

**APPENDIX 4D STATEMENT**

(Listing rule 4.2A.3)

**PRELIMINARY FINAL REPORT  
for the half-year ended 31 December 2016****Results for announcement to the market**

|   | <b>31 December<br/>2016<br/>\$'000</b> | <b>31 December<br/>2015<br/>\$'000</b> | <b>% change to prior year</b> |       |
|---|--|--|-------------------------------|-------|
| <b>1. Revenues from ordinary activities</b>                               | 322,663                                | 487,474                                | down                          | 33.8% |
| <b>2. Loss from ordinary activities after tax attributable to members</b> | (425,090)                              | (958,337)                              | down                          | 55.6% |

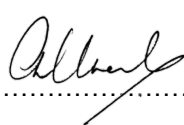
**Dividend information**

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| <b>3. Total dividend per ordinary share</b>   | <b>31 December<br/>2016</b> | <b>31 December<br/>2015</b> |
| Current year interim dividend proposed  | nil                         | nil                         |
| Prior year final dividend declared and paid   | nil                         | 5.50 cents                  |
| (31 Dec 2015: Final dividend partially franked (40%) at 30% tax rate paid on 29 October 2015) |                             |                             |
| <b>Total dividend per ordinary share</b>  | nil                         | 5.50 cents                  |
| <b>4. Record date for determining entitlements to the final dividend</b>                      |                             |                             |
| Not applicable  |                             |                             |

|  |                                    |                                    |
|--|------------------------------------|------------------------------------|
| <b>5. Net tangible asset per security</b>        | <b>31 December 2016<br/>\$'000</b> | <b>31 December 2015<br/>\$'000</b> |
| Net Tangible Assets                              | (147,169)                          | (13,733)                           |
|  | <b>Number of shares</b>            | <b>Number of shares</b>            |
| Total number of ordinary shares of the Company   | 352,377,933                        | 352,377,933                        |
| Net tangible asset backing per ordinary security | (41.76) cents                      | (3.89) cents                       |

Additional Appendix 4D disclosure requirements can be found in the condensed consolidated financial report for the half-year ended 31 December 2016 (attached).

This report is based on the half-year condensed consolidated financial report which has been independently reviewed. The financial report is not subject to a qualified independent review statement but contains a statement regarding the existence of a material uncertainty relating to going concern.

Sign here: .....  Date: 27 February 2017

Andrew Grech  
Group Managing Director

SLATER AND GORDON LIMITED and CONTROLLED ENTITIES  
ABN 93 097 297 400

# **FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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# Directors' Report

The Directors present their report, together with the condensed consolidated half-year financial report consisting of Slater and Gordon Limited ("the Company") and its controlled entities (jointly referred to as "the Group"), for the half-year ended 31 December 2016. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

## Directors

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

- John Skippen – Chair
- Andrew Grech – Group Managing Director
- Ian Court (retired 30 August 2016)
- Ken Fowlie – Chief Executive Officer, United Kingdom (UK) (retired 30 August 2016)
- Erica Lane (retired 30 August 2016)
- Rhonda O'Donnell
- James M. Millar
- Tom Brown (appointed 1 September 2016)

All directors, other than as noted above, have been in office since the start of the financial period to the date of this report.

## Review of Operations

The Group ended the half-year to 31 December 2016 with:

- total revenue and other income of \$322.7 million (2015: \$487.5 million);
- a net loss after tax of \$425.1 million (2015: \$958.3 million). Excluding intangibles impairment, the net loss before tax is \$56.4 million (2015: \$93.2 million); and
- negative operating cash flows generated of \$11.4 million (2015: \$83.3 million). Excluding payments to former owners, interest received, borrowing costs and income tax received/paid, the Group generated negative half-year gross operating cash flows of \$4.8 million (2015: \$61.1 million).

The result for the half-year ended 31 December 2016 was impacted by:

- a \$350.3 million impairment charge against the carrying value of the UK cash generating units' goodwill and indefinite life intangibles;
- a decline in revenue, mostly in the UK operations, due to slower than anticipated progress with various productivity improvement initiatives and, in some practice groups, slower than expected case settlement profiles; and
- a reduction in operating expenditure across the Group by an amount greater than the revenue decline.

The UK Government's consultation paper regarding whiplash reforms was published in November 2016 and the consultation findings were anticipated by April 2017. On 23 February the Government introduced legislation into the UK parliament to give effect to its legislative change proposal. Slater and Gordon has actively participated in the consultation process and, in concert with other market participants, has suggested alternative solutions which address community concerns in a balanced way. 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 and continues to actively engage with policy makers and the insurance sector to ensure that any changes to the law are in the best interests of the injured people it represents.

The Company was in compliance with its financial covenants both at 31 December 2016 and at the date of this report, however the Group's ability to continue as a going concern relies on the continued support of its lenders. In this regard, the Group recently presented revised financial forecasts to the lenders and their financial advisers covering the period to 30 June 2020 and a number of recapitalisation options. Discussions with lenders on recapitalisation are ongoing and the Board has reason to believe that a successful outcome will be concluded in the coming months.

## Significant Changes in the State of Affairs

Other than disclosed above, there have been no significant changes in the state of affairs of the Group that require disclosure in this report.

# Directors' Report

## Events Subsequent to Reporting Date

Other than the matters detailed in Note 1.2, there have not been any matters or circumstances that have significantly affected, or may significantly affect, the results reported in 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 review for the half-year is provided with this report.

## 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 Legislative Instrument applies.

Signed in accordance with a resolution of the Directors.



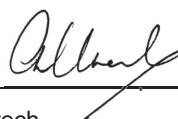
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John Skippen

Chair

Melbourne

27 February 2017



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Andrew Grech

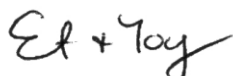
Group Managing Director

## 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 half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Christopher George  
Partner  
Melbourne  
27 February 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2016

|  | Note | 31 Dec 2016<br>\$'000 | 31 Dec 2015<br>\$'000 |
|--|------|-----------------------|-----------------------|
| <b>Revenue</b>   |      |                       |                       |
| Fee revenue  |      | 264,182               | 352,500               |
| Net movement in work in progress   |      | (14,678)              | (8,624)               |
| Services revenue   |      | 66,334                | 135,701               |
| <b>Revenue from contracts with customers</b>                               | 3.1  | <b>315,838</b>        | <b>479,577</b>        |
| Other income   |      | 6,825                 | 7,897                 |
| <b>Total revenue and other income</b>                                      |      | <b>322,663</b>        | <b>487,474</b>        |
| <b>Less expenses</b>   |      |                       |                       |
| Salaries and employee benefit expense                                      |      | 167,183               | 215,808               |
| Payments to former owners  |      | 3,271                 | 11,540                |
| Share based payment expense to former owners                               |      | 3,806                 | 7,695                 |
| Cost of sales  |      | 48,536                | 101,155               |
| Rental expense   |      | 13,536                | 19,431                |
| Advertising, marketing and new business development                        |      | 43,944                | 89,137                |
| Administration and office expense  |      | 37,053                | 49,393                |
| Consultant fees  |      | 11,227                | 11,693                |
| Finance costs  |      | 25,626                | 15,476                |
| Bad and doubtful debts   |      | 6,837                 | 29,472                |
| Depreciation and amortisation expense                                      |      | 5,402                 | 11,324                |
| Costs associated with acquisitions   |      | -                     | 621                   |
| Other expenses   |      | 12,632                | 17,911                |
| Impairment of intangible assets  |      | 350,304               | 876,449               |
| <b>Loss before income tax</b>  |      | <b>(406,694)</b>      | <b>(969,631)</b>      |
| Income tax expense/(benefit)   |      | 18,396                | (11,294)              |
| <b>Loss for the half-year after income tax</b>                             |      | <b>(425,090)</b>      | <b>(958,337)</b>      |
| <b>Other comprehensive income, net of tax</b>                              |      |                       |                       |
| <b>Items that may be reclassified subsequently to profit or loss:</b>      |      |                       |                       |
| Foreign currency translation differences - foreign operations              |      | (11,158)              | (10,730)              |
| Changes in fair value of cash flow hedges                                  |      | 746                   | (383)                 |
| <b>Total items that may be reclassified subsequently to profit or loss</b> |      | <b>(10,412)</b>       | <b>(11,113)</b>       |
| <b>Other comprehensive loss for the half-year, net of tax</b>              |      | <b>(10,412)</b>       | <b>(11,113)</b>       |
| <b>Total comprehensive loss for the half-year, net of tax</b>              |      | <b>(435,502)</b>      | <b>(969,450)</b>      |
| <b>Loss for the half-year attributed to:</b>                               |      |                       |                       |
| Owners of the Company  |      | (424,964)             | (958,181)             |
| Non-controlling interests  |      | (126)                 | (156)                 |
|  |      | <b>(425,090)</b>      | <b>(958,337)</b>      |
| <b>Total comprehensive loss for the half-year attributed to:</b>           |      |                       |                       |
| Owners of the Company  |      | (435,372)             | (969,288)             |
| Non-controlling interests  |      | (130)                 | (162)                 |
|  |      | <b>(435,502)</b>      | <b>(969,450)</b>      |
| Basic loss per share (cents)   | 3.3  | (120.6) cents         | (272.6) cents         |
| Diluted loss per share (cents)   | 3.3  | (120.6) cents         | (272.6) cents         |

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

# Consolidated Statement of Financial Position

As at 31 Decemeber 2016

|   | Note | 31 Dec 2016<br>\$'000 | 30 Jun 2016<br>\$'000 |
|---|------|-----------------------|-----------------------|
| <b>Current assets</b>   |      |                       |                       |
| Cash and cash equivalents   |      | 56,971                | 82,494                |
| Receivables   |      | 474,930               | 528,915               |
| Work in progress  |      | 331,241               | 361,898               |
| Current tax assets  |      | 222                   | 16,803                |
| Other current assets  |      | 23,544                | 24,217                |
| <b>Total current assets</b>                                       |      | <b>886,908</b>        | <b>1,014,327</b>      |
| <b>Non-current assets</b>   |      |                       |                       |
| Property, plant and equipment                                     |      | 33,978                | 33,207                |
| Receivables   |      | 26,783                | 8,853                 |
| Work in progress  |      | 223,363               | 225,635               |
| Intangible assets   | 4.1  | 21,197                | 393,970               |
| Deferred tax assets   |      | 20,777                | 46,725                |
| Other non-current assets  |      | 9,169                 | 11,314                |
| <b>Total non-current assets</b>                                   |      | <b>335,267</b>        | <b>719,704</b>        |
| <b>Total assets</b>   |      | <b>1,222,175</b>      | <b>1,734,031</b>      |
| <b>Current liabilities</b>  |      |                       |                       |
| Payables  |      | 430,657               | 463,570               |
| Short term borrowings   |      | 22,650                | 3,642                 |
| Current tax liabilities   |      | 7,044                 | 9,301                 |
| Other current liabilities   |      | 5,688                 | 7,490                 |
| Provisions  |      | 45,300                | 52,455                |
| <b>Total current liabilities</b>                                  |      | <b>511,339</b>        | <b>536,458</b>        |
| <b>Non-current liabilities</b>                                    |      |                       |                       |
| Payables  |      | -                     | 510                   |
| Long term borrowings  |      | 714,742               | 761,138               |
| Deferred tax liabilities  |      | 105,217               | 112,950               |
| Derivative financial instruments                                  |      | 1,905                 | 2,841                 |
| Provisions  |      | 14,944                | 15,037                |
| <b>Total non-current liabilities</b>                              |      | <b>836,808</b>        | <b>892,476</b>        |
| <b>Total liabilities</b>  |      | <b>1,348,147</b>      | <b>1,428,934</b>      |
| <b>Net (liabilities) / assets</b>                                 |      | <b>(125,972)</b>      | <b>305,097</b>        |
| <b>Equity</b>   |      |                       |                       |
| Contributed equity  | 5.2  | 1,116,268             | 1,116,048             |
| Reserves  |      | 48,095                | 54,290                |
| Accumulated losses  |      | (1,290,312)           | (865,348)             |
| <b>Total equity attributable to equity holders in the Company</b> |      | <b>(125,949)</b>      | <b>304,990</b>        |
| Non-controlling interest  |      | (23)                  | 107                   |
| <b>Total equity</b>   |      | <b>(125,972)</b>      | <b>305,097</b>        |

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



# Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2016

| 31 December 2016  | Note | Contributed Equity | Accumulated Losses | 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           |
| <b>Balance as at 1 July 2016</b>                                  |      | <b>1,116,048</b>   | <b>(865,348)</b>   | <b>(2,319)</b>            | <b>35,699</b>                        | <b>20,910</b>               | <b>304,990</b>   | <b>107</b>               | <b>305,097</b>   |
| Net loss after tax for the half-year                              |      | -                  | (424,964)          | -                         | -                                    | -                           | (424,964)        | (126)                    | (425,090)        |
| Total other comprehensive income/(loss) for the half-year         |      | -                  | -                  | 746                       | (11,154)                             | -                           | (10,408)         | (4)                      | (10,412)         |
| <b>Total comprehensive (loss)/income for the half-year</b>        |      | <b>-</b>           | <b>(424,964)</b>   | <b>746</b>                | <b>(11,154)</b>                      | <b>-</b>                    | <b>(435,372)</b> | <b>(130)</b>             | <b>(435,502)</b> |
| <b>Transactions with owners in their capacity as owners</b>       |      |                    |                    |                           |                                      |                             |                  |                          |                  |
| Ordinary and VCR shares issued (net)                              |      | 127                | -                  | -                         | -                                    | -                           | 127              | -                        | 127              |
| Transfer from share based payments reserve                        | 5.2  | 100                | -                  | -                         | -                                    | (100)                       | -                | -                        | -                |
| Recognition of share based payments expense to former owners      |      | -                  | -                  | -                         | -                                    | 3,806                       | 3,806            | -                        | 3,806            |
| Costs of equity raising   | 5.2  | (7)                | -                  | -                         | -                                    | -                           | (7)              | -                        | (7)              |
| Performance rights  |      | -                  | -                  | -                         | -                                    | 507                         | 507              | -                        | 507              |
| <b>Total transactions with owners in their capacity as owners</b> |      | <b>220</b>         | <b>-</b>           | <b>-</b>                  | <b>-</b>                             | <b>4,213</b>                | <b>4,433</b>     | <b>-</b>                 | <b>4,433</b>     |
| <b>Balance as at 31 December 2016</b>                             |      | <b>1,116,268</b>   | <b>(1,290,312)</b> | <b>(1,573)</b>            | <b>24,545</b>                        | <b>25,123</b>               | <b>(125,949)</b> | <b>(23)</b>              | <b>(125,972)</b> |

| 31 December 2015  | Note | Contributed Equity | Retained Profits / (Accumulated Losses) | 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           |
| <b>Balance as at 1 July 2015 (restated)</b>                       |      | <b>1,098,345</b>   | <b>171,288</b>                          | <b>(1,189)</b>            | <b>70,689</b>                        | <b>10,619</b>               | <b>1,349,752</b> | <b>419</b>               | <b>1,350,171</b> |
| Net loss after tax for the half-year                              |      | -                  | (958,181)                               | -                         | -                                    | -                           | (958,181)        | (156)                    | (958,337)        |
| Total other comprehensive loss for the half-year                  |      | -                  | -                                       | (383)                     | (10,724)                             | -                           | (11,107)         | (6)                      | (11,113)         |
| <b>Total comprehensive loss for the half-year</b>                 |      | <b>-</b>           | <b>(958,181)</b>                        | <b>(383)</b>              | <b>(10,724)</b>                      | <b>-</b>                    | <b>(969,288)</b> | <b>(162)</b>             | <b>(969,450)</b> |
| <b>Transactions with owners in their capacity as owners</b>       |      |                    |   |                           |                                      |                             |                  |                          |                  |
| Ordinary and VCR shares issued (net)                              |      | 2,783              | -                                       | -                         | -                                    | -                           | 2,783            | -                        | 2,783            |
| Dividends paid  | 3.2  | -                  | (19,330)                                | -                         | -                                    | -                           | (19,330)         | -                        | (19,330)         |
| Recognition of share based payments expense to former owners      |      | -                  | -                                       | -                         | -                                    | 7,695                       | 7,695            | -                        | 7,695            |
| Costs of equity raising   | 5.2  | 2,741              | -                                       | -                         | -                                    | -                           | 2,741            | -                        | 2,741            |
| Performance rights  |      | -                  | -                                       | -                         | -                                    | 265                         | 265              | -                        | 265              |
| <b>Total transactions with owners in their capacity as owners</b> |      | <b>5,524</b>       | <b>(19,330)</b>                         | <b>-</b>                  | <b>-</b>                             | <b>7,960</b>                | <b>(5,846)</b>   | <b>-</b>                 | <b>(5,846)</b>   |
| <b>Balance as at 31 December 2015</b>                             |      | <b>1,103,869</b>   | <b>(806,223)</b>                        | <b>(1,572)</b>            | <b>59,965</b>                        | <b>18,579</b>               | <b>374,618</b>   | <b>257</b>               | <b>374,875</b>   |

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

Certain amounts shown here do not correspond to the 31 December 2015 half-year financial statements and reflect fair value adjustments on finalisation of acquisition accounting.

# Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2016

|  | Note | 31 Dec 2016<br>\$'000 | 31 Dec 2015<br>\$'000 |
|--|------|-----------------------|-----------------------|
| <b>Cash flow from operating activities</b>                     |      |                       |                       |
| Receipts from customers  |      | 421,563               | 532,963               |
| Payments to suppliers and employees                            |      | (426,399)             | (594,098)             |
| Payments to former owners                                      |      | (12,657)              | (1,356)               |
| Interest received  |      | 238                   | 122                   |
| Borrowing costs  |      | (3,297)               | (11,419)              |
| Income tax received/(paid)                                     |      | 9,174                 | (9,508)               |
| <b>Net cash utilised by operating activities</b>               |      | <b>(11,378)</b>       | <b>(83,296)</b>       |
| <b>Cash flow from investing activities</b>                     |      |                       |                       |
| Payment for software development                               |      | (606)                 | (6,067)               |
| Payment for plant and equipment                                |      | (5,257)               | (8,294)               |
| Costs associated with acquisition of businesses                |      | -                     | (621)                 |
| Cash balance transferred on disposal of businesses             |      | (1,502)               | -                     |
| Payment for acquisition of businesses – deferred consideration |      | (1,444)               | (11,259)              |
| <b>Net cash utilised in investing activities</b>               |      | <b>(8,809)</b>        | <b>(26,241)</b>       |
| <b>Cash flow from financing activities</b>                     |      |                       |                       |
| Costs of equity issued   |      | (7)                   | (85)                  |
| Loans/payments to related parties and employees                |      | (1,393)               | (3,257)               |
| Proceeds from borrowings                                       |      | -                     | 110,649               |
| Repayment of borrowings  |      | (1,119)               | (25,733)              |
| Dividends paid   |      | -                     | (17,060)              |
| <b>Net cash (utilised)/provided by financing activities</b>    |      | <b>(2,519)</b>        | <b>64,514</b>         |
| Net decrease in cash held                                      |      | (22,706)              | (45,023)              |
| Net foreign exchange differences                               |      | (2,817)               | (72)                  |
| Cash at beginning of half-year                                 |      | 82,494                | 96,985                |
| <b>Cash at end of half-year</b>                                |      | <b>56,971</b>         | <b>51,890</b>         |

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

# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 1: Basis of Preparation

The half-year financial report was authorised for issue by the Directors as at the date of the Directors' Report.

Slater and Gordon Limited is a for-profit company whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are to provide consumer legal services in Australia and the United Kingdom ("UK").

### 1.1 Basis of Accounting

This half-year financial report for the six months ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group's annual financial report as at 30 June 2016.

It is also recommended that the half-year financial report be considered with any public announcements made by the Group up to the date of this report in accordance with the continuous disclosure obligations of the Australian Securities Exchange listing rules.

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.

### 1.2 Basis of Measurement and the Going Concern Assumption

The financial statements have been prepared using the going concern assumption which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half-year ended 31 December 2016, the Group incurred a net loss after tax of \$425.1 million (including \$350.3 million of intangible asset impairment) and generated negative net cash flow from operating activities of \$11.4 million. At 31 December 2016 the Group's total liabilities exceed its total assets by \$126.0 million.

With effect from 27 December 2016, the Group agreed various amendments to the Slater and Gordon Syndicated Facility Agreement ("SFA") with its banking syndicate ("lenders"). Facilities provided under the SFA are fully drawn with borrowings of \$737.6 million recognised as at 31 December 2016. Based on exchange rates as at 31 December 2016, \$20.0 million is repayable in August 2017, \$10.0 million is repayable in February 2018, \$421.4 million is repayable in May 2018 and \$286.2 million is repayable in March 2019.

The Group's current operating environment continues to present challenges and uncertainty. On 15 February 2017 the Group presented updated trading and cash flow forecasts and a number of recapitalisation options to its lenders. Under the SFA, a majority of lenders by value must agree to a satisfactory recapitalisation plan by 26 May 2017. Negotiations between the Group and lenders are ongoing and the Group has reasonable grounds to believe that these will be satisfactorily concluded. Should this not occur, the borrowings under the SFA may become due and payable within a further 14 days of this date.

The Group will not have sufficient free cash flow to pay interest and repay the facilities in May 2018, or earlier, and there is some risk that it may not meet minimum cash balances specified in the SFA. Accordingly, the Group requires the ongoing support of its lenders to continue as a going concern.

As stated in Note 6, Class Action proceedings were commenced against Slater and Gordon on 12 October 2016 in the Federal Court of Australia. Without admission, there are no unencumbered assets available to meet any judgement that the class complainants may obtain against the Group other than the potential benefit (if any) from applicable insurance policies.

The above matters present a material uncertainty in relation to the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

After taking into account all available information, the Directors have concluded that there are currently reasonable grounds to believe:

- the existing borrowing facilities will be restructured such that the Group will continue to be able to pay its debts as and when they become due and payable; and
- preparation of the 31 December 2016 half-year financial report on a going concern basis is currently appropriate.

The Directors have formed this view based on a number of factors including:

- the support that lenders have afforded the Group, in the form of amendments to the SFA, since it was first established in May 2015;
- the absence of advice from lenders of a withdrawal of their support;
- the nature and scope of recent and ongoing confidential discussions with the lenders and their advisors; and
- that a recapitalisation plan produces a better return to lenders, and other stakeholders, than the alternatives.

# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 1: Basis of Preparation (continued)

### 1.3 Adoption of New Accounting Standards

The accounting policies adopted in the preparation of the half-year financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. None of the new standards or amendments, which had an effective date of 1 July 2016, had a material impact on the Group.

### 1.4 Significant Accounting Judgements, Estimates and Assumptions

In preparing these half-year 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 were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 2: Segment Reporting

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. All operating segment results are regularly reviewed by the Group 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 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 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 UK.
- **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                    |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 31 Dec<br>2016<br>\$'000 | 31 Dec<br>2015<br>\$'000 | 31 Dec<br>2016<br>\$'000 | 31 Dec<br>2015<br>\$'000 | 31 Dec<br>2016<br>\$'000 | 31 Dec<br>2015<br>\$'000 | 31 Dec<br>2016<br>\$'000 | 31 Dec<br>2015<br>\$'000 |
| <b>Revenue</b>                               |                          |                          |                          |                          |                          |                          |                          |                          |
| Fee and services revenue                     | 114,205                  | 138,529                  | 75,636                   | 115,618                  | 140,675                  | 234,054                  | 330,516                  | 488,201                  |
| Net movement in work in progress ("WIP")     | 2,874                    | (15,453)                 | (9,557)                  | (8,669)                  | (7,995)                  | 15,498                   | (14,678)                 | (8,624)                  |
| <b>Revenue from contracts with customers</b> | <b>117,079</b>           | <b>123,076</b>           | <b>66,079</b>            | <b>106,949</b>           | <b>132,680</b>           | <b>249,552</b>           | <b>315,838</b>           | <b>479,577</b>           |
| Other income                                 |                          |                          |                          |                          |                          |                          | 6,825                    | 7,897                    |
| <b>Total revenue and other income</b>        |                          |                          |                          |                          |                          |                          | <b>322,663</b>           | <b>487,474</b>           |
| <b>Result</b>                                |                          |                          |                          |                          |                          |                          |                          |                          |
| EBITDA*                                      | (1,526)                  | (19,874)                 | (41,906)                 | (26,013)                 | 17,552                   | (21,025)                 | (25,880)                 | (66,912)                 |
| Depreciation and amortisation                | (2,630)                  | (6,344)                  | (1,937)                  | (3,414)                  | (835)                    | (1,566)                  | (5,402)                  | (11,324)                 |
| Impairment of intangible assets              | -                        | (52,745)                 | (42,744)                 | (9,458)                  | (307,560)                | (814,246)                | (350,304)                | (876,449)                |
| Loss before tax and net finance expense      | (4,156)                  | (78,963)                 | (86,587)                 | (38,885)                 | (290,843)                | (836,837)                | (381,586)                | (954,685)                |
| Net finance expense                          |                          |                          |                          |                          |                          |                          | (25,108)                 | (14,946)                 |
| Loss before income tax                       |                          |                          |                          |                          |                          |                          | (406,694)                | (969,631)                |
| Income tax (expense)/benefit                 |                          |                          |                          |                          |                          |                          | (18,396)                 | 11,294                   |
| <b>Net loss after income tax</b>             |                          |                          |                          |                          |                          |                          | <b>(425,090)</b>         | <b>(958,337)</b>         |
| EBITDAW**                                    | (4,400)                  | (4,421)                  | (32,349)                 | (17,344)                 | 25,547                   | (36,523)                 | (11,202)                 | (58,288)                 |

|   | AUS                      |                          | SGL UK                   |                          | SGS                      |                          | TOTAL                    |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 31 Dec<br>2016<br>\$'000 | 30 Jun<br>2016<br>\$'000 | 31 Dec<br>2016<br>\$'000 | 30 Jun<br>2016<br>\$'000 | 31 Dec<br>2016<br>\$'000 | 30 Jun<br>2016<br>\$'000 | 31 Dec<br>2016<br>\$'000 | 30 Jun<br>2016<br>\$'000 |
| Total segment assets  | 417,550                  | 429,675                  | 467,169                  | 512,157                  | 337,456                  | 792,199                  | 1,222,175                | 1,734,031                |
| Total segment liabilities   | 315,332                  | 316,555                  | 788,423                  | 794,308                  | 244,392                  | 318,071                  | 1,348,147                | 1,428,934                |
| <b>Net assets/(liabilities) per statement of financial position</b> | <b>102,218</b>           | <b>113,120</b>           | <b>(321,254)</b>         | <b>(282,151)</b>         | <b>93,064</b>            | <b>474,128</b>           | <b>(125,972)</b>         | <b>305,097</b>           |

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

\*\*EBITDAW = EBITDA excluding the net movement in WIP.

# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 3: Financial Performance

### 3.1 Revenue from Contracts with Customers

#### 3.1.1 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.

| Half-Year ended<br>31 December 2016          | Australia     |               | UK            |               | SGS            | Total          |
|--|---------------|---------------|---------------|---------------|----------------|----------------|
|  | PIL<br>\$'000 | GL<br>\$'000  | PIL<br>\$'000 | GL<br>\$'000  |                |                |
| Type of contract:                            |               |               |               |               |                |                |
| Fixed price                                  | -             | 9,340         | 540           | 2,749         | 23,094         | 35,723         |
| Time and Materials                           | -             | 11,514        | 3,067         | 19,519        | 47,156         | 81,256         |
| No Win – No Fee                              | 87,211        | 9,014         | 39,706        | 498           | 62,430         | 198,859        |
| <b>Revenue from contracts with customers</b> | <b>87,211</b> | <b>29,868</b> | <b>43,313</b> | <b>22,766</b> | <b>132,680</b> | <b>315,838</b> |
| <b>Half-Year ended 31 December 2015</b>      |               |               |               |               |                |                |
| Type of contract:                            |               |               |               |               |                |                |
| Fixed price                                  | -             | 11,426        | -             | 5,074         | -              | 16,500         |
| Time and Materials                           | -             | 15,989        | 7,523         | 23,025        | 127,833        | 174,370        |
| No Win – No Fee                              | 90,509        | 5,151         | 70,780        | 548           | 121,719        | 288,707        |
| <b>Revenue from contracts with customers</b> | <b>90,509</b> | <b>32,566</b> | <b>78,303</b> | <b>28,647</b> | <b>249,552</b> | <b>479,577</b> |

### 3.2 Dividends

|  | 31 Dec 2016<br>\$'000 | 31 Dec 2015<br>\$'000 |
|--|-----------------------|-----------------------|
| <b>Dividends paid during the half-year</b>   |                       |                       |
| No dividend declared for year ended 30 June 2016 (30 June 2015: 5.50 cents, partially franked (40%)) | -                     | 19,330                |
| <b>Total dividends paid during the half-year</b>   | <b>-</b>              | <b>19,330</b>         |
| <b>Dividends proposed and not recognised as a liability</b>  |                       |                       |
| <i>Dividends on ordinary shares</i>  |                       |                       |
| No dividend proposed for the half-year ended 31 December 2016 (31 December 2015: no dividend)        | -                     | -                     |

### 3.3 Loss per Share

The following reflects the loss and share data used in the calculations of basic and diluted loss per share:

|   | 31 Dec 2016<br>\$'000 | 31 Dec 2015<br>\$'000 |
|---|-----------------------|-----------------------|
| Loss used in calculating basic and diluted loss per share   | (424,964)             | (958,181)             |
| Weighted average number of ordinary shares used in calculating basic loss per share ('000's)            | 352,378               | 351,442               |
| Adjusted weighted average number of ordinary shares used in calculating diluted loss per share ('000's) | 352,378               | 351,795               |

# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 4: Assets and Liabilities

### 4.1 Intangible Assets

|  | Goodwill<br>\$'000 | Software<br>Development<br>\$'000 | Trademarks &<br>Brand Names<br>\$'000 | Total<br>\$'000 |
|--|--------------------|-----------------------------------|---------------------------------------|-----------------|
| <b>Movement in carrying amounts</b>                  |                    |                                   |                                       |                 |
| Balance at 1 July 2015                               | 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   | -                  | (4,489)                           | (5,059)                               | (9,548)         |
| Impairment   | (879,506)          | -                                 | -                                     | (879,506)       |
| Disposals  | -                  | (55)                              | -                                     | (55)            |
| <b>Balance at 30 June 2016</b>                       | <b>332,868</b>     | <b>17,409</b>                     | <b>43,693</b>                         | <b>393,970</b>  |
|  |                    |                                   |                                       |                 |
| Additions  | -                  | 606                               | -                                     | 606             |
| Reclassifications from property, plant and equipment | -                  | (8)                               | -                                     | (8)             |
| Exchange differences                                 | (17,922)           | (678)                             | (2,313)                               | (20,913)        |
| Amortisation   | -                  | (1,805)                           | (69)                                  | (1,874)         |
| Impairment   | (309,050)          | -                                 | (41,254)                              | (350,304)       |
| Disposals  | -                  | (280)                             | -                                     | (280)           |
| <b>Balance at 31 December 2016</b>                   | <b>5,896</b>       | <b>15,244</b>                     | <b>57</b>                             | <b>21,197</b>   |

#### 4.1.1 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 "CGUs"). Goodwill and indefinite life intangible assets are allocated to CGUs according to applicable business operations.

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 Losses Recognised

The Group has considered whether any indicators that the carrying value of goodwill, other indefinite life intangibles and other non-financial assets may be impaired are present.

The Group considered the performance of the UK business, among other factors, when reviewing for indicators of impairment. Specifically in the half-year period to 31 December 2016, the UK businesses underperformed against budget and previous forecasts. Whilst the Group's UK business has shown signs of improvement, recovery has been slower than anticipated and given this, it was considered that the UK business showed indicators of being further impaired.

As a result, management performed an impairment test at 31 December 2016 for all CGUs in the UK. The impairment test was based on a fair value less costs of disposal methodology.

The following CGUs were impaired:

| CGU                             | Impairment loss<br>\$'000 | Recoverable amount<br>\$'000 |
|---------------------------------|---------------------------|------------------------------|
| Slater & Gordon Solutions (SGS) | 307,560                   | 70,181                       |
| UK – PIL                        | 42,744                    | 42,794                       |

#### 4.1.3 Key Assumptions Used in the Fair Value Less Costs of Disposal Calculations

Fair value less costs of disposal was calculated using a discounted cash flow model and is a Level 3 in the fair value hierarchy. The calculated recoverable amount was based on valuations performed by an external consultant using a statistical simulation of a range of future cash flow assumptions and scenarios. The scenarios modelled used a range of discount rates between 15% and 22% which took into account the current risks and circumstances of the UK operations. The forecast cash flows were projected over a period of 10.5 years, beyond which period a terminal growth rate of 2% was used to extrapolate cash flow projections.

The recoverable amount of the UK CGUs was measured using a value in use basis in the prior year. In the current period, an external consultant was engaged to perform a valuation for financing purposes and the Directors considered this valuation to be the most reliable measure of recoverable amount for the CGUs.

The goodwill and indefinite life intangibles in all UK CGUs are fully impaired as at 31 December 2016.



# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 4: Assets and Liabilities (continued)

### 4.2 Fair Value Measurements

#### 4.2.1 Fair Value Hierarchy

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. 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 below.

| 31 December 2016                                       | Level 1 | Level 2 | Level 3 | Total  |
|--|---------|---------|---------|--------|
| Recurring fair value measurements                      | \$'000  | \$'000  | \$'000  | \$'000 |
| <i>Financial liabilities</i>                           |         |         |         |        |
| Derivative financial instruments – interest rate swaps | -       | 1,905   | -       | 1,905  |
| Contingent consideration <sup>(1)</sup>                | -       | -       | 508     | 508    |
|  | -       | 1,905   | 508     | 2,413  |

| 30 June 2016   | Level 1 | Level 2 | Level 3 | Total  |
|--|---------|---------|---------|--------|
| Recurring fair value measurements                      | \$'000  | \$'000  | \$'000  | \$'000 |
| <i>Financial liabilities</i>                           |         |         |         |        |
| Derivative financial instruments – interest rate swaps | -       | 2,841   | -       | 2,841  |
| Contingent consideration <sup>(1)</sup>                | -       | -       | 2,068   | 2,068  |
|  | -       | 2,841   | 2,068   | 4,909  |

<sup>(1)</sup> Part of Vendor Liabilities which are included in Payables in the Statement of Financial Position

#### 4.2.2 Valuation Techniques and Inputs used in Level 2 and Level 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 2016: 9%) used to determine the present value of the future cash flows.

#### 4.2.3 Reconciliation of Recurring Level 3 Fair Value Movements

|  | 31 Dec 2016 | 30 Jun 2016  |
|--|-------------|--------------|
|  | \$'000      | \$'000       |
| Opening balance  | 2,068       | 6,090        |
| Payments relating to contingent consideration                  | (1,444)     | (3,584)      |
| Fair value movement on contingent consideration <sup>(2)</sup> | (116)       | (438)        |
| <b>Closing balance</b>   | <b>508</b>  | <b>2,068</b> |

<sup>(2)</sup> Unrealised (gains)/losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income within Other Income

There has been no change in the range of undiscounted contingent consideration outcomes during the period. 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.



# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 5: Capital Structure and Financing

### 5.1 Financing Arrangements

The Group has drawings of \$737.6m (30 June 2016: \$765.6m) under the Syndicated Facility Agreement ("SFA"), against limits of \$737.6m at 31 December 2016. The Group has cash on hand of \$57.0m (30 June 2016: \$82.5m), other borrowings of \$7.3m (30 June 2016: \$8.6m), offset by deferred debt raising costs of \$7.5m (30 June 2016: \$9.4m) resulting in net debt of \$680.4m (30 June 2016: \$682.3m) and available liquidity of \$62.7m (30 June 2016: \$88.3m). The Group's net debt position has decreased since 30 June 2016 by \$1.9m.

The bills of exchange and bank guarantee facility/letter of credit have been used 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.

### 5.2 Contributed Equity

|   | 31 Dec 2016<br>Shares | 31 Dec 2016<br>\$'000 | 30 Jun 2016<br>Shares | 30 Jun 2016<br>\$'000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Ordinary shares fully paid              | 352,377,933           | 1,116,666             | 352,377,933           | 1,116,573             |
| VCR Shares                              | -                     | (398)                 | -                     | (525)                 |
| <b>Balance at the end of the period</b> | <b>352,377,933</b>    | <b>1,116,268</b>      | <b>352,377,933</b>    | <b>1,116,048</b>      |

#### Movement in Ordinary Share Capital

|   | 31 Dec 2016<br>Shares | 31 Dec 2016<br>\$'000 | For the half-year ended |                  |
|---|-----------------------|-----------------------|-------------------------|------------------|
|   | 31 Dec 2015<br>Shares | 31 Dec 2015<br>\$'000 |                         |                  |
| <b>Balance at the beginning of the period</b> | <b>352,377,933</b>    | <b>1,116,573</b>      | <b>350,719,894</b>      | <b>1,097,928</b> |

#### Issued during the year

|   |                    |                  |                    |                  |
|---|--------------------|------------------|--------------------|------------------|
| • Conversion of vested VCR shares               | -                  | -                | 728,334            | 1,399            |
| • Dividend Reinvestment Plan                    | -                  | -                | 786,949            | 2,270            |
| • Equity Incentive Plan                         | -                  | -                | 142,756            | 401              |
| • Transfer from share-based payment reserve     | -                  | 100              | -                  | -                |
| • Costs of equity raising                       | -                  | (7)              | -                  | -                |
| • Reversal of capital raising costs, net of tax | -                  | -                | -                  | 2,741            |
| <b>Balance at the end of the period</b>         | <b>352,377,933</b> | <b>1,116,666</b> | <b>352,377,933</b> | <b>1,104,739</b> |

#### VCR Share Capital balance at the end of the period

|  |   |       |   |       |
|--|---|-------|---|-------|
|  | - | (398) | - | (870) |
|--|---|-------|---|-------|

#### Total Share Capital balance at the end of the period

|  |             |           |             |           |
|--|-------------|-----------|-------------|-----------|
|  | 352,377,933 | 1,116,268 | 352,377,933 | 1,103,869 |
|--|-------------|-----------|-------------|-----------|

#### 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.

#### VCR Shares

Please refer to the financial report for the year ended 30 June 2016 for detailed discussion on the rights attached to VCR shares.

## Note 6: Unrecognised Items

### 6.1 Other Commitments and Contingencies

The Group has an agreement with third party disbursement funder, Equal Access Funding Proprietary Limited ('the funder'), who funds disbursements in respect of individual matters and is reimbursed out of any settlement proceeds on the matter. The Group has provided a financial guarantee to the funder for the repayment of clients' obligations.

The total amount funded by the funder to the Group's clients at 31 December 2016 is \$18.3m (30 June 2016: \$19.0m). The maximum exposure of the Group at 31 December 2016 is \$18.3m (30 June 2016: \$19.0m) if the disbursements on client matters are not recovered from the funder.

# Notes to the Financial Statements

For the half-year ended 31 December 2016

## Note 6: Unrecognised Items (continued)

### 6.2 Contingent Asset

#### 6.2.1 Claims against Watchstone plc (Watchstone - formerly Quindell plc)

On 19 September 2016, the Group notified Watchstone of various claims it intends to bring against Watchstone arising from its acquisition of Watchstone's Professional Services Division (PSD) in May 2015. On 29 November 2016 the Group obtained a positive merits based opinion of its claims from an independent barrister, in accordance with the provisions of the Share Purchase Agreement (SPA) between the Group and Watchstone. Having met this threshold requirement, under the SPA provisions, the escrow amount of GBP50 million will not be released to Watchstone until such time as the claim made against Watchstone is resolved (through proceedings or settlement). The Group has until 19 June 2017 to issue or settle these claims.

### 6.3 Contingent Liabilities

#### 6.3.1 Shareholder Class Action

On 12 October 2016 legal proceedings were filed against the Company in the Federal Court of Australia on behalf of an open class of Slater and Gordon shareholders. The class claimants are represented by Maurice Blackburn.

Orders were made on 2 December 2016 requiring the Company to put on its defence and file any cross claims it wishes to make against third parties by 27 April 2017. No timetable has yet been set for trial.

The class proceeding asserts that the Company engaged in misleading and deceptive conduct and breached its continuous disclosure obligations during the period from 30 March 2015 to 24 February 2016. The class claimants seek orders that the Company pay statutory compensation or compensate them for damage suffered by them which resulted from the Company's contraventions or refund all monies paid by the Applicant and Group Members pursuant to the Watchstone PSD entitlement offer, plus interest and costs. The claim is an open class claim and the loss has not been quantified.

The class proceedings are being vigorously defended and Arnold Bloch Leibler (ABL) has been retained to defend this action. No amount has been provided for in the financial report.

#### 6.3.2 Australian Securities and Investments Commission (ASIC) Investigation

On 20 December 2016, ASIC served two notices on Slater and Gordon under section 30 of the ASIC Act, requiring the Company to produce specified books and records in relation to an investigation by ASIC into possible contraventions of four provisions of the Corporations Act 2001 and one provision of the Crimes Act 1958 (Vic) concerning the Company in the period from 1 December 2014 to 29 September 2015.

The Notices required two sets of books and records to be produced. The first required the production of emails of three specified employees for specific time periods and the second required the production of financial records relating to Work in Progress (WIP) as well as specific employee files, again for specified time periods. The first set of books and records required to be produced were provided to ASIC per the requested deadline of 23 December 2016 and the second set of books and records were provided to ASIC per the negotiated deadline of 11 January 2017.

The Company continues to work collaboratively with ASIC and has met all requirements sought of it to date.

## Note 7: Subsequent Events

Other than the matters detailed in Note 1.2, there have been no matters or circumstances that have significantly affected, or may significantly affect, the results reported in the financial statements.

# Slater and Gordon Limited

## Directors' Declaration

The directors declare that the financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001* and:

- (a). Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b). Give a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance and cash flows for the half-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.

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



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John Skippen

Chair

Melbourne

27 February 2017



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Andrew Grech

Group Managing Director

To the members of Slater and Gordon Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Slater and Gordon Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Slater and Gordon Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Slater and Gordon Limited is not in accordance with:

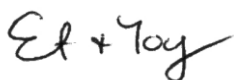
- a) the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1.2 in the half-year financial report which indicates that the consolidated entity incurred a net loss after tax of \$425.1 million, negative net cash flow from operating activities of \$11.4 million and, as at 31 December 2016 the consolidated entity's total liabilities exceed its total assets by \$126.0 million.

Note 1.2 describes the conditions that raise uncertainty regarding the consolidated entity's ability to continue as a going concern. It details uncertainties relating to cash flows which will not be sufficient to repay the Group's consolidated entity's borrowing facilities in May 2018 or earlier. It also details the consolidated entity's reliance on the ongoing support of its lenders which include the lenders' needing to agree to a recapitalisation plan by 26 May 2017 to continue as a going concern. Note 1.2 also describes the existence of Class Action proceedings against the Group, which are set out in more detail in Note 6.3.1.

These conditions along with other matters as set forth in Notes 1.2 and 6.3.1 indicate the existence of material uncertainties that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



Christopher George  
Partner  
Melbourne  
27 February 2017

# Corporate Directory

## Directors

John Skippen, Chair  
Andrew Grech, Group Managing Director  
Rhonda O'Donnell  
James M. Millar  
Tom Brown

## 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](http://www.slatergordon.com.au)

## Company Numbers

ACN 097 297 400  
ABN 93 097 297 400

## Auditor

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

## Solicitor

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](http://www.computershare.com.au)

## Email:

[web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)