

# ASX Announcement

## Slater and Gordon Group FY15 Full Year Financial Results

### Results Summary

Normalised<sup>(1)</sup> and excluding one month impact of the PSD (now Slater Gordon Solutions)

	FY15 A\$m	FY14 A\$m	Variance %
Total Revenue	521.9	411.1	27.0
EBITDA	121.6	100.8	20.7
EBITDA margin (%)	24.5	25.1	
NPAT	70.7	63.0	7.7
Net Operating Cash Flow/NPAT (%)	73.6	86.3	

(1) Normalised for acquisition costs A\$25m, discount on acquisition A\$21.8m, early termination of property lease A\$1.6m and AASB3 policy change.

Slater and Gordon Limited (“Slater and Gordon Group” or “the Company”) delivered a strong operational and financial performance in the twelve months ending 30 June 2015 with revenue, EBITDA and cash flow all in line with guidance.

Net debt at 30 June 2015 was A\$623 million with a gearing ratio (net bank debt/equity) of 43.0%.

The Directors have declared a final dividend of 5.5 cents per share, franked to 40% and payable on 29 October 2015 with a record date of 22 September 2015, a 10% increase on FY14.

### Highlights

#### United Kingdom

- The Personal Injury Law (PIL) practice capitalised on its emerging brand presence in the UK with a strong increase in new cases opened including in the multi-track (significant injury) area.
- The General Law (GL) practice is building momentum to become a leading provider of specialised personal legal services in the UK.
- More than 85% of staff at Slater and Gordon Lawyers now work on a common practice and case management system, with remaining staff on track to transfer by end H1 FY16.
- Successfully completed capital raising and completion of the Professional Services Division transaction (now Slater Gordon Solutions (SGS)) – July performance in line with expectations.

#### Australia

- Demonstrating its strength and resilience, the PIL practice achieved strong underlying growth in net fee revenue, after adjusting for expected poor but stabilising performance in Queensland.
- The GL practice performed in line with expectations and continues to build EBITDA.
- Acquisitions performed in line with expectations and are on track to complete the integration process in FY16.
- Overall the Australian business delivered an improvement in client satisfaction and a strong operating cash flow performance, demonstrating a continued trajectory of improvement, as GL emerges from its initial investment phase.

## **Group Managing Director's Commentary**

Slater and Gordon Group Managing Director Andrew Grech said: "We are very pleased with the financial results we have been able to deliver in FY15. We have put a lot of effort into business improvement initiatives throughout the year and it is satisfying to see this effort translating into improved client satisfaction, deeper brand awareness and improved financial performance. The underlying operational performance across Australia and the UK is strong and we have again delivered what we promised at both a strategic and operational level. The results are even more pleasing having regard to the intensive acquisition activity and additional scrutiny our team has had to contend with.

Our guidance reflects our confidence in the future of both Slater and Gordon Lawyers and Slater Gordon Solutions. We now have a commanding market share lead in both Australia and the UK. Free from the demands of near term acquisition activity, we will be able to focus our efforts on continuing to improve operating effectiveness".

## **Accounting Changes**

In consultation with our Group auditors, Slater and Gordon has reviewed a number of its accounting policies to enhance the understanding of market participants of the Group's financial statements.

Firstly, to assist understanding of revenue recognition, the Group will move to early adoption of AASB 15 – Revenue from Contracts with Customers in FY16. In the interim, the financial statements for FY15 will include enhanced disclosure regarding revenue recognition policy pursuant to the currently applicable Australian Accounting Standards AASB 118 – Revenue and AASB 111 – Construction Contracts.

Secondly, in order to enhance understanding of the relationship between work-in-progress (WIP) assets on the balance sheet and forward revenue performance, the policy and process for classification of WIP and disbursements as current or non-current has been modified. This is reflected in a significant change in the split between current and non-current assets on the balance sheet, better reflecting the maturity and likely timing of conversion of the WIP to net fees billed and cash. The change does not impact on the value of those assets or the financial performance of the Group.

Thirdly, in recognition of the stance adopted by the big 4 accounting firms in relation to the interpretation of AASB 3 - Business Combinations, the Company has decided to adopt an interpretation of the Standard that is consistent with the approach taken by those firms, which is to deem, for accounting purposes, that contingent consideration on a business acquisition that is subject to a so-called "bad leaver" provision, to be an expense item for the purposes of the P&L statement. This interpretation will result in a re-classification of the acquisition consideration of some completed transactions for accounting purposes only, but has absolutely no effect on the underlying business or the Company's financial performance.

## **Update on ASIC Queries**

Slater and Gordon continues to co-operate fully with ASIC to allow it to conclude its review process, which the Company expects to be completed shortly. ASIC's review process has been extensive.

ASIC has noted and welcomed the Company's decision to reclassify certain balance sheet items as non-current and noted the move to early adoption of AASB 15 – Revenue from Contracts with Customers. These changes to accounting practices reflect the Company's best judgment, having regard to the matters raised in discussions with ASIC.

Slater and Gordon will continue to co-operate fully with ASIC to assist it in finalising its review.

Slater and Gordon notes that notwithstanding the above comments, the ASIC review process is not complete, and the Company cannot have any certainty as to the outcome of that review until it is, in fact, concluded.

### **Consolidation Error**

In relation to the consolidation error announced to the ASX on 29 June 2015, the Board has now received a confidential report from an independent big 4 accounting firm, and the Board can now reiterate and confirm that, as per that announcement, the consolidation error was an error only, with no impact on net operating cashflows.

### **FY16 Guidance**

- Total Group Fees (including SGS) of A\$1,150+ million.
- Group EBITDAW of A\$205+ million<sup>1</sup>.
- Gross Operating Cash Flow to EBITDAW<sup>1,2</sup> 100%.

ENDS

<sup>1</sup> Normalised for AASB3 policy change.

<sup>2</sup> Assumes GBP:AUD exchange rate of £0.48.

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### **About Slater and Gordon**

**Slater and Gordon Limited** (“**Slater and Gordon Group**”, **ASX:SGH**) includes Slater and Gordon Lawyers in the United Kingdom and Australia, as well as Slater Gordon Solutions in the UK. Slater Gordon Solutions includes Claims, Health and Motor services.