

ASX Announcement

29 February 2016

Market Update

Slater and Gordon Ltd (SGH) notes ASIC's media release of today which is attached to this announcement and available at: <http://asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/16-050mr-asic-notes-slater-and-gordons-decision-to-reduce-asset-values/>

ENDS

ASIC NOTES SLATER AND GORDON'S DECISION TO REDUCE ASSET VALUES

29 February 2016

ASIC today noted the decision by Slater and Gordon Limited (S+G) to reduce asset values in its financial report for the half year ended 31 December 2015.

ASIC also noted S+G's earlier decision to reclassify a portion of its work in progress (WIP) and disbursement assets as non-current in its financial report for the year ended 30 June 2015.

ASIC had made inquiries of S+G in relation to its financial report for the year ended 30 June 2014 and had subsequently raised questions in relation to the financial report for the year ended 30 June 2015.

ASIC's inquiries mainly concerned the recoverable amount of goodwill attributable to the company's Australian and UK businesses, the recognition of fee revenue and related WIP, provisioning against debtors and disbursement assets, and the basis for classifying WIP and disbursement assets as current assets.

In its financial report for the half-year ended 31 December 2015, S+G has:

- Impaired goodwill from the May 2015 acquisition of the Slater Gordon Solutions business in the UK;
- Impaired goodwill arising from various acquisitions of legal services businesses in the UK and Australia;
- Reduced the value of WIP on the adoption of accounting standard AASB 15 *Revenue from Contracts with Customers*; and
- Increased its provisions against debtor and disbursement assets.

Further details on these matters are provided in the company's ASX announcement and financial report.

ASIC's inquiries on revenue recognition and WIP focussed on the appropriateness of accounting policies adopted and the testing of WIP estimates and assumptions against historical data. Given S+G's transition to AASB 15, ASIC has not approved or disapproved of S+G's use of the percentage of completion basis of accounting for fee revenue under accounting standard AASB 118 *Revenue* in its previous financial reports.

ASIC has now discontinued its inquiries in relation to S+G's financial reports for the years ended 30 June 2014 and 30 June 2015.

ASIC proactively reviews 340 financial reports of listed entities and other public interest entities each year. As a part of these routine reviews, S+G's financial reports for the half year ended 31 December 2015 and subsequent reporting periods may be selected for review in the future.

ASIC's financial reporting surveillance program continues to focus on impairment of non-financial assets, values attributed to financial assets, and the appropriate recognition of revenue.