acquired business with the rest of the Group; and
- to reaffirm the Group's position as the leading law firm brand in the Australian consumer legal services market.

The initial accounting for this acquisition had previously been provisionally determined. The necessary fair valuation of consideration and net assets acquired has now been finalised and is reflected in the amounts detailed below. This revaluation has resulted in an increase in the work in progress of $5,805,000 and additional provisions raised of $986,000 resulting in an increase in the gain from bargain purchase of $4,819,000.

9.3.1 Acquisition of business – All States Legal Co Pty Ltd trading as Nowicki Carbone (continued)

The consideration transferred and the value of the assets and liabilities assumed at the date of acquisition are as follows:

Consideration	$'000
Cash	10,000
Total consideration	**10,000**

Net assets acquired	Fair Value
	$'000
Assets	
- Trade and other receivables	3,158
- Work in progress	45,014
- Plant and equipment	993
- Intangible assets	57
- Deferred taxation	770
- Other assets	1,323
Total assets acquired	51,315
Liabilities	
- Bank overdraft	(151)
- Payables	(3,448)
- Provisions	(511)
- Borrowings	(319)
Total liabilities acquired	(4,429)
Net assets acquired	46,886
Gain from bargain purchase	**(36,886)**

Acquisition-related costs for this acquisition amounting to $nil (30 June 2015: $270,000) have been excluded from the total consideration and have been recognised as an expense in the period, within the 'costs associated with acquisitions' line item in the statement of profit or loss and other comprehensive income.

9.3.2 Acquisition of Business – Slater Gordon Solutions

On 29 May 2015 the Group acquired SGS from Quindell Plc. SGS comprised of 52 legal entities incorporated in the UK and Malta. A listing of the entities, excluding dormant entities, is shown in Note 6.1.1.

The principal activities of SGS are:

(i). First notification of loss ("FNOL") services for various partner organisations, including insurance brokers, insurers, motoring organisations and vehicle manufacturers. These services include the facilitation of vehicle retrieval, repair and replacement vehicle hire for not at fault drivers;

(ii). Conducting claims on behalf of not at fault parties to road traffic accidents ("RTA"), including car hire, repair and personal injury claims;

(iii). Conducting claims on behalf of individuals injured in the course of employment or in a public place ("EL/PL"). One type of employers' liability claim that SGS is currently conducting are personal injury claims for a large group of people who allege noise induced hearing loss ("NIHL") as a consequence of employment and who may be entitled to compensation as a result. It is expected that these NIHL claims will be concluded in the next 1 to 3 years; and

(iv). Services complementary to these claims processes, including:

(a). A medical reporting service for claimant lawyers;

(b). The assessment, triage and facilitation of rehabilitation services for not at fault parties injured in accidents; and

(c). A costing service for lawyers and law firms.

The strategic rationale for this business acquisition was:

- to become the leading personal injury group in the UK; and
- access to a comprehensive platform of businesses, processes and infrastructure that augments the Group's existing UK operation.

9.3.2 Acquisition of Business – Slater Gordon Solutions (continued)

The consideration transferred and the value of the consolidated assets and liabilities assumed at the date of acquisition is as follows:

Consideration	$'000
Cash	936,793
Repayment of cash consideration for SGS acquisition	(2,399)
Cash paid for liabilities acquired from previous owner	357,902
Net present value of total consideration	**1,292,296**

Net assets acquired	Fair Value $'000
Assets	
- Cash and cash equivalents	5,129
- Trade and other receivables	266,359
- Work in progress	121,941
- Plant and equipment	4,890
- Intangible assets	50,342
- Current tax assets	34,484
- Deferred tax assets	47,768
- Other assets	7,080
Total assets acquired	537,993
Liabilities	
- Short-term borrowings	(10)
- Current tax liability	(14,080)
- Payables	(331,098)
- Provisions	(7,504)
- Deferred tax liabilities	(9,304)
Total liabilities acquired	(361,996)
Net assets acquired	175,997
Goodwill on acquisition	**1,116,299**

The initial accounting for the acquisition of SGS had previously been provisionally determined. The necessary fair valuation of consideration and net assets acquired has now been finalised and is reflected in the amounts detailed above. The respective changes to reported provision fair value of net assets acquired are:

- $31.4m reduction in the fair value of work in progress;
- $93.5m decrease in the fair value of trade and other receivables and other assets;
- Increase in current tax assets by $5.4m;
- Reduction of Brand Names totalling $20.9m with an assessed fair value of Nil at acquisition date (Quindell Business Processes Services ("QPBS") and Accident Claims Helpline ("ACH"));
- Increase in the deferred tax asset by $3.0m to recognise the future tax benefit associated with the revised fair value of WIP in accordance with AASB 15, AASB 3 restatements, and other fair value adjustments incorporating carry forward losses;
- Reduction in the fair value of trade payables and provisions by $14.4m; and
- $4.1m reduction to deferred tax liabilities associated with de-recognition of acquired brands (QPBS & ACH).

The resulting impact of the above fair value adjustment is to increase the value of Goodwill on acquisition to $1.116 billion.

The key item that gave rise to the goodwill above is the capacity of SGS to underpin strategic growth of the personal injuries practice within the UK market. However, during the current year ended 30 June 2016 an impairment expense of $814.2m was recognised against this goodwill. Refer to Note 4.1 for further detail.

9.3.2 Acquisition of Business – Slater Gordon Solutions (continued)

Acquisition-related costs for this acquisition amounting to $445,006 (30 June 2015: $20,776,000) have been recognised as an expense in the period, within the 'costs associated with acquisitions' line item in the statement of profit or loss and other comprehensive income.

It remains impractical for the Group to determine an estimate of the noise-induced hearing loss ("NIHL") claims asset and associated deferred consideration.

On 5 August 2015, Quindell Plc, the vendor of SGS, published qualified financial statements in which the current directors and auditors of Quindell Plc explained, inter alia, that relevant information relating to transactions entered into by the former directors that could impact on the accounting, intention, commercial purpose or value of certain transactions was not available to them.

On 5 August 2015 the Serious Fraud Office in the United Kingdom advised that it had opened a criminal investigation into the business and accounting practices of Quindell Plc.

The acquisition of SGS was structured as an acquisition of the various entities rather than an acquisition of the common stock of Quindell Plc. Moreover, Quindell Plc provided detailed warranties to the Company in relation to the operations of the assets comprising SGS. Those warranties are secured by a Warranty Escrow account holding £50m until October 2016.

The Company is confident that it has no liability as a result of the matters described above.

In the course of preparing these financial statements, the Directors have sought to identify, understand and properly account for all relevant prior transactions undertaken by entities within SGS. Despite reasonable inquiries, including of current directors of Quindell Plc, the Directors are unable to identify or rationalise every historic transaction undertaken by the former directors of the various entities and have made fair value adjustments as appropriate. The Directors believe that none of the known transactions relate to the fundamental business activities or economics of SGS and none of the known transactions are material in value or effect to the Company.

9.3.3 Acquisition of other Businesses in the UK

During the prior year ended 30 June 2015, the Group acquired the following businesses in the UK:

Acquisition Date	Business	Location	Business Type
5 September 2014	Flint Bishop LLP	Derby, UK	Personal Injury Law
8 May 2015	Leo Abse Cohen	Wales, UK	Personal Injury Law and Consumer Legal Services

The strategic rationale for these business acquisitions was:

- diversification of earnings through expansion of geographic coverage; and
- to become a dominant law firm brand in the consumer legal services market in the UK.

The initial accounting for the acquisitions had previously been provisionally determined.

The necessary fair valuation of consideration and net assets acquired has now been finalised and is reflected in the amounts detailed below. For Flint Bishop LLP this revaluation has resulted in an increase in the work in progress of $1.6m and increase in deferred tax liability of $0.3m resulting in a decrease of the goodwill to nil, and a resulting gain from bargain purchase of $1.2m. For Leo Abse Cohen this revaluation has resulted in a decrease in the work in progress of $1.5m and decrease in deferred tax liability of $0.3m resulting in a decrease in the gain from bargain purchase of $1.2m.

The consideration transferred and the value of the consolidated assets and liabilities assumed at the dates of acquisition are as follows:

9.3.3 Acquisition of other Businesses in the UK (continued)

Consideration	$'000
Cash	13,136
Fair value of deferred and contingent consideration (cash)	1,427
Net present value of total consideration	**14,563**

Net assets acquired	Fair Value $'000
Assets	
- Trade and other receivables	7,670
- Work in progress	29,356
- Other assets	850
Total assets acquired	37,876
Liabilities	
- Payables	(4,499)
- Provisions	(1,140)
- Deferred tax liabilities	(20)
Total liabilities acquired	(5,659)
Net assets acquired	32,217
Gain from bargain purchase	**(17,654)**

*The acquisition of Flint Bishop LLP resulted in a gain from bargain purchase of $1,226,000 and the acquisition of Leo Abse Cohen resulted in a gain from bargain purchase of $16,428,000.

Acquisition-related costs for these acquisitions amounting to $28,000 (30 June 2015: $458,000) have been recognised as an expense in the period, within the 'costs associated with acquisitions' line item in the statement of profit or loss and other comprehensive income

9.3.4 Acquisition of Business – Walker Smith Way Limited

On 30 April 2015, the Group acquired the business of Walker Smith Way Limited, a personal injury and consumer law practice operating throughout Northern England and Wales.

The strategic rationale for this business acquisition is:

- diversification of earnings through expansion of geographic coverage; and
- to become a dominant law firm brand in the consumer legal services market in the UK.

The initial accounting for this acquisition had previously been provisionally determined. The necessary fair valuation of consideration and net assets acquired has now been finalised and is reflected in the amounts detailed below. This revaluation has resulted in an increase in the work in progress of $8.7m, a decrease in trade and other receivables of $0.2m and an increase in deferred tax liability of $1.7m resulting in an increase in the gain from bargain purchase of $6.8m.

The consideration transferred and the value of the assets and liabilities assumed at the date of acquisition are as follows:

9.3.4 Acquisition of Business – Walker Smith Way Limited (continued)

Consideration	**$'000**
Cash	5,204
Cash settled vendor debt	6,427
Fair value of deferred consideration (cash)	947
Net present value of total consideration	**12,578**

Net assets acquired	**Fair Value**
	$'000
Assets	
- Cash and cash equivalents	2,174
- Trade and other receivables	7,449
- Work in progress	28,885
- Plant and equipment	67
Total assets acquired	38,575
Liabilities	
- Payables	(4,313)
- Provisions	(1,328)
- Deferred tax liabilities	(4,565)
Total liabilities acquired	(10,206)
Net assets acquired	28,369
Gain from bargain purchase	**(15,791)**

Acquisition-related costs for this acquisition amounting to $nil (30 June 2015: $230,000) has been recognised as an expense in the period, within the 'costs associated with acquisitions' line item in the statement of profit or loss and other comprehensive income.

Slater and Gordon Limited

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 50 to 95 and the directors' report are in accordance with the *Corporations Act 2001* and:

(a). Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b). As stated in Note 1, the financial statements also comply with International Financial Reporting Standards;

(c). Give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that:

- Slater and Gordon Limited will be able to pay its debts as and when they become due and payable.
- the Company and the group entities identified in Note 6.1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

This declaration is made in accordance with a resolution of the directors.

John Skippen

Chair

Melbourne

29 August 2016

Andrew Grech

Group Managing Director

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of Slater and Gordon Limited

Report on the financial report

We have audited the accompanying financial report of Slater and Gordon Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 1.1, 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 judgement, 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 and fair presentation of the financial report 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.

Building a better working world

Opinion

In our opinion:

a. the financial report of Slater and Gordon Limited is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

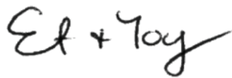
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 29 to 48 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Slater and Gordon for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young

Christopher George
Partner
Melbourne
29 August 2016

Additional ASX Information

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 26 August 2016.

(a). Distribution of shareholders and option holders.

Holding		Number of Ordinary Shareholders	Performance Rights
1	- 1,000	4,471	-
1,001	- 5,000	8,178	12
5,001	- 10,000	3,281	18
10,001	- 100,000	4,001	15
100,001	- Over	436	-
		20,367	45

There are 3,566 shareholders holding less than a marketable parcel of 944 shares each (i.e. less than $500 per parcel of shares).

(b). Twenty largest shareholders

	Shareholder	Number of Shares held	% Held
1	HSBC Custody Nominees (Australia) Limited	16,707,261	4.74
2	J P Morgan Nominees Australia Limited	9,925,181	2.82
3	Citicorp Nominees Pty Limited	9,045,793	2.57
4	Mr Andrew Grech	6,383,238	1.81
5	Mr Ken Fowlie	5,096,221	1.45
6	ABN AMRO Clearing Sydney Nominees Pty LTD (Custodian A/C)	4,805,256	1.36
7	Mr Hayden Stephens	4,255,115	1.21
8	Ms Cath Evans	3,981,433	1.13
9	BNP Paribas Noms Pty Ltd (DRP)	3,050,441	0.87
10	Comsec Nominees Pty Ltd	2,791,963	0.79
11	Hishenk Pty Ltd	2,700,000	0.77
12	Mr Patrick Thomas Bergin	1,877,400	0.53
13	Writing College Australia Pty LTD	1,807,591	0.51
14	Mr Jake John Rutten & Mrs Dinah Ann Rutten (Jake Rutten Super)	1,650,000	0.47
15	Mr Denis Baulsom	1,575,000	0.45
16	Deansgate 123 LLP	1,516,015	0.43
17	Mr Albert Wijeweera	1,243,091	0.35
18	Joeman Holdings Pty LTD	1,240,170	0.35
19	Mr Adrian Crisafi	1,232,000	0.35
20	Mr Harry Hatch	1,118,888	0.32
		82,002,057	23.27

(c). Substantial Shareholders

A substantial shareholder is one who has a relevant interest in 5 per cent or more of the total issued shares in the Company. Following are the substantial shareholders in the Company based on notifications provided to the Company under the *Corporations Act 2001*:

Shareholder	Number	Ordinary Shares % *
None		

** Percentage of shares held based on total issued capital of the Company at the time a substantial shareholder notice was provided to the Company.*

(d). Voting Rights

All issued ordinary shares carry one vote per share.

VCR shares and performance rights do not carry any voting rights.

Corporate Directory

Directors
John Skippen, Chair
Andrew Grech, Group Managing Director
Ian Court
Ken Fowlie
Erica Lane
Rhonda O'Donnell
James M. Millar

Company Secretary
Bryce Houghton

Registered Office and Corporate Office
Level 12
485 La Trobe Street
Melbourne Victoria 3000
Telephone: (03) 9602 6888
Facsimile: (03) 9600 0290

Company Website
www.slatergordon.com.au

Company Numbers
ACN 097 297 400
ABN 93 097 297 400

Auditors
Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Bankers
Westpac Banking Corporation
Level 7
150 Collins Street
Melbourne Victoria 3000

National Australia Bank
Level 30
500 Bourke Street
Melbourne Victoria 3000

Solicitors
Arnold Bloch Leibler
Level 21
333 Collins Street
Melbourne Victoria 3000

Securities Exchange Listing
Slater and Gordon Limited shares are listed on the Australian Securities Exchange. The Home Exchange is Melbourne.
ASX Code: SGH

Share/Security Registers
The Registrar
Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067

GPO Box 2975
Melbourne Victoria 3001

Telephone
Toll Free 1300 850 505 (Australia)
+61 3 9415 4000 (Overseas)

Investor Centre Website:
www.computershare.com.au

Email:
web.queries@computershare.com.au

slatergordon.com.au