SLATER AND GORDON GROUP

APPENDIX 4E STATEMENT
(Listing rule 4.3A)

PRELIMINARY FINAL REPORT
for the year ended 30 June 2017

Results for announcement to the market

		30 June 2017 $'000	30 June 2016 $'000	% change to prior year	
1.	**Revenues from ordinary activities**	611,485	908,185	down	32.7%
2.	**(Loss)/profit from ordinary activities after tax attributable to members**	(546,831)	(1,017,595)	down	46.3%

Dividend information

3.	**Total dividend per ordinary share**	**30 June 2017**	**30 June 2016**
	No current year interim dividend	nil	nil
	No current year final dividend	nil	nil
	Total dividend per ordinary share	nil	nil

4. Record date for determining entitlements to the final dividend

Not applicable

5.	**Net tangible asset per security**	**30 June 2017 $'000**	**30 June 2016 $'000**
	Net Tangible Assets	(261,928)	(88,873)
		Number of shares	**Number of shares**
	Total number of ordinary shares of the Company	347,245,601	352,377,933
	Net tangible asset backing per ordinary security	(75.4 cents)	(25.2 cents)

Additional Appendix 4E disclosure requirements can be found in the directors' report and the financial statements and accompanying notes for the year ended 30 June 2017.

This report is based on the consolidated financial statements which have been audited.

Sign here: Date: 31 August 2017

John Skippen
Director

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

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

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Chair's Report

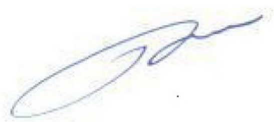
Slater and Gordon's financial results for the year ended 30 June 2017 reflect continued underperformance across the UK and Australian operations. As announced in February 2017, the support of our lenders became fundamental during this period due to the size of the Company's debt relative to its market valuation. Accordingly the Company and its lending group began to work co-operatively towards a re-configuration of the Group's capital structure.

In June 2017 the Company announced it had entered in to a recapitalisation agreement with its lenders. The recapitalisation agreement and the additional funding which the Company's lenders agreed to provide under the amended agreement announced on 31 August 2017, will permanently reduce Slater and Gordon's debt to a sustainable level and is intended to provide a stable platform for the future operations of the Company. Regrettably the interests of existing shareholders will be significantly diluted and I and the Board are deeply sorry for this. The recapitalisation provides the best opportunity to secure the future of the firm, its clients and employees. Further details will be provided to Shareholders in the coming months.

A process of Board and senior management renewal was agreed as part of the recapitalisation process. Existing Board members, including myself, will resign as new appointments are made. Andrew Grech stood down from his position as Group Managing Director in June 2017. I would like to take this opportunity to thank James Millar and Tom Brown for their valuable service to the Board. Both joined in the midst of a challenging period for the Company and their wealth of experience was appreciated over the past financial year.

I would like to also thank Andrew Grech for his 23 year service to Slater and Gordon. Andrew will continue to be involved, for a short time, through his role as a Non-Executive Director on the Board. As also announced, Hayden Stephens will take on an expanded role as CEO of the Australian business and have responsibility for the Group functions and Ken Fowlie will continue to lead the UK operations.

Slater and Gordon remains resilient, continuing to service the legal needs of hundreds of thousands of clients across the UK and Australia every year. While the past 2 years have no doubt been one of the most difficult periods in the firm's history, what remains in place is the commitment of our people to serving the needs of our clients. I would like to thank all staff in both the UK and Australia for their dedication and their hard work and sincerely wish them and the firm every success. This will be my last report as Chair of Slater and Gordon and it has been a privilege to serve in this capacity.



John Skippen

Chair

Operating and Financial Review

Review of Operations – Business Model

Overview

Slater and Gordon Group is a leading consumer legal services organisation with 1,140 staff operating in 51 locations across Australia and 3,070 staff operating in 20 locations across the United Kingdom (UK). The Company 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 and relationship law, wills, estate planning, probate, business and specialised litigation, class actions, real estate, crime and regulation, employment, reputation and professional discipline). Slater and Gordon listed on the Australian Securities Exchange (ASX) in 2007 and expanded its operations into the UK in 2012. In FY17 the Company had three main operating segments: Slater and Gordon Lawyers Australia (SGL Australia) in Australia and Slater and Gordon Lawyers UK (SGL UK) and Slater Gordon Solutions (SGS) in the UK.

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 clients across Australia and the UK and is not reliant on any one key customer or case outcome. In FY17, 76% of fee and services revenue in Australia and 61% of fee and services revenue in the UK was derived from Personal Injury Law (PIL). 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

Bank Facility Amendments

During FY17 the support of the Company's lenders became fundamental to its continued operation. Several amendments were made to existing bank facilities in light of reduced performance expectations and liquidity concerns, but it became apparent as the year progressed that the Company needed to work with its lenders to consider recapitalisation options. The recapitalisation provided the best opportunity to secure the future of the firm, its clients and employees.

On 17 March 2017, the Company advised the ASX that in excess of 94% of its debt facility had traded from its original syndicate of par lenders to secondary debt buyers (the "New Senior Lenders") and that the New Senior Lenders intended to implement a solvent restructure of the Company. Later in March the New Senior Lenders agreed further amendments to the bank facilities including the capitalisation of A$32m of interest payments otherwise due for payment on 28 June 2017.

Recapitalisation Agreement

On 29 June 2017, the Group announced it had entered into a binding recapitalisation agreement with its lenders and subsequently, on 31 August 2017, the Group announced it had signed an amended binding restructuring support deed with 100% of its secured lenders in relation to the recapitalisation. The recapitalisation is intended to provide the Group with a sustainable level of debt and support a stable platform for its future operations.

The terms of the recapitalisation agreement also provide the Group with additional liquidity support for its continued operation prior to and post the implementation of the recapitalisation in the form of an increase of $50m to the Group's $40m working capital facility which will be available prior to the recapitalisation. Key terms of the recapitalisation and liquidity support are detailed in note 5.2 Financing Arrangements.

The recapitalisation is expected to be completed in early December 2017 and is subject to a number of conditions precedent which are detailed at note 5.2.4 Recapitalisation Agreement. These include shareholder approval of the recapitalisation and the settlement of the shareholder class action detailed in note 8 Subsequent Events.

The Company's Directors unanimously support the revised terms of the recapitalisation. The Directors continue to hold the view that current levels of bank debt materially exceed total enterprise value and that the Company requires a holistic restructuring of its balance sheet. Therefore, in the absence of a superior proposal, the Directors believe that the recapitalisation is the best outcome available for shareholders and all stakeholders.

The recapitalisation will enable the Company to pursue its mission to provide people with easy access to world class legal services, with a stabilised balance sheet and sound operating platform. Shareholders will retain the opportunity to participate in future value creation and recovery as the Company pursues its strategic plan in Australia.

Operating and Financial Review

Board Renewal and Group Managing Director Resignation

Under the recapitalisation agreement, the existing Board has agreed to undertake a Board renewal process which will enable the New Lending Group, who will own approximately 95% of the Company's equity on implementation of the recapitalisation, to elect new directors. All existing directors will resign in due course as new directors are appointed.

Andrew Grech stood down from his position as Group Managing Director, effective 29 June 2017. Andrew remains a Non-Executive Director of the Company in the short term until a replacement has been appointed with the qualifications required to fill the role of legal practitioner director as required by the relevant provisions of the Legal Professions Act 2007 (Victoria) and equivalent provisions in the jurisdictions in which the Company conducts legal practices.

Shareholder Claims

During FY17, two shareholder class action proceedings were filed against the Company by former and existing shareholders.

As announced to the ASX on 11 July 2017 the Company has reached in principle conditional agreement to settle the class action proceeding brought on behalf of Mr Matthew Hall (the "Hall Proceedings") on terms which will resolve all shareholder claims against the Company, however they may arise. Whilst the settlement is subject to formal legal documentation and approval by the Federal Court, the agreed settlement terms are as follows:

- an agreed settlement amount of $36.5m, of which $32.5m will be made available by the Company's insurers;
- the settlement amount will be applied towards any shareholder claims against the Company, however they may arise, including any other claims or potential claims which have been, or which have not been, notified to the Company ("Shareholder Creditors");
- the settlement amount will be distributed to Shareholder Creditors, and all claims by Shareholder Creditors will be compromised, via a creditors' scheme of arrangement, subject to the requisite approval of Shareholder Creditors and the Court ("Shareholder Creditor Scheme"); and
- the settlement is without admission of liability by the Company.

The Shareholder Creditor Scheme, the Senior Lender Scheme and Court approval of the settlement terms for the Hall Proceedings will all be inter-conditional on each other.

Claim against Watchstone Group Plc

On 14 June 2017, the Company filed and served a claim in the High Court of England and Wales against Watchstone Group Plc for approximately £600m. The claim is based upon serious allegations against Watchstone and its then senior management, including fraud, concerning the purchase by Slater and Gordon in 2015 of business assets from Watchstone Group Plc (formerly known as Quindell Plc) which have since been rebranded as SGS. The litigation is currently in an early stage. Under the Share Purchase Agreement, the Company having obtained a positive merits based opinion from an independent barrister, £50m currently held in escrow against warranty claims will continue to be held in escrow until such claims are resolved.

Potential UK Legislative Changes

In November 2015, the "Autumn 2015 Chancellor's Statement" included proposals, which if implemented, would impact on the rights of people to obtain compensation in minor soft tissue injury claims. Changes to the compensation framework remain unpredictable both in terms of outcome and timing. The Company continues to work constructively with policy makers and other stakeholders with the goal of establishing stabilisation in the operating environment.

Intangibles Impairment

In the first half of the year ended 30 June 2017 the Company recognised an impairment charge of $350.3m against the carrying value of UK intangible assets due to a downward adjustment to forecast performance in the UK. An additional $11.0m intangibles impairment charge was recognised in the second half of the financial year in relation to the Australian operations.

ASIC Queries

On 20 December 2016, the Company was served by ASIC with two notices to produce documents. ASIC's queries focused on the accuracy of financial records and accounts of the Company for the period between 1 December 2014 and 29 September 2015.

As advised to the ASX on 24 March 2017, ASIC has concluded its investigation and advised the Company that there was no evidence of any breach of the law.

Operating and Financial Review

Review of Operations – Profit and Financial Position

A summary of Slater and Gordon's results for the year ended 30 June 2017 and the prior corresponding period are shown below.

	FY17 A$m	FY16 A$m
Total Revenue and other income	611.5	908.2
Net (Loss) After Tax	(546.8)	(1,017.6)
Net (Loss) After Tax – Normalised(1)	(75.2)	(48.7)
EBITDAW(2)	(76.1)	(49.3)
EBITDAW – Normalised(3)	15.7	36.6
Net Operating Cash Flow	(39.1)	(104.2)
Gross Operating Cash Flow – Normalised(4)	10.2	(57.6)

(1) Normalised for AASB3 adjustments, non-recurring restructuring costs, additional debtor/disbursement provisioning, Hall settlement contribution, intangibles impairment, non-recurring finance cost, tax normalisations and other miscellaneous items.

(2) EBITDAW is defined as earnings before interest, tax, depreciation, amortisation and movement in work in progress and is presented prior to non-cash impairment.

(3) Normalised for AASB3 adjustments, non-recurring restructuring costs, additional debtor/disbursement provisioning, Hall settlement contribution and other miscellaneous items.

(4) Gross Operating Cash Flow ("GOCF") is defined as net cash (utilised)/provided by operating activities before interest received, borrowing costs paid, income tax and payments to former owners. GOCF has been normalised for non-recurring restructuring payments to suppliers, redundancy costs and sale of business costs.

"EBITDAW", "EBITDAW – Normalised", "Gross Operating Cash Flow – Normalised" and "Net (loss)/profit after tax – Normalised" balances presented in this announcement are unaudited non-IFRS measures that, in the opinion of the Directors, are useful in understanding and appraising the Company's performance

The full year result was impacted by:

- a $361.3m impairment charge against the carrying value of intangible assets, $350.3m of which was recognised in relation to UK goodwill in the first half of the financial year;
- underperformance across the UK and Australian operations in relation to resolution of personal injuries claims;
- $47.1m of non-recurring restructuring costs including consultants costs, redundancy and property rationalisation costs in both Australia and the UK;
- a negative net movement in Work In Progress ("WIP") of $51.8m (FY16: $41.3m);
- net finance costs of $50.7m which included $9.6m in facility amendment fees; and
- material labour, advertising and marketing cost savings secured across the business as a result of operational efficiency programmes.

The consolidated statement of profit or loss and other comprehensive income contains a number of transactions which have been normalised to provide greater clarity to the underlying operational results. The normalisation items for FY17 and the FY16 comparative period are:

(i). Impairment charge against the carrying value of intangible assets;

(ii). Payments to former owners reclassified as remuneration under the new accounting treatment for deferred consideration under AASB 3;

(iii). Non-recurring restructuring costs including consultants costs, redundancy costs and property rationalisation costs;

(iv). Additional provisioning for debtors and disbursements following a thorough review of provisioning;

(v). The Company's contribution to the settlement of the Hall proceedings;

(vi). Other miscellaneous items;

(vii). Non-recurring finance costs; and

(viii). Tax normalisations.

Operating and Financial Review

Review of Operations – Profit and Financial Position (continued)

The impact of these normalisations on Net (Loss)/Profit After Tax is as follows:

	FY17 A$m	FY16 A$m
Net (Loss)/Profit After Tax – Reported	**(546.8)**	**(1,017.6)**
Normalisation adjustments:		
Intangibles impairment charge	361.3	879.5
Payments to former owners	11.6	33.2
Non-recurring restructuring costs	47.1	33.3
Additional debtor/disbursement provisioning	18.0	18.7
Non-recurring finance costs	9.6	14.9
Other Items incl. Hall settlement & audit adjustments	15.1	0.7
Tax implications of above	(15.7)	(11.4)
De-recognition of tax losses	(7.9)	0.0
Write-back of deferred tax liability	32.6	0.0
Net (Loss)/Profit After Tax – Normalised	**(75.2)**	**(48.7)**

Total revenue and other income decreased by 32.7% due to reduced total revenue across all three main operating segments driven by underperformance in relation to resolution of personal injuries claims and the loss of two key contracts in SGS Motor.

This decrease was partly offset by material labour, advertising and marketing cost savings secured across the business as a result of operational efficiency programmes. SGL Australia, SGL UK and SGS segment results are discussed in more detail from page 6.

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 component of operating costs are salaries and employee benefits. 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.

Cash Flow

Net operating cash flow was an outflow of $39.1m for the year (FY16 outflow of $104.2m). When normalised for non-recurring restructuring costs, gross operating cash flow (excluding net finance and tax payments/receipts and payments to former owners) was $10.2m (FY16 outflow of $57.6m).

Financial Position

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

	30 June 2017 $m	30 June 2016 $m
Net (liabilities)/ assets	(248.8)	305.1
Net debt	747.7	682.3
Loan and overdraft facilities – £ denominated	376.0	376.0
Loan and overdraft facilities – A$ denominated	130.0	94.0

Net Assets

The Group has net liabilities of $248.8m at 30 June 2017, which has decreased from net assets of $305.1m at 30 June 2016 due mainly to an intangibles impairment charge of $361.3m primarily relating to the UK business, a negative $72.6m movement in work in progress during FY17 and the impact of underperformance across the business.

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.

Operating and Financial Review

Debt

At 30 June 2017 gross debt was $780.9m and net debt $747.7m.

On 17 March 2017, the Company advised the ASX that in excess of 94% of its debt facility had traded from its original syndicate of par lenders to secondary debt buyers (the "New Senior Lenders") and that the New Senior Lenders intended to implement a solvent restructure of the Company. Later in March the New Senior Lenders agreed further amendments to the bank facilities including the capitalisation of A$32m of interest payments otherwise due for payment on 28 June 2017.

As outlined above, on 31 August 2017 the Company announced that it had entered in to an amended binding restructure support deed ("RSD") with 100% of its secured senior lenders ("Senior Lenders") in relation to the recapitalisation of the Company.

Outstanding secured debt will be permanently reduced by a combination of releasing, refinancing and restating debt. The key terms of the recapitalisation and liquidity support are detailed in note 5.2 Financing Arrangements.

Dividends

Directors have not declared a dividend for the 2017 financial year.

Review of Operations – Segment Performance

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

Fee and Services Revenue[(1)]	FY17 A$m	FY16 A$m	Variance %
SGL Australia	226.7	265.6	(14.6)
SGL UK	157.8	230.0	(31.4)
SGS	268.8	437.2	(38.5)
Group	653.3	932.8	(30.0)

(1) Fee and services revenue is Revenue from contracts with customers less movement in WIP

(Loss) before tax and net finance expense	FY17 A$m	FY16 A$m	Variance %
SGL Australia	(67.2)	(100.9)	(33.4)
SGL UK	(98.5)	(64.4)	52.7
SGS	(334.7)	(822.6)	(59.3)
Group	(500.4)	(987.9)	(49.3)

EBITDAW – Normalised	FY17 A$m	FY16 A$m	Variance %
SGL Australia	15.5	35.9	(56.8)
SGL UK	(16.4)	(2.6)	530.8
SGS	16.6	3.3	403.0
Group	15.7	36.6	(57.1)

Slater and Gordon Lawyers Australia (SGL Australia)

Overview of Operations

SGL Australia is a leading provider of consumer legal services in Personal Injury Law and General Law. SGL Australia employs 1,140 staff across 51 locations.

The Australian Personal Injury Law (PIL) business provides legal services to clients in a range of areas including motor vehicle accidents, workers compensation and civil liability law. The PIL practice contributed 75.8% of SGL Australia's FY17 fee and services revenue.

The Australian General Law (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, 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 24.2% of SGL Australia's FY17 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 successfully respond to legislative change as and when it arises.

Operating and Financial Review

Slater and Gordon Lawyers Australia (SGL Australia) Overview of Operations (continued)

FY17 Performance Review

- SGL Australia fee and services revenue decline of 14.6% was comprised of declines in both personal injury law (PIL) and general law (GL).
- PIL underperformance was due to a decline in case resolution rates.
- GL fee and services revenue was impacted by the closure of the conveyancing practice in late 2016, partly offset by a strong performance in class actions.
- Normalised EBITDAW was lower due to the decline in revenue partly offset by a reduction in operating expenditure.
- The net loss before tax and interest of $67.2m includes a $15.5m adverse movement in WIP, $11.0m of intangibles impairment and $50.3m of non-recurring restructuring costs, payments to former owners and provisioning.

Slater and Gordon UK

Slater and Gordon operates in the UK as Slater and Gordon Lawyers (SGL UK) and Slater Gordon Solutions (SGS) employing 3,070 staff across 20 locations.

In February 2016, the Group commenced a major UK performance improvement programme. A key component of this programme was a business reorganisation focused on establishing centres of excellence in serious and specialised personal injury, fast track personal injury and general law services as well as rationalising the provision of shared services across the UK. This business reorganisation is now largely complete, and performance improvement activities are now focused on productivity improvements.

SGL UK

Overview of Operations

SGL UK focuses on the provision of serious and specialised personal injury law and general law services.

The Serious and Specialised Practice (SSP) provides legal services to clients in a range of personal injury law practice areas including road traffic 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 70.6% of SGL UK's FY17 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.

FY17 Performance Review

- SGL UK fee and services revenue declined 17.0% in GBP terms due in part to the reduction in size of business following the business rationalisation programme.
- Normalised EBITDAW declined in GBP terms due to fee decline, partly offset by reduced labour and advertising costs.
- The net loss before tax and interest of $98.5m includes a $16.6m adverse movement in WIP connected with the planned transition of fast track claims from SGL UK to SGS Claims and $16.7m of non-recurring restructuring costs.
- Despite a reduction in overall marketing investment, prompted brand awareness has continued to strengthen, with the SGL brand now recognised by 35% of UK survey respondents.

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 Services business 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 legacy portfolio of noise induced hearing loss ("NIHL") claims acquired as part of the SGS acquisition.

Operating and Financial Review

Slater Gordon Solutions (SGS) Overview of Operations (continued)

FY17 Performance Review

- SGS fee and services revenue was down 25.5% in local currency terms compared to FY16 due mainly to reduced revenue from the Motor Services business after the loss of two (previously announced) key contracts and reduced fees from SGS Claims due to the deliberate reduction of road traffic accident (RTA) case intake.
- SGS delivered $16.6m normalised EBITDAW in FY17. The improvement on FY16 performance was due mainly to improved performance in the noise induced hearing loss practice.
- The FY17 SGS net loss before tax and finance costs was $334.7m. The primary driver of this was the first half goodwill impairment charge.

Business Strategy and Prospects

Business Strategy

The Group's core strategy is to execute an organisational transformation programme which will position both the UK and Australian operations for profitable growth. Comprehensive strategic and operational reviews are underway and operational efficiency programmes are being executed in the UK and Australia.

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 pro-active risk management strategies, capabilities and culture across the Group. The identification, mitigation and management of material risks, ensure 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.

Operating and Financial Review

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.

Operational Risk

There are a number of key risks which 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 programmes in place designed to standardise, centralise, optimise and promote efficient and innovative operating platforms, IT systems and people strategies.

Settlement of Class Actions, Recapitalisation, and Restructure Risk

The in principle agreement to settle class actions, recapitalisation and restructuring of the Board and shareholdings as announced in the ASX announcements of 31 August, 29 June and 11 July 2017 are major changes to the structure and to the operating model of the Group. Major changes of this nature carry high levels of implementation risk.

The Board and Senior Management are working closely with all stakeholders to ensure these changes are implemented with minimal disruption to the ongoing operations.

Financial Risk

There is risk that the Group will have a liquidity problem with insufficient funds to meet short term cash requirements in the months leading up to the recapitalisation. While the underlying cause of pressure in this area in FY16 and FY17 is that fee collection has not matched budget, the immediate risk is now assessed to be largely timing related for matters such as the collection of fees related to the Manus Island case.

Management is working with the Group's lenders to ensure that liquidity needs are monitored closely and arrangements are put in place where necessary to tide over short term liquidity needs.

Competition and Market Share

The Group operates in a competitive market which may adversely impact its financial performance and poses risk.

Relationship managers conduct proactive campaigns of reassurance and information sharing with our business partners that are deemed to be of high importance in terms of current business and securing future business.

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 2017 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 (ceased as Group Managing Director 29 June 2017, continuing as Non-Executive Director)
- James M. Millar
- Tom Brown (appointed 1 September 2016)
- Ian Court (ceased as director 30 August 2016)
- Ken Fowlie – Chief Executive Officer, UK (ceased as director 30 August 2016)
- Erica Lane (ceased as director 30 August 2016)
- Rhonda O'Donnell (ceased as director 27 February 2017)

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") providing legal services in two main areas of consumer law – Personal Injury Law and General Law.

Results

The loss after income tax of the Group was $546.8m (2016: net loss after tax of $1,017.6m).

Review of Operations

The review of operations is contained in the Operating and Financial Review as set out on pages 2-9.

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.

Events Subsequent to Reporting Date

Other than the matters detailed in Note 1.1, Note 5.2 and Note 8 to the financial statements, there have not been any matters or circumstances that have significantly affected, or may significantly affect, the results reported in the financial statements.

For clarification, the implementation of the recapitalisation and Board renewal as contained in the Operating and Financial Review and the financial statements will occur subsequent to the Reporting Date.

Likely Developments

As part of the recapitalisation agreement, subject to the approval of the proposed scheme of arrangement, the Group will undertake a structural separation of the UK business from the Australian business. This is expected to occur in December 2017. Further details are included in the Operating and Financial Review.

The core strategy in Australia and the UK both prior to and after the proposed separation, is to implement an organisational transformation programme which will position both the Australian and UK operations for profitable growth. Comprehensive strategic and operational reviews are underway and operational efficiency programmes are being implemented.

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 does not consider that the operations are materially exposed to environmental or social sustainability risk.

Information identifying risks related to the recapitalisation and restructure and legislative change and financial risks faced by the Company is contained in the Operating and Financial Review as set out on page 9.

Directors' Report

Environmental, Social and Corporate Governance (continued)

The Group will undertake a Board renewal process as part of the recapitalisation. All existing directors have agreed to resign in due course as new directors are appointed as nominated by the new lending group who will own approximately 95% of the Company's equity on implementation of the recapitalisation.

Dividends Paid, Recommended and Declared

The Group has not declared or paid any dividends in respect of the 30 June 2017 financial year.

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

	2017 $'000	2016 $'000
Dividends on ordinary shares		
No interim dividend paid in 2017 (2016: No interim dividend paid)	-	-
No final dividend for 2016 (2015: 5.50 cents partially franked (40%) at the tax rate of 30%)	-	19,330
	-	19,330

Share Options

Other than 2.3 million share options and 1.2 million performance rights granted to the Group Chief Financial Officer on 5 August 2016 as part of his Board approved retention plan (refer section 5.2.1 of 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.

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.

Information on Directors and Company Secretaries

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)

Former Directorships

Non-Executive Director of Super Retail Group Ltd (ASX: SUL) (2008-2016)

Special Responsibilities

Chair – Board (current)

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

Member – Remuneration Committee (current)

Chair – Nomination Committee (current)

Directors' Report

Information on Directors and Company Secretaries (continued)

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. Andrew commenced as a Non-Executive Director on 29 June 2017 upon ceasing as Group Managing Director. **Other Current Directorships** None **Former Directorships** None **Other Positions** Member of the Advisory Council of the Melbourne Law School (current) **Special Responsibilities** Member – Audit, Compliance and Risk Management Committee (current) Member – Remuneration Committee (current) Member – Nomination Committee (current)

James M. Millar AM 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) Non-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) Member – Remuneration Committee (appointed 27 February 2017 – current) Member – Nomination Committee (appointed 27 February 2017 – current)

Information on Directors and Company Secretaries (continued)

Tom Brown

MA

Non-Executive Director

Experience

Tom Brown commenced as a Non-Executive Director on 1 September 2016 and Chair of the Remuneration Committee.

Tom Brown is one of Australia's most senior HR Directors with more than 20 years' Board level experience across multiple industrial sectors.

Tom has held senior executive positions in global listed companies including Mobil, BHP

Billiton, Allied Domecq, Brambles and Rolls Royce in Europe, Africa, the USA and Australia including Board level experience across multiple industrial sectors including Oil and Gas, Mining, FMCG, Industrial Services, Utilities, Aeronautical and Marine.

Tom has led transformation programs in both high growth and turnaround environments.

Other Current Directorships

Nil

Former Directorships

Board Member of Aero Engine Controls

Chair of Rolls-Royce PLC's Common Support Functions Theme Board and its Community Investment and Sponsorships Board

Advisory Board Member of Quest

Non-Executive Director of the Homeless World Cup

Special Responsibilities

Chair – Remuneration Committee (current)

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

Member – Nomination Committee (current)

Ken Fowlie

LLB BCom (NSW)

MSc (with distinction) (LBS)

MAICD

Executive Director – ceased 30 August 2016

Experience

Ken ceased as an Executive Director on 1 September 2016 and continued as Chief Executive Officer, UK.

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

Information on Directors and Company Secretaries (continued)

Ian Court

FAICD

Non-Executive Director – ceased 30 August 2016

Experience

Ian ceased as a Non-Executive Director and Member of the Remuneration Committee on 30 August 2016.

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 (ceased 30 August 2016)

Member – Remuneration Committee (ceased August 2016)

Erica Lane

B App Sc, Grad Dip Comp, MBA (Melbourne),

MBA (Chicago),

MAICD

Non-Executive Director –

ceased 30 August 2016

Experience

Erica ceased as a Non-Executive Director, Chair Remuneration Committee and Member of the Audit Compliance and Risk Management Committee on 30 August 2016.

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 – ceased 30 August 2016)

Member – Audit, Compliance and Risk Management Committee (ceased 30 August 2016)

Directors' Report

Information on Directors and Company Secretaries (continued)

Rhonda O'Donnell M App Sc, MBA (Melbourne) Non-Executive Director – ceased 27 February 2017	**Experience** Rhonda ceased as a Non-Executive Director and Member of the Remuneration, Nomination, and Audit Compliance & Risk Management Committees on 27 February 2017. 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 (ceased 27 February 2017) Member – Remuneration Committee (ceased 27 February 2017) Member – Nomination Committee (ceased 27 February 2017)

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	22	22	-	-	-	-	-	-	10	10
K Fowlie	3	3	-	-	-	-	-	-	2	2
J Skippen	22	22	5	5	4	4	3	3	10	10
I Court	3	3	1	1	1	1	-	-	-	-
E Lane	3	3	1	1	1	1	-	-	-	-
R O'Donnell	14	14	3	3	4	4	2	2	-	-
J Millar	22	22	5	5	1	1	3	3	10	10
T Brown	19	18	2	2	4	4	1	1	-	-

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	7,000,656	-
I Court	35,804	-
K Fowlie	5,646,221	16,000
E Lane	170,000	-
J Skippen	100,000	-
R O'Donnell	25,000	-
James M. Millar	20,000	-
Tom Brown	-	-

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, and its related practices:

	2017 $
Other Advisory	
• Ernst & Young	19,923
Total remuneration for non-audit services	**19,923**

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

31 August 2017

Audited Remuneration Report

Contents

1. Introduction

The Group is a leading international consumer law firm employing 4,210 people across more than 70 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 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 aligned to business performance.

The remuneration policies in respect of the Group's executive KMP are reviewed annually. In reviewing remuneration for the Board and executive KMP for FY17, changes have been made to address both shareholder concerns following the first strike in relation to the remuneration report at the 2016 AGM, and also, to ensure that remuneration policy is aligned with the business priorities necessary for continued transformation, successful financial restructure, and achievement of financial performance targets, within the new business environment.

This past year has again been challenging for the Group given the performance of the business, the decline in shareholder value, and the renegotiation of the Group's financial arrangements. This environment has had a direct impact on the reward of executive key management personnel (KMP), many of whom are also significant shareholders. Within this context, the Board believes the Group's approach to remuneration is balanced, fair and equitable. The Group has balanced the need for the conservative approach in recognition of the current challenges, with the need to retain key personnel who are central to driving the transformation of the business as it goes through a major capital restructure. The future success for the Group, during what represents a challenging period, will continue to rely upon the capability, motivation and performance of our staff.

1.1. Scope

This Remuneration Report sets out the remuneration arrangements in place for the Board and executive KMP of the Group during FY17, in accordance with the relevant provisions of the Corporations Act 2001 and the applicable accounting standard requirements.

1.2. Actions Taken in Relation to First Strike in 2016

At the Annual General Meeting (AGM) in November 2016, 44.8% of votes were cast against acceptance of the remuneration report for FY16. Based on feedback received, and consideration of the position of the Group following the AGM, the following changes were adopted during FY17:

- At the November 2016 AGM, shareholders approved the granting of performance rights to the Group Managing Director (GMD). Subsequent to the AGM, the executive KMP elected not to accept any allocations of performance rights, and as a result the Board decided not to grant any rights to the GMD, or other executive KMP for FY17
- At the November 2016 AGM, shareholders approved the design of the Deferred Service Rights Plan which may provide an allocation of deferred service rights to the GMD. Following the AGM, the executive KMP requested not to receive equity allocations for FY17, therefore, participation in this plan was not offered to the GMD, or to other executive KMP
- Significant changes were made to FY17 STI plan, increasing the focus on financial measures and enhancing the relationship between executive reward and financial performance / shareholder value.

During FY18, the Group is undertaking a major financial restructure of the business. In conjunction with this, there will be a focus on the strong alignment of the future reward arrangements for executive KMP with the future performance of the Group.

Audited Remuneration Report (Continued)

1.3. Key Management Personnel (KMP)

KMP have authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Non-Executive Directors (NED) and executive KMP (being the executive director and other senior executives named in this report). All KMP are based in Australia, except for Ken Fowlie who is based in the United Kingdom. Details of the KMP during FY17 are set out below:

Name	Title	Change during FY17	Country of Residence
Non-Executive Directors			
John Skippen	• Chair of the Board • Non-Executive Director • Chair – Nomination Committee • Member – Audit Compliance and Risk Management Committee • Member – Remuneration Committee	Became member of the Remuneration Committee on 22 September 2016	Australia
Tom (Thomas) Brown	• Non-Executive Director • Chair – Remuneration Committee • Member – Audit Compliance and Risk Management Committee • Member – Nomination Committee	Commenced as Non-Executive Director and appointed as Chair, Remuneration Committee on 1 September 2016 Became member Audit, Compliance and Risk Management Committee and the Nomination Committee from 27 February 2017	Australia
James M. Millar	• Non-Executive Director • Chair – Audit Compliance and Risk Management Committee • Member – Remuneration Committee • Member – Nomination Committee	Became member of the Remuneration Committee on 27 February 2017	Australia
Erica Lane	• Non-Executive Director • Chair – Remuneration Committee • Member – Audit Compliance and Risk Management Committee	Retired as Non-Executive Director, Chair Remuneration Committee, and Member of Audit Compliance and Risk Management Committee on 30 August 2016	Australia
Ian Court	• Non-Executive Director • Member – Remuneration Committee	Retired as Non-Executive Director and Member, Remuneration Committee on 30 August 2016	Australia
Rhonda O'Donnell	• Non-Executive Director • Member – Audit Compliance and Risk Management Committee • Member– Remuneration Committee • Member – Nomination Committee	Retired as Non-Executive Director and Member of the Remuneration, Nomination, and Audit Compliance and Risk Management Committees on 27 February 2017	Australia
Andrew Grech	• Non-Executive Director	Commenced as Non-Executive Director on 29 June 2017 upon ceasing as Group Managing Director	Australia
Executive Directors			
Andrew Grech	Group Managing Director	Ceased as Group Managing Director and Executive Director on 29 June 2017. Commenced as a Non-Executive Director on same date.	Australia
Ken Fowlie	Chief Executive Officer, UK	Retired as Executive Director on 30 August 2016. Remains CEO UK	United Kingdom
Other Executive KMP			
Ken Fowlie	Chief Executive Officer, UK	Continued as CEO UK from 1 September 2016	United Kingdom
Bryce Houghton	Group Chief Financial Officer	Full year	Australia
Hayden Stephens	Chief Executive Officer, Australia	Full year	Australia

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

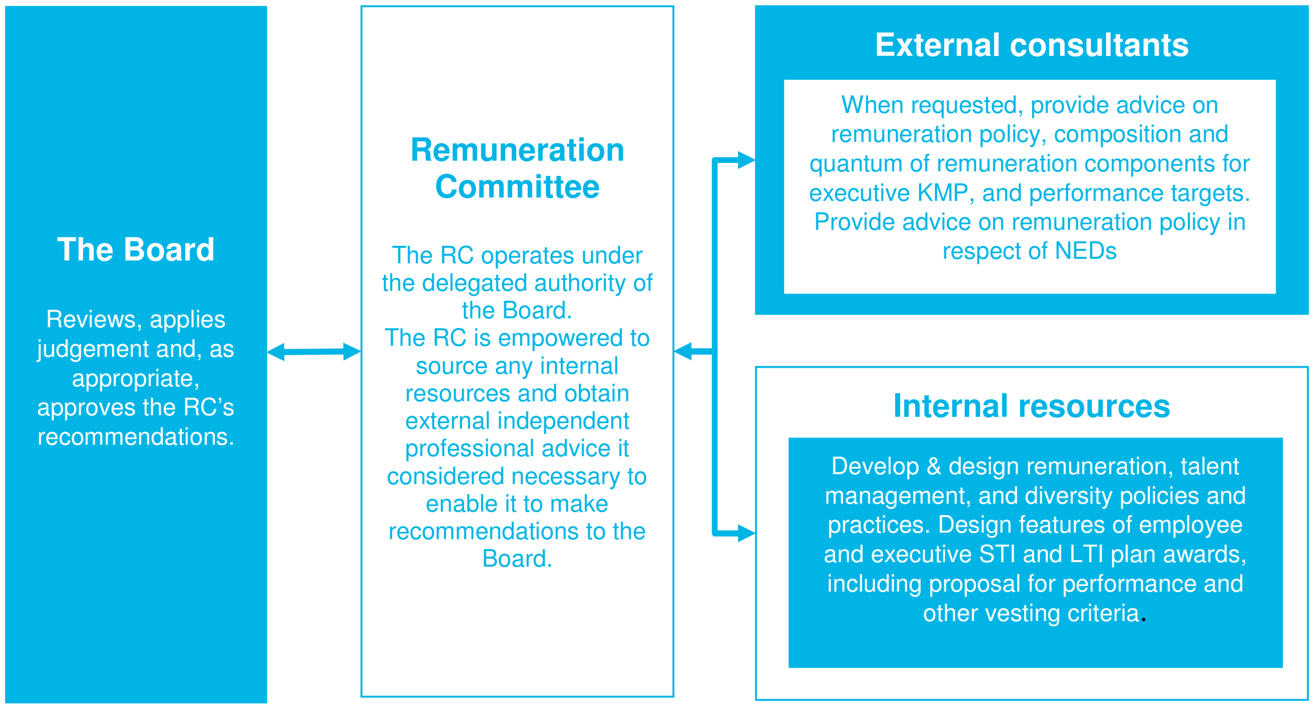
The Board has overall responsibility for Slater and Gordon's remuneration strategy and policy. Consistent with this responsibility, the Board has established the RC, comprised solely of independent NEDs.

Full details of the role, responsibilities, membership, and terms of reference of the RC is set out in its Charter, which can be viewed in the Governance section of the Company's website, www.slatergordon.com.au. As part of the annual review process, the Charter was last revised and approved by the Board on 24 February 2017.

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 the Group meets the requirements of the ASX Corporate Governance Council's Guidelines, including gender diversity principles and recommendations;
- ensuring that the Group 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 and policies, including succession planning, diversity, recruitment, development, retention, 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 FY17, is illustrated below:



Audited Remuneration Report (Continued)

2.2. Use of Remuneration Consultants

During FY17, a remuneration consultancy contract was entered into by the Group for the provision of general support to the Remuneration Committee and the Board, however no remuneration recommendations were requested, or received by the Board. Details of this consultancy are set out as follows:

Advisor / Consultant – FY17	Services Provided	Remuneration consultant for the purpose of the Corporations Act
Crichton & Associates Pty Limited, Independent Remuneration Consultant	Provided general support to the RC in reviewing agenda items. No remuneration recommendations were provided during FY17	No

If the Group had sought independent remuneration advice, it 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 FY17, the Board did not receive any written report containing remuneration recommendations from Crichton & Associates. The Board is satisfied that the remuneration information provided was free from any undue influence from executive KMP, as the protocol for procuring advice relating to KMP remuneration has been followed.

Crichton & Associates was paid $13,734 for remuneration services provided during FY17.

3. Non-Executive Director (NED) Remuneration

3.1. NED Remuneration

Principle	Comment
Fees are set by reference to key considerations	Fees for NEDs were set and approved at the 2015 AGM, and 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.
Remuneration is structured to preserve independence while 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 the Group's performance.
Aggregate Board and Committee fees are approved by shareholders	Shareholders approve the aggregate amount available for the remuneration of NEDs. The current aggregate Board and Committee fee pool is unchanged from that approved by shareholders at the 2015 AGM. The total amount of fees paid to NEDs in FY17 was $722,231 in total which is 76% of the approved aggregate annual fee pool.

3.2. NED Fees and Other Benefits

The aggregate board fee pool is unchanged from that approved by shareholders at the 2015 AGM, and has applied from 1 July 2015, with chair and member fees for FY17 (inclusive of superannuation) on an annualised basis as detailed in the following table. There was no change in NED fees for FY17.

	Board Chair Fee	Board Director Fee
Board	$240,000 (1)	$120,000

	Committee Chair Fees	Committee Member Fees
Audit, Compliance & Risk Management Committee	$20,000	$5,000
Nomination Committee	- (2)	$5,000
Remuneration Committee	$10,000	$5,000

Annual Fee Pool	$950,000

(1) Committee fees are not paid to the Chair of the Board

(2) The Chairman of the Board fulfils the role of Chair of the Nomination Committee, and does not receive additional fees for this role

Audited Remuneration Report (Continued)

Post-Employment Benefits

Superannuation	Included in the stated fees, superannuation contributions are 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 the Group business.

3.3. NED Total Remuneration

		Short-Term Benefits	Post-Employment Benefits	
Amounts $	**Year**	**Fees**	**Superannuation**	**Total**
Current NEDs				
John Skippen (Chair)	**FY17**	**220,384**	**19,616**	**240,000**
	FY16	221,573	19,308	240,881
Thomas Brown [1]	**FY17**	**102,248**	**9,714**	**111,962**
	FY16	-	-	-
James M. Millar	**FY17**	**134,151**	**12,580**	**146,731**
	FY16	76,396	7,451	83,847
Former NEDs				
Ian Court [2]	**FY17**	**48,272**	**19,497**	**67,769**
	FY16	117,287	12,526	129,813
Erica Lane [2]	**FY17**	**61,644**	**5,856**	**67,500**
	FY16	123,608	11,743	135,351
Rhonda O'Donnell [3]	**FY17**	**80,611**	**7,658**	**88,269**
	FY16	123,713	11,753	135,466
Total	**FY17**	**647,310**	**74,921**	**722,231**
	FY16	662,577	62,781	725,358

(1) Mr Brown commenced as a Non-Executive director on 1 September 2016
(2) Mr Court and Ms Lane ceased as Non-Executive Directors on 30 August 2016
(3) Ms O'Donnell ceased as a Non-Executive Director on 27 February 2017

4. Executive Remuneration

4.1. Executive KMP Remuneration

The Group's 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. For FY17, executive KMP remuneration was designed to include the following components:

- Fixed Remuneration
- Short Term Incentive
  - Cash
  - Deferred Service Rights
- Long Term Incentive

Each of these elements is described further in the following sections.

As disclosed in the FY16 Remuneration Report, specific retention arrangements were introduced for the Group Chief Financial Officer (GCFO) for FY17. Details of these arrangements are provided in Section 4.6.

4.2. Total Fixed Remuneration

What is Total Fixed Remuneration (TFR)?

TFR includes all remuneration and benefits paid to an executive KMP calculated on a total employment cost basis. In addition to base salary, 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. TFR is not "at risk".

Audited Remuneration Report (Continued)

How is TFR determined?

Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Group and individual, the broader economic environment, and the executives' responsibilities, performance, qualifications, experience and geographic location. Increases in job role or responsibility, promotion, and changing market circumstances, as reflected through independent benchmark assessments, would suggest adjustments may be necessary. Adjustments to executive KMP remuneration are approved by the Board, based on RC and Group Managing Director input and recommendations.

4.3. Short Term Incentive (STI) Plan

4.3.1. Short Term Incentive Plan (Cash)

How does the STI Plan operate?

Executive KMP (excluding the Group CFO, refer to Section 4.6) are eligible to participate in the Group's STI Plan which places a significant proportion of remuneration "at risk" subject to the achievement of financial outcomes and individual performance measures. This provides a tangible link between the interests of executives and the financial performance of the Group and aligns executives' behaviours with the Group's short and medium term performance.

The STI plan has a cash component which may be paid once per year, following the announcement of the audited financial results at year end. The minimum payout for financial and individual performance is 0%, and the maximum payout is 100% for achievement of stretch targets. For FY17, the Deferred Service Rights Plan (DSRP) was introduced, with allocations intended to be made through this plan based on the STI outcomes for the financial year. As disclosed in Section 1.2, while shareholders approved the design of the Deferred Service Rights Plan at the November 2016 AGM, which may have provided an allocation of deferred service rights to the GMD, subsequently, participation in this plan was not offered to the GMD, or to other executive KMP. Further details on the DSRP is provided in Section 4.3.2.

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.

The STI program is reviewed annually by the RC and approved by the Board.

What changes were made to the STI Plan during the year?

The following changes were made to the STI Plan during FY17:

- The design of the plan was changed to provide a stronger linkage to Group and Regional financial performance.
- The financial budgets set were challenging, and achievement would represent a significant uplift in performance. As a result, the Board set a gateway level of EBITDAW performance that needed to be achieved before any STI would be paid. A linear scale was adopted for performance between target and stretch.

What were the STI performance measures for the year ended 30 June 2017?

The performance measures for executive KMP were designed to align reward with achieving Group and Regional Financial and Non-Financial Measures. The FY17 measures reflected the short to medium priorities of the Group, with a significant portion weighted to financial measures. The three measures included under the STI Plan are weighted for each participant. The weighting varies according to the individual's functional responsibilities and their ability to influence the measurement outcomes. For the year ended 30 June 2017 the relative weightings were as follows:

	Group Financial		Regional Financial		Non-Financial	TOTAL
	EBITDAW	Gross Cash Flow less CAPEX	EBITDAW	Gross Cash Flow less CAPEX		
Group Managing Director	35%	35%	-	-	30%	100%
CEO, UK	-	-	35%	35%	30%	100%
CEO, Australia	-	-	35%	35%	30%	100%

For financial measures, 50% of the above weightings may have been received for achievement of target performance, with straight line vesting between Target (50%) and Cap (100%).

Who sets the STI performance measures?

Financial performance targets are set by the Board, based on the recommendation of the RC. Individual KPIs are set and measured for each executive KMP by the Group Managing Director, then reviewed and endorsed by the RC and approved by the Board. The RC set and measure the individual KPIs for the Group Managing Director, which are approved by the Board.

Directors' Report

Audited Remuneration Report (Continued)

What are the individual key performance indicators (KPIs) and why are they used as an STI performance measure?

The use of individual KPIs for each executive creates a set of personal measures specific to each executive. For FY17, these related to delivery of key business initiatives in the areas of client, business and people. The use of individual KPI measures support the alignment of leadership behaviours with the Group's corporate philosophy and objectives.

Payment of the individual non-financial component of the STI is subject to achievement of the financial gateway, unless the Board determines otherwise.

How is performance assessed?

Performance against individual KPIs are validated and approved by the Board following the preparation of the financial statements each financial year.

What if an executive KMP ceases employment?

The following details the treatment of short term incentives on termination:

- Resignation: Any potential STI payment is forfeited if an employee tenders their resignation. If an employee has given notice, but not actually ceased employment, their unpaid incentives are forfeit irrespective of when the performance period ended.
- Dismissal: Any potential STI payment is forfeited if an employee is given notice of dismissal.
- Death: Payments will be made to the estate of a deceased employee pro-rated for the eligible period. Payment will be calculated in accordance with the normal timetable and based on the end of year results.
- Total & Permanent Incapacity: Employees will be eligible for payments pro-rated for the eligible period. Payment will be calculated in accordance with the normal timetable and based on the end of year results.
- Retrenchment or other Company initiated termination: At the discretion of the Board.

When are the performance conditions tested and payments made?

For the executive KMP (excluding Group CFO), performance is tested and paid following the preparation of the financial statements, with payments generally made in September, following financial year end.

Details of STI outcomes for FY17 are provided in Section 4.10.2.

4.3.2. Deferred Service Rights Plan

For FY17, the introduction of a Deferred Service Rights Plan (DSRP) was approved by the Board. Executive KMP (excluding the GCFO) were to be invited to participate in the DSRP. Under this plan executive KMP may have been granted an allocation of Deferred Service Rights, with the quantum being based on the results of the STI for FY17. These rights would then be held in trust for a period of two years.

Subsequently, the Board decided that this plan would not be implemented due to the environment facing the Company, and therefore, no Deferred Service Rights were granted.

4.4. Long Term Incentives (LTI)

In accordance with the Group remuneration framework, it had been intended to offer LTI allocations to executive KMP during FY17. However, following the first strike vote against the remuneration report at the 2016 AGM, and the challenges facing the Group, and feedback received from the executive team, the Board decided that no allocation would be made to executive KMP during FY17. However, during FY17, a grant of equity was made to the GCFO under his retention plan. Further details of this plan are provided in Section 4.6.2.

During FY16, an offer was made to executive KMP in November 2015, and was accepted by those executives. This offer was subsequently placed on hold, and then cancelled, with no performance rights being allocated to the executives for that year.

Audited Remuneration Report (Continued)

4.4.1. FY15 Long Term Incentive Plan

Three of the executive KMP are participants in the FY15 LTI.

Grant Date	31 October 2014 (Australian executive KMP) 12 December 2014 (UK executive KMP)
Performance Conditions	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 at the end of the three year performance period. 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:

Vesting Schedule Tranche 1 EPS Compound Annual Growth Rate

Performance Period: 1 July 2014 to 30 June 2017

Executive Director [(1)] Compound annual growth in EPS (3 Years)		Other executive KMP Compound annual growth in EPS (3 Years)	
% CAGR in EPS	**% of equity to vest**	**% CAGR in EPS**	**% 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 33.8 cents. The Board imposed higher performance expectations on the then two Executive Directors, Messrs Grech and Fowlie. Mr Fowlie resigned as an Executive Director in August 2016, however, he continued as an executive KMP in the role of CEO, UK for the full year.

Vesting Schedule Tranche 2 Relative TSR

Performance Period: 1 September 2014 to 31 August 2017

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

Equity Type	Performance Rights
Expiry Date	30 October 2017
Current Status	Both tranches will be assessed in September 2017 following the completion of the relevant performance period, being, EPS at 30 June 2017, and RTSR at 31 August 2017. It is anticipated that neither performance hurdle will be achieved.

4.5. Group Managing Director Remuneration

4.5.1. Cessation as Group Managing Director

As disclosed to the ASX on 29 June 2017, Mr Grech stood down as Group Managing Director as part of the Recapitalisation Agreement for the company announced on that date. He remains a Non-Executive Director of the Group until the proposed balance sheet restructuring of the Group has been completed, and at such time that the Group appoints a replacement legal practitioner director as required by the relevant provisions of the *Legal Professions Act 2007* (Victoria) and equivalent provisions in the jurisdictions in which the Company conducts legal practices. It is important that Mr Grech continue as the legal practitioner director for the immediate future, and to support the Board during this period. Therefore, the following arrangements will apply:

- From 30 June 2017 until he ceases as a Non-Executive Director of the Group, he will continue to receive fees equivalent to his base salary as Group Managing Director, which is $560,384.
- When he ceases as a Non-Executive Director, as detailed above, he will receive the following:
  - 3 months salary in lieu of notice (rather than the 6 months to which he was contractually entitled);
  - 13 weeks salary as a termination payment; and
  - Untaken annual leave and long service leave accrued until he ceased as the Group Managing Director.

He received no STI payments for the FY17 year and forfeited 40,000 Performance Rights previously granted under the FY15 Long Term Incentive plan.

Audited Remuneration Report (Continued)

4.5.2. Relocation Allowance

During FY17, the Board approved an expatriate allowance for the Group Managing Director for the period of his assignment to the UK. Over the past 18 months Mr Grech has spent a substantial proportion of his time in the UK focused on the ongoing restructuring of UK operations. This allowance covered the additional costs incurred for living expenses while in the UK, while maintaining a family residence in Australia. This was a temporary allowance, and did not represent an ongoing increase to TFR. Details of this payment are included in "other benefits" in the executive remuneration table in Section 4.10.1. The amount shown in the remuneration table in 4.10.1 covers the additional living costs while on assignment to the UK from 18 January 2016 to 29 June 2017 which is included under "Other Benefits".

4.6. Group Chief Financial Officer Remuneration

The Group Chief Financial Officer (GCFO) was assessed by the Board as being critical to managing the financial restructure of the Group. Accordingly, in FY16, the Board approved a "one off" short term incentive and retention plan. Details of these arrangements were disclosed in the FY16 Remuneration Report, and are described below. On the effective date of the Scheme of Arrangement, or 15 November 2017, whichever is the earlier, the GCFO role will no longer be required and he will cease with the Group. Details of his termination arrangements are also provided below.

4.6.1. GCFO Short Term Incentive Plan

As part of the retention arrangements introduced for the GCFO for FY17 he participated in a quarterly STI plan for the financial year. Results were assessed at the end of each quarter against performance milestones approved by the Board. These provided alignment between key performance outcomes for the Group and the reward for the GCFO. The weightings and measures were as follows:

Measure	Q1	Q2	Q3	Q4	Full Year
EBITDAW	6%	6%	6%	12%	30%
Gross Operating Cash Flow less CAPEX	6%	6%	6%	12%	30%
Non-Financial milestones	8%	8%	8%	16%	40%
TOTAL	**20%**	**20%**	**20%**	**40%**	**100%**

The Board determined the financial and non-financial measures for each quarter, and reviewed the results at the end of each quarter.

The resulting payments were reviewed by the RC prior to being referred to the Board for approval. Details are provided in the following table:

Assessment	Weighting	Target STI Value ($)	Actual STI Payment (S)
Quarter 1: 30 Sept 2016	20%	$65,000	$45,500
Quarter 2: 31 Dec 2016	20%	$65,000	$26,000
Quarter 3: 31 Mar 2017	20%	$65,000	$26,000
Quarter 4: 30 Jun 2017	40%	$130,000	$0
TOTAL	**100%**	**$325,000**	**$97,500**

Based on the Board's assessment of the GCFO's performance against the KPIs he was paid 30% of his maximum potential STI value. Of this, 24% related to his contribution and efforts in improving the financial systems of the Group and as a major contributor to the negotiations of the recapitalisation of the Group. 6% of the payment related to achievement of the EBITDAW target in Quarter 1.

Audited Remuneration Report (Continued)

4.6.2. GCFO Retention Plan

The GCFO retention plan was implemented in place of his participation in any other Group equity plan. The plan comprised an allocation of performance rights and options based on the following:

<table>
<tr><td>Grant Date</td><td>5 August 2016</td></tr>
<tr><td>Performance Period</td><td>1 May 2016 to 30 June 2017</td></tr>
<tr><td>Equity on Issue</td><td>1.2 million performance rights
2.3 million options</td></tr>
<tr><td>Performance Condition</td><td>Relative Total Shareholder Return (TSR) ranking against the S&P/ASX 300 (excluding resources)</td></tr>
<tr><td>Vesting Schedule</td><td><table>
<tr><th colspan="2">Ranking of the Group TSR against S&P/ASX 300 (excluding resources)</th></tr>
<tr><th>Performance</th><th>% of equity to vest</th></tr>
<tr><td>< 50th percentile</td><td>0%</td></tr>
<tr><td>50th to 75th percentile</td><td>50% to 100% pro-rata</td></tr>
<tr><td>> 75th percentile</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Vesting Conditions</td><td>In addition to achieving the required performance for vesting, the participant was also required to meet the service condition and the Board must resolve that the hurdle had been achieved. If the performance conditions were not satisfied, the Performance Rights and Options lapse, and no value will have been received by the participant.</td></tr>
<tr><td>Treatment of Vested Equity</td><td>Performance rights: 50% of vested and exercised Performance Rights may have been converted to ordinary shares and transferred to the participant immediately. The remaining 50% may have been converted to shares and held in trust until 31 December 2018.
Options: may have been exercised once the performance hurdle had been achieved, or the participant may have deferred exercising the Options for up to 3 years from the Grant Date. If the GCFO had elected to exercise some, or all of the vested Options, they would have been converted into shares. Fifty percent of the resulting shares may have been 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.</td></tr>
<tr><td>Expiry Date</td><td>Vested options that have not been exercised would have lapsed on 4 August 2019.</td></tr>
<tr><td>Fair Value of Instrument at Grant</td><td>Performance rights: $0.35
Options: $0.21</td></tr>
<tr><td>Option Exercise Price</td><td>$0.2763 (VWAP for the 20 business days prior to 1 May 2016 and as agreed in the Syndicated Facility Agreement).</td></tr>
<tr><td>Current Status</td><td>The GCFO Retention Plan has been assessed by the Board following the vesting date of 30 June 2017. The hurdle was not achieved and all performance rights and options have now lapsed.</td></tr>
</table>

4.6.3. Cessation as GCFO

On the effective date of the Scheme of Arrangement, or 15 November 2017, whichever is the earlier, the GCFO role will no longer be required and he will cease with the Group. As a result he will receive the following termination payments, all less applicable Tax in accordance with his employment agreement:

(i). 6 months’ salary in lieu of notice; and
(ii). untaken annual leave accrued to the Employment Termination Date.

4.7. Remuneration Composition Mix & Executive Remuneration Components

The Group endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and at risk and potentially paid in both cash and equity. The following table provides the intended remuneration mix across the remuneration components:

Audited Remuneration Report (Continued)

Target Remuneration Policy Mix for FY17

	Policy Total Remuneration % (annualised at target) for FY17			
	Fixed	Variable (at risk)		
Position	Total Fixed Remuneration	Short Term Incentive	Deferred Service Rights	Long Term Incentive
Group Managing Director	48.1%	18.7%	16.6%	16.6%
CEO UK	54.3%	20.9%	12.4%	12.4%
CEO Australia	60.6%	18.2%	10.6%	10.6%
Group Chief Financial Officer	34.8%	17.4%	-	47.8%(1)

(1) GCFO Retention Plan

Following the first strike at the 2016 AGM, and the environment facing the Company during FY17, no long term incentive or deferred service right grants were made to executive KMP during the year ended 30 June 2017. As a result the relative weightings between the remaining remuneration components were as follows:

Actual Target Remuneration Mix for FY17 (excluding DSRP and LTI which was not granted)

	Actual Total Remuneration % (annualised at target) for FY17			
	Fixed	Variable (at risk)		
Position	Total Fixed Remuneration	Short Term Incentive	Deferred Service Rights	Long Term Incentive
Group Managing Director	72.0%	28.0%	The Deferred Service Rights Plan was not implemented	No LTI grants were made during FY17
CEO UK	72.2%	27.8%		
CEO Australia	76.9%	23.1%		
Group Chief Financial Officer	34.8%	17.4%	-	47.8%

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

4.8.1. The Group's Financial Performance (FY13 to FY17)

Company Performance	2013	2014 Restated	2015 Restated	2016	2017
Revenue ($'000)	297,963	438,228	598,185	908,185	611,485
Profit before tax ($'000)	61,341	95,747	85,408	(1,029,468)	(551,149)
Profit after tax ($'000)	41,521	68,236	62,374	(1,017,595)	(546,831)
Basic earnings per share (cents)	23.90	33.80	26.46	(289.1)	(155.6)
Diluted earnings per share (cents)	23.30	33.20	26.27	(289.1)	(155.6)
EBITDAW	33,362	63,321	92,586	(49,343)	(76,095)
Gross Operating Cash Flow less CAPEX	36,820	62,615	33,666	(96,383)	(34,308)
Dividends per share - paid during financial year (cents)	6.30	6.85	8.50	5.50	-
Total dividends paid during financial year ($'000)	10,647	13,770	17,620	19,330	-
Share price at 30 June ($)	2.78	5.16	3.56	0.39	0.081

Audited Remuneration Report (Continued)

4.8.2. Group Performance and Relationship to Executive KMP Remuneration

The underperformance of the group as discussed in the Operating and Financial Review is reflected in the KMP STI outcomes.

FY17 Short Term Incentive outcomes

The resulting STI outcomes for the executive KMP are provided in the following table. One executive KMP, Mr Houghton, GCFO, received an STI payment for FY17. This amount was based on his "one off" STI described in Section 4.6.1. No other executive KMP received an STI payment for FY17.

Actual STI Awarded for FY17 Compared to STI Opportunity

Executive KMP	Position	Target STI as a % of FY17 TTR (1)	STI awarded as a % of Target STI	STI forfeited for FY17 as a % of Target STI	Accrued STI to be awarded in FY18 ($)
Andrew Grech	Group Managing Director	28.0%	0%	100%	$0
Ken Fowlie	Chief Executive Officer, UK	27.8%	0%	100%	$0
Bryce Houghton	Group Chief Financial Officer	33.3%	30%	70%	$0
Hayden Stephens	Chief Executive Officer, Australia	23.1%	0%	100%	$0

(1) TTR is Total Target Remuneration, excluding DSRP and LTI

Overall, there has been direct 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 make any grants under the long term incentive plan and the deferred service rights plan during FY17. The exception was a 30% payment to the GCFO based on performance against his quarterly targets, as part of his retention and incentive arrangements, as described in section 4.6.1.

Long Term Incentive Outcomes

The FY15 LTI plan is the only active long term incentive plan and utilises EPS CAGR and relative 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. Final assessment of this plan will occur in September 2017.

It was planned to offer key executives the opportunity to participate in a FY17 LTI Plan. However, due to the challenges facing the company the Board decided not to make any offer during the year.

No performance rights vested during FY17, and equity allocated under the GCFO retention plan lapsed as the performance conditions were not achieved.

4.9. Other Remuneration Elements and Disclosures relevant to Executive KMP

4.9.1. Clawback

The clawback policy was introduced in June 2016 to apply onwards from FY17. The policy enables the Group to clawback certain elements of an executive's remuneration if there has been a misstatement of the Group'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 executive KMP with the long-term interests of the Group and to ensure that excessive risk taking is not rewarded.

4.9.2. Hedging and Margin Lending Prohibition

The Group's Share Trading Policy continued in FY17. Directors and executive KMP must not engage in dealings based on short term fluctuations in the Group's securities. If a Director or executive KMP acquires securities in the Group, they should not sell or agree to sell any Slater and Gordon securities of that class for at least 30 days.

Directors are prohibited from entering into margin loans under the Group's 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 the Group 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 the Group's securities during a prohibited trading period.

Directors and executive KMP must not enter into hedging arrangements in relation to securities in the Group 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.

Audited Remuneration Report (Continued)

The Group, in line with good corporate governance, has a Share Trading Policy setting down how and when employees may deal in Slater and Gordon securities. The Group's Share Trading Policy is available on the Slater and Gordon website www.slatergordon.com.au under the Firm, and then Governance tab.

4.9.3. Minimum Shareholding Guidelines

As at 30 June 2017, two executive KMP (Messrs Fowlie and Stephens) 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.

Directors’ Report

Audited Remuneration Report (Continued)

4.10. Executive Remuneration Table

4.10.1. Executive Remuneration Table – Statutory Disclosure

		Fixed Remuneration						Variable pay			End of Service				Proportion of Total Remuneration	
		Short-term			Post-employment			Short-term	Long-term							
Name	**Year**	**Salary**	**Non-monetary benefits**	**Other benefits**	**Super-annuation benefits**	**Long service leave**	**Total**	**Cash Bonus**	**Performance Rights / Options**	**Total**	**Unused Statutory Leave Balances**	**Contractual Notice Period**	**Total**	**Total Remuneration**	**Performance related**	**Delivered as equity**
Andrew Grech[(1)(2)]	**FY17**	**548,307**	**-**	**286,462**	**31,721**	**-**	**866,490**	**-**	**(28,953)**	**(28,953)**	**280,192**	**382,896**	**663,088**	**1,500,625**	**-1.9%**	**-1.9%**
	FY16	543,225	5,082	-	39,209	19,952	607,468	-	29,797	29,797	-	-	-	637,265	4.7%	4.7%
Ken Fowlie[(3)]	**FY17**	**536,160**	**5,348**	**-**	**10,723**	**-**	**552,231**	**-**	**6,952**	**6,952**	**-**	**-**	**-**	**559,183**	**1.2%**	**1.2%**
	FY16	651,763	6,200	-	13,035	-	670,998	-	15,360	15,360	-	-	-	686,358	2.2%	2.2%
Bryce Houghton	**FY17**	**602,180**	**11,086**	**-**	**40,769**	**13,053**	**667,088**	**97,500**	**894,430**	**991,930**	**-**	**-**	**-**	**1,659,018**	**59.8%**	**53.9%**
	FY16	385,619	6,059	-	19,674	2,658	414,010	189,600	12,938	202,538	-	-	-	616,548	32.9%	2.1%
Hayden Stephens	**FY17**	**461,479**	**14,865**	**-**	**19,616**	**30,449**	**526,409**	**-**	**6,952**	**6,952**	**-**	**-**	**-**	**533,361**	**1.3%**	**1.3%**
	FY16	383,471	17,240	-	30,779	18,306	449,797	-	12,723	12,723	-	-	-	462,520	2.8%	2.8%
Former Executive KMP																
Wayne Brown [(4)]	**FY17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY16	141,849	4,300	-	8,712	-	154,861	-	(5,549)	(5,549)	124,329	-	124,329	273,641	(2.0%)	(2.0%)
Cath Evans[(5)]	**FY17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY16	318,926	-	-	19,756	6,318	345,000	25,000	921	25,921	17,938	357,064	375,002	745,923	3.5%	0.1%
Neil Kinsella[(6)]	**FY17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY16	236,239	1,772	-	-	-	238,011	-	(4,814)	(4,814)	-	-	-	233,197	(2.1%)	(2.1%)
Felicity Pantelidis[(7)]	**FY17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY16	384,053	-	-	19,308	13,507	416,868	93,750	12,172	105,922	-	-	-	522,790	20.3%	2.3%
Total	**FY17**	**2,148,126**	**31,299**	**286,462**	**102,829**	**43,502**	**2,612,218**	**97,500**	**879,381**	**976,881**	**280,192**	**382,896**	**663,088**	**4,252,187**	**23.0%**	**20.7%**
Total	FY16	3,045,145	40,653	-	150,473	60,741	3,297,012	308,350	73,548	381,898	142,267	357,064	499,331	4,178,241	**9.1%**	**1.8%**

(1) A Grech received an expatriate allowance to cover the additional living costs while on assignment to the UK from 18 January 2016 to 29 June 2017 which is included under “Other Benefits”

(2) A Grech ceased as Group Managing Director on 29 June 2017. The End of Service benefit represent his termination payment which will be paid to him when he ceases as a Non-Executive Director of the Company

(3) K Fowlie transitioned from Executive Director to other executive KMP on 1 September 2016. The details above reflect the full year income across both roles. He was paid in Pound Sterling, which has been converted to AUD using an average exchange rate of AUD to GBP of 1.6818

(4) W Brown ceased as a KMP on 30 November 2015

(5) C Evans was on leave of absence without pay from 29 March 2016 and ceased employment on 30 June 2016

(6) N Kinsella ceased employment on 5 February 2016

(7) F Pantelidis ceased as a KMP on 30 June 2016. She ceased employment with the Group on 14 October 2016

Audited Remuneration Report (Continued)

4.10.2. 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 Share based payments (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** (1)	**Cash Incentives received for previous year performance**	**Cash Incentives received for current year performance**	**Total Cash**	**Future at risk remuneration received during the year (LTI)** (2)
Andrew Grech	**FY17**	**866,490**	**-**	**-**	**866,490**	**-**
	FY16	587,515	35,000	-	622,515	-
Ken Fowlie	**FY17**	**552,231**	**-**	**-**	**552,231**	**-**
	FY16	670,998	30,000	-	700,998	-
Bryce Houghton	**FY17**	**654,035**	**90,000**	**97,500**	**841,535**	**-**
	FY16	411,352	-	100,000	511,352	**-**
Hayden Stephens	**FY17**	**495,961**	**-**	**-**	**495,961**	**-**
	FY16	431,490	30,000	-	461,490	-
Former Executive KMP						
Wayne Brown	**FY17**	-	-	-	-	-
	FY16	154,861	25,000	-	179,861	-
Cath Evans	**FY17**	**-**	**-**	**-**	**-**	**-**
	FY16	338,682	100,000	25,000	463,682	-
Neil Kinsella	**FY17**	**-**	**-**	**-**	**-**	**-**
	FY16	238,011	28,298	-	266,309	-
Felicity Pantelidis	**FY17**	**-**	**-**	**-**	**-**	**-**
	FY16	403,361	80,000	-	483,361	-
Total	**FY17**	**2,568,717**	**90,000**	**97,500**	**2,756,217**	**-**
Total	FY16	3,236,270	328,298	125,000	3,689,568	-

(1) Represents the value of base salary, non-monetary benefits, other benefits and superannuation received during the year (excludes the accrued value of long leave)

(2) No LTI was offered to executive KMP during FY17 (refer Section 4.4)

5. Key Management Personnel Equity

5.1. Executive KMP Equity Plans

As described in Section 4.4, as a result of the FY16 and FY17 LTI plans being cancelled and not offered respectively, the FY15 LTI, and the GCFO FY16 Retention plan are the only equity plans in which executive KMP continued to participate during FY17.

The FY15 LTI has two testing dates to determine if any performance rights may vest, being 30 June 2017 for EPS, and 31 August 2017 for RTSR. Formal assessment of performance of these plans will be undertaken in September 2017.

The GCFO FY16 Retention plan had a vesting date of 30 June 2017 for both performance rights and options. Performance of this plan has been assessed and all performance rights and options have lapsed.

5.2. Vesting and Exercise of Performance Rights granted as Remuneration

During FY17, no performance rights or options were vested, exercised, or granted.

Audited Remuneration Report (Continued)

5.2.1. Analysis of Movement in Performance Rights

During the financial year, the movement in the number and value of performance rights over ordinary shares of Slater and Gordon Limited acquired under LTI, and GCFO Retention Plan, held by executive KMP is detailed below:

	Number held at 1 July 2016	Number offered in year [1]	Offer Value ($)	Number exercised in year	Intrinsic Value ($)	Number cancelled / forfeited during year	Number held at 30 June 2017
Andrew Grech	40,000	-	-	-	-	40,000	-
Ken Fowlie	16,000	-	-	-	-	-	16,000
Bryce Houghton	-	1,200,000	418,560	-	-	1,200,000	-
Hayden Stephens	16,000	-	-	-	-	-	16,000
Total	**72,000**	**1,200,000**	**418,560**	**-**	**-**	**1,240,000**	**32,000**

[1] No offer was made during FY17, refer Section 4.4

During the financial year, the movement in the number and value of Options over ordinary shares of Slater and Gordon Limited acquired under GCFO Retention Plan held by executive KMP is detailed below:

	Number held at 1 July 2016	Number offered in year	Offer Value ($)	Number exercised in year	Intrinsic Value ($)	Number cancelled / forfeited during year	Number held at 30 June 2017
Bryce Houghton	-	2,300,000	475,870	-	-	2,300,000	-
Total	**-**	**2,300,000**	**475,870**	**-**	**-**	**2,300,000**	**-**

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 4.9.2 Hedging and margin lending prohibition for more information.

The table below indicates shareholdings of the Group KMP:

	Number held at 1 July 2016	Acquisitions	Disposals	Number held at 30 June 2017
John Skippen	60,000	40,000	-	100,000
Thomas Brown	-	-	-	-
James M. Millar	20,000	-	-	20,000
Andrew Grech	6,750,656	250,000	-	7,000,656
Ken Fowlie	5,646,221	-	-	5,646,221
Bryce Houghton	-	-	-	-
Hayden Stephens	4,804,115	-	-	4,804,115
Former Non-Executive Directors				
Ian Court	69,804	25,000	59,000	35,804
Erica Lane	170,000	-	-	170,000
Rhonda O'Donnell	25,000	-	-	25,000
Total	**17,545,796**	**315,000**	**59,000**	**17,801,796**

Audited Remuneration Report (Continued)

6. Service Contracts and Employment Agreements

6.1. Employment Agreements: Executive Directors & Other Executive KMP

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 with six (6) months' written notice.
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 six (6) months' written notice or payment in lieu of the notice period based on TFR.
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.
Death or Total and Permanent Disability	On death or total and permanent disability, payment will be made on a pro-rata basis and will be calculated in accordance with the normal timetable and end of year results.
Termination for Serious Misconduct	The Company may immediately terminate employment at any time in the case of serious misconduct, and executive directors and other executive KMP will only be entitled to payment of TFR up to the date of termination.
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

Building a better
working world

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

As lead auditor for the audit of Slater and Gordon Limited and Controlled Entities for the financial year ended 30 June 2017, 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 Controlled Entities it controlled during the financial year.

Ernst & Young

Christopher George
Partner
Melbourne
31 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue			
Fee revenue		532,460	698,486
Net movement in work in progress		(51,845)	(41,318)
Services revenue		120,844	234,302
Revenue from contracts with customers	3.1	**601,459**	**891,470**
Other income		10,026	16,715
Total revenue and other income		**611,485**	**908,185**
Less expenses			
Salaries and employee benefit expense	3.2	325,304	416,294
Payments to former owners		4,453	18,529
Share based payment expense to former owners		7,170	14,699
Cost of sales	3.2	79,946	170,297
Rental expense		29,161	38,169
Advertising, marketing and new business development expense		87,850	136,596
Administration and office expense		90,290	92,528
Consultant fees		33,470	36,158
Finance costs	3.2	51,911	42,548
Bad and doubtful debts		47,885	39,342
Depreciation and amortisation expense	3.2	11,228	17,743
Other expenses		32,701	35,244
Impairment of intangible assets	4.1	361,265	879,506
Loss before income tax expense		**(551,149)**	**(1,029,468)**
Income tax benefit	3.4	(4,318)	(11,873)
Loss for the year after income tax		**(546,831)**	**(1,017,595)**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(8,188)	(35,013)
Changes in fair value of cash flow hedges		1,721	(1,130)
Total items that may be reclassified subsequently to profit or loss		**(6,467)**	**(36,143)**
Other comprehensive loss for the year, net of tax		**(6,467)**	**(36,143)**
Total comprehensive loss for the year, net of tax		**(553,298)**	**(1,053,738)**
Loss for the year attributed to:			
Owners of the Company		(546,549)	(1,017,306)
Non-controlling interests		(282)	(289)
		(546,831)	**(1,017,595)**
Total comprehensive loss for the year attributed to:			
Owners of the Company		(553,014)	(1,053,426)
Non-controlling interests		(284)	(312)
		(553,298)	**(1,053,738)**
Basic loss per share (cents)	3.6	(155.6) cents	(289.1) cents
Diluted loss per share (cents)	3.6	(155.6) cents	(289.1) cents

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

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents		33,303	82,494
Receivables	4.2	395,466	472,377
Work in progress	4.3	294,871	361,898
Current tax assets	3.4	3	16,803
Other current assets		21,144	24,217
Total current assets		**744,787**	**957,789**
Non-current assets			
Property, plant and equipment	4.4	26,555	33,207
Receivables	4.2	91,492	65,391
Work in progress	4.3	220,094	225,635
Intangible assets	4.1	13,112	393,970
Deferred tax assets	3.4	34,718	46,725
Other non-current assets		536	11,314
Total non-current assets		**386,507**	**776,242**
Total assets		**1,131,294**	**1,734,031**
Current liabilities			
Payables	4.5	418,619	463,570
Short term borrowings	5.2	466,240	3,642
Current tax liabilities	3.4	8,250	9,301
Other current liabilities		1,815	7,490
Provisions	4.6	54,532	52,455
Total current liabilities		**949,456**	**536,458**
Non-current liabilities			
Payables	4.5	-	510
Long term borrowings	5.2	314,702	761,138
Deferred tax liabilities	3.4	93,361	112,950
Derivative financial instruments		1,419	2,841
Provisions	4.6	21,172	15,037
Total non-current liabilities		**430,654**	**892,476**
Total liabilities		**1,380,110**	**1,428,934**
Net (liabilities) /assets		**(248,816)**	**305,097**
Equity			
Contributed equity	5.5	1,119,235	1,116,048
Reserves		44,023	54,290
Retained profits		(1,411,897)	(865,348)
Total equity attributable to equity holders in the Company		**(248,639)**	**304,990**
Non-controlling interest		(177)	107
Total equity		**(248,816)**	**305,097**

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

Consolidated Statement of Changes In Equity

For the Year Ended 30 June 2017

2017	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 2016		**1,116,048**	**(865,348)**	**(2,319)**	**35,699**	**20,910**	**304,990**	**107**	**305,097**
Net loss after tax for the year		-	(546,549)	-	-	-	(546,549)	(282)	(546,831)
Total other comprehensive loss for the year		-	-	1,721	(8,186)	-	(6,465)	(2)	(6,467)
Total comprehensive loss for the year		**-**	**(546,549)**	**1,721**	**(8,186)**	**-**	**(553,014)**	**(284)**	**(553,298)**
Transactions with owners in their capacity as owners		-							
Ordinary and VCR shares issued / (bought back)	5.5	(9,232)	-	-	-	-	(9,232)	-	(9,232)
Cancellation of VCR shares		525	-	-	-	-	525		525
Transfer from share based payments reserve	5.5	11,907	-	-	-	(11,907)	-	-	-
Recognition of share based payments expense to former owners		-	-	-	-	7,170	7,170	-	7,170
Costs of share registry	5.5	(13)	-	-	-	-	(13)	-	(13)
Issue of warrants		-	-	-	-	-	-	-	-
Performance rights		-	-	-	-	935	935	-	935
Total transactions with owners in their capacity as owners		**3,187**	**-**	**-**	**-**	**(3,802)**	**(615)**	**-**	**(615)**
Balance as at 30 June 2017		**1,119,235**	**(1,411,897)**	**(598)**	**27,513**	**17,108**	**(248,639)**	**(177)**	**(248,816)**

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)		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		-	-	-	-	(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**

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flow from operating activities			
Receipts from customers		777,457	1,056,757
Payments to suppliers and employees		(803,574)	(1,135,083)
Payments to former owners		(17,657)	(14,211)
Interest received		339	381
Borrowing costs		(6,740)	(35,263)
Net income tax refunded		11,087	23,175
Net cash used in operating activities	3.3	**(39,088)**	**(104,244)**
Cash flow from investing activities			
Payment for software development		(5,959)	(5,314)
Payment for plant and equipment		(2,232)	(12,743)
Costs associated with acquisition of businesses		(3)	(738)
Proceeds from disposal of businesses		(1,501)	168
Repayment of cash consideration for SGS acquisition		-	2,386
Payment for acquisition of businesses – deferred consideration		(2,074)	(12,002)
Net cash used in investing activities		**(11,769)**	**(28,243)**
Cash flow from financing activities			
Costs of share registry management		(14)	(85)
Loans/payments to related parties and employees		(5,697)	(5,353)
Proceeds from borrowings		15,000	192,787
Repayment of borrowings		(3,640)	(44,759)
Dividends paid		-	(17,060)
Net cash provided by financing activities		**5,649**	**125,530**
Net decrease in cash held		(45,207)	(6,957)
Net foreign exchange differences		(3,984)	(7,534)
Cash at beginning of financial year		82,494	96,985
Cash at end of financial year		**33,303**	**82,494**

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

Notes to the Financial Statements

For the Year Ended 30 June 2017

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.

The consolidated financial statements provide comparative information in respect of the previous period.

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

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 statements have been prepared on a going concern basis.

During the year ended 30 June 2017, the Group incurred a net loss after tax of $546.8m (including $361.3m of intangible asset impairment) and generated negative net cash flow from operating activities of $39.1m. At 30 June 2017 the Group's total liabilities exceed its total assets by $248.8m. The Group's Syndicated Facility Agreement ("SFA") banking facilities were fully drawn with borrowings of $761.6m as at 30 June 2017. Based on exchange rates as at year end, $450.2m is repayable in May 2018 and $311.4m is repayable in March 2019. The Group will not have sufficient free cash flow to pay interest and repay the facilities in May 2018, or earlier, accordingly, the Group requires the ongoing support of its lenders to continue as a going concern.

On 29 June 2017, the Group announced it had entered into a binding recapitalisation agreement with its lenders and subsequently, on 31 August 2017, the Group announced it had signed an amended binding restructuring support deed with 100% of its secured lenders in relation to the recapitalisation. The recapitalisation is intended to provide the Group with a sustainable level of debt and support a stable platform for its future operations.

The terms of the recapitalisation agreement also provide the Group with additional liquidity support for its continued operation prior to and post the implementation of the recapitalisation in the form of an increase of $50m to the Group's $40m working capital facility which will be available prior to the recapitalisation. Key terms of the recapitalisation and liquidity support are detailed in note 5.2 Financing Arrangements.

The recapitalisation is expected to be completed in early December 2017 and is subject to a number of conditions precedent which are detailed at note 5.2.4 Recapitalisation Agreement. These include shareholder approval of the recapitalisation and the settlement of the shareholder class action detailed in note 8 Subsequent Events.

In addition to the reliance on the recapitalisation and additional liquidity support, to continue as a going concern, the Group has drawn down a further $12.5m of its current working capital facility on 15 August 2017 and will require an additional $12.5m in September 2017. This additional drawdown is subject to a number of conditions precedent which are included in note 5.2.5 Working Capital Facility. Following the recapitalisation the Group may remain dependent upon its lenders until it stabilises its trading results and sufficiently improves operating cash flows.

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 financial report.

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

- the Group will continue to receive the support of its lenders;
- the conditions precedent to the recapitalisation agreement will be satisfied;
- the conditions precedent to drawing down on the remainder of the working capital facility will be satisfied;
- the recapitalisation agreement will be approved by shareholders; and as such
- the preparation of the 30 June 2017 financial report on a going concern basis is appropriate.

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

- the support that lenders have afforded the Group to date in ensuring a stable platform for the business to re-establish itself;
- the absence of advice from lenders of a withdrawal of their support;
- the in principle conditional agreement to settle the shareholder class action as announced on 11 July 2017; and
- the recapitalisation plan produces a better return to shareholders and creditors than any other alternative.

The 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.

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.

1.2. 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 or disclosures of the Group as they did not result in any changes to the Group's existing accounting policies.

1.3. 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.

1.4. 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 in profit or loss 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 and accumulated 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. For the year ended 30 June 2017, all operating segment results were regularly reviewed by the Group's Managing Director, who was 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 represent 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")** – offers fast track personal injury legal services in the UK relating to road traffic accidents, employee liability, noise induced hearing loss, health and motor services.

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

	AUS		SGL UK		SGS		TOTAL	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue								
Fee and services revenue	**226,747**	265,629	**157,784**	229,958	**268,773**	437,201	**653,304**	932,788
Movement in WIP	**(15,474)**	(27,848)	**(16,570)**	(17,391)	**(19,801)**	3,921	**(51,845)**	(41,318)
Revenue from contracts with customers	**211,273**	237,781	**141,214**	212,567	**248,972**	441,122	**601,459**	891,470
Other income							**10,026**	16,715
Total revenue and other income							**611,485**	908,185
Result								
EBITDA*	**(50,337)**	(35,506)	**(51,881)**	(49,053)	**(25,721)**	(6,102)	**(127,939)**	(90,661)
Depreciation and amortisation	**(5,892)**	(9,578)	**(3,874)**	(5,952)	**(1,462)**	(2,213)	**(11,228)**	(17,743)
Impairment of intangible assets	**(10,959)**	(55,803)	**(42,744)**	(9,458)	**(307,562)**	(814,245)	**(361,265)**	(879,506)
Loss before tax and net finance expense	**(67,188)**	(100,887)	**(98,499)**	(64,463)	**(334,745)**	(822,560)	**(500,432)**	(987,910)
Net finance expense							**(50,717)**	(41,558)
Loss before income tax							**(551,149)**	(1,029,468)
Income tax (expense)/benefit							**4,318**	11,873
Net loss after income tax							**(546,831)**	(1,017,595)
EBITDAW**	**(34,864)**	(7,657)	**(35,311)**	(31,663)	**(5,920)**	(10,023)	**(76,095)**	(49,343)
Total segment assets	**400,124**	429,675	**443,268**	512,157	**287,902**	792,199	**1,131,294**	1,734,031
Total segment liabilities	**355,683**	316,555	**802,335**	794,308	**222,092**	318,071	**1,380,110**	1,428,934
Net assets/(liabilities) per statement of financial position	**44,441**	113,120	**(359,067)**	(282,151)	**65,810**	474,128	**(248,816)**	305,097

*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 base. 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.

3.1.1 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.

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.

3.1.1 Accounting Policies (continued)

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.

Critical Accounting Estimate and Judgements

(i). 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). 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.

3.1.1 Accounting Policies (continued)

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.

(iii). 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.

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			
	PIL	GL	PIL	GL	SGS	Total
Year ended 30 June 2017	$'000	$'000	$'000	$'000	$'000	$'000
Type of contract:						
Fixed price	-	15,875	1,373	8,952	41,724	67,924
Time and Materials	-	22,608	6,351	36,507	80,266	145,732
No Win – No Fee	155,430	17,360	87,417	614	126,982	387,803
Revenue from contracts with customers	**155,430**	**55,843**	**95,141**	**46,073**	**248,972**	**601,459**
Year ended 30 June 2016						
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**

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, prior to their full impairment during the current year, that have been assessed as having a finite useful life were 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

	2017 $'000	2016 $'000
Finance costs expense		
Interest and fees on bank overdraft and loans (includes costs of borrowing)	51,361	41,293
Interest on deferred consideration payable to vendor on acquisitions	96	623
Interest on obligations under hire purchases	454	632
	51,911	42,548
Salaries and employee benefit expense		
Wages and salaries	309,941	398,747
Post-employment benefits	14,813	16,290
Share based payments expense	550	1,257
	325,304	416,294
Cost of sales		
Ancillary revenue	61,446	147,806
Rendering of services – non-legal	18,500	22,491
	79,946	170,297
Depreciation and Amortisation		
Property, plant & equipment	7,033	8,195
Software development	4,068	4,489
Trademarks	127	5,059
	11,228	17,743
Research costs expensed	-	255

3.3. Cash Flow Information

Reconciliation of profit for the period to cash flows from operating activities	2017 $'000	2016 $'000
Loss after income tax	(546,831)	(1,017,595)
Non-cash flows in profit from ordinary activities		
Notional interest on VCR share loans	(859)	(611)
Depreciation and amortisation	11,228	17,743
Impairment of intangibles	361,265	879,506
Share based payment expenses	7,720	15,957
Accrual for payments to former owners	4,453	18,529
Notional interest on deferred consideration	96	623
Bad and doubtful debts	47,885	39,342
Deferred costs of borrowing	12,313	10,850
Notional FX (gain) / loss	(1,354)	2,323
Interest Rate Swap Expense	566	-
Interest Expense Capitalised	31,404	-
Other non-cash items	(3,106)	-
Items shown in investing activities		
Costs associated with acquisition	3	738
Proceeds from disposal of businesses	(3)	(168)
Changes in assets and liabilities		
Increase in receivables	(2,234)	(37,241)
Decrease / (increase) in other assets	3,511	(1,972)
Decrease in work in progress	52,323	40,486
Decrease in payables	(33,944)	(70,146)
Increase in income tax payable	15,435	6,702
(Decrease) / increase in net deferred tax	(1,183)	6,698
Increase in deferred borrowings costs	-	(4,172)
Decrease in vendor liabilities	(189)	(3,878)
Increase / (decrease) in provisions	2,413	(7,958)
Cash flows used in operating activities	**(39,088)**	**(104,244)**

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.

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.

3.4.1. Accounting Policies (continued)

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.

3.4.2. Income Tax Expense

The major components of income tax expense are:

Consolidated statement of profit or loss	2017 $'000	2016 $'000
Current income tax (benefit)/expense	3,636	(9,482)
Adjustment for current tax relating to prior periods	364	(12,167)
Deferred income tax relating to the origination and reversal of temporary differences	(8,318)	9,776
	(4,318)	(11,873)
Consolidated statement of OCI		
Deferred tax credit arising on revaluation of cash flow hedges	266	(144)
Deferred tax charge arising on foreign exchange gain on revaluation of loans	105	(310)
	371	(454)
Income tax recognised directly in equity		
Current tax credit on share issue costs	-	(26)
	-	(26)

	2017 $'000	2016 $'000
Deferred income tax (benefit) /expense included in income tax expense		
(Increase)/decrease in deferred tax assets	(15,483)	41,505
Deferred income tax relating to items charged to OCI	(371)	454
Deferred income tax relating to items charged directly to equity	-	26
Decrease in deferred tax liabilities	(9,836)	(31,138)
Change in tax rates	(945)	-
Deferred tax from prior periods	882	-
Derecognition of deferred tax asset on tax losses	25,362	-
Derecognition of deferred tax liability on impairment of brand names	(7,927)	-
Exchange differences	-	(1,071)
	(8,318)	9,776

The prima facie tax payable on profit before tax differs from the income tax expense as follows:		
Accounting loss before tax	**(551,149)**	**(1,029,468)**
At the Australian statutory income tax rate of 30% (2016: 30%)	(165,344)	(308,840)
Non-deductible expenses	74,929	212,724
Non-assessable income	(872)	(3,016)
Adjustments in respect to prior periods	1,246	175
Difference in overseas tax rate	45,508	74,116
Utilisation of tax losses and reversal of short term timing differences on which no deferred tax asset was previously recognised	2,833	5,327
Deferred tax charged at lower rate	1,156	-
Change in tax rates on deferred tax balances	(945)	-
Write off of deferred tax liability on impairment of brand names	(7,927)	-
Deferred tax assets not recognised	45,098	7,641
Income tax benefit	(4,318)	(11,873)

3.4.3. Recognised Tax Assets and Liabilities

	2017 $'000	2016 $'000
Current tax assets		
Balance at the beginning of the year	16,803	34,636
Tax refunded	(16,138)	(29,464)
Adjustments in respect to prior periods	(2)	9,215
Exchange differences	(660)	2,416
Balance at the end of the year	3	16,803
Current tax liability		
Balance at the beginning of the year	(9,301)	(23,412)
Current income tax benefit/(expense)	(3,636)	9,482
Tax paid	5,051	6,289
Adjustments in respect of prior periods	(364)	2,937
Losses utilised	-	(4,597)
Balance at the end of the year	(8,250)	(9,301)

	2017 $'000	2016 $'000
Deferred tax assets		
Provision for impairment	5,532	3,521
Employee benefits	6,828	6,931
Provision for legal costs	896	552
Accruals	9,818	2,788
Non-deducted business related costs	487	144
Fair value of cash flow hedges	256	521
Unrendered WIP and disbursements not yet deducted	-	326
Other	1,282	1,577
Property, plant and equipment	2,630	-
Revenue losses carried forward	696	26,811
Advanced Company Income Tax ("ACIT") refund in Malta	6,293	3,554
Balance at the end of the year	34,718	46,725
Deferred tax liabilities		
Prepayments	(971)	(629)
Work in progress	(72,227)	(77,987)
Unrendered disbursements	(13,689)	(12,156)
Intangibles/Goodwill	-	(17,179)
Foreign currency translation reserve	(6,529)	(6,424)
Other	55	1,425
Balance at the end of the year	(93,361)	(112,950)

3.4.4. Unrecognised Deferred Tax Assets

At 30 June 2017 the Group has unrecognised deferred tax assets of $160.8m (2016: $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. The majority of the deferred tax assets on tax losses carried forward are also unrecognised.

3.5. Dividends

	2017 $'000	2016 $'000
Dividends paid during the year		
Dividends on ordinary shares		
No interim dividend paid for 2017 (2016: No interim dividend paid)	-	-
No final dividend for 2016 (2015: 5.50 cents, partially franked (40%))	-	19,330
Total dividends paid during the year	-	19,330
Dividends proposed and not recognised as a liability		
Dividends on ordinary shares		
No final dividend proposed for 2017 (2016: No final dividend paid)	-	-
Franking credits available		
Franking credits at year end are adjusted for credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:	-	844

3.6. Loss per Share

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

	2017 $'000	2016 $'000
Loss used in calculating basic and diluted earnings per share	(546,549)	(1,017,306)
Weighted average number of ordinary shares used in calculating basic loss per share ('000's)	351,351	351,907
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share ('000's)	351,351	352,085

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 was 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 was not amortised, but was tested annually for impairment or more frequently if events or changes in circumstances indicated that it might be impaired. Prior to being fully impaired during the current year, goodwill was 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.

4.1.1 Accounting Policies (continued)

Trademarks and Brand Names

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

Prior to their full impairment during the current year, trademarks were carried at cost less accumulated amortisation and any accumulated impairment losses.

	Goodwill $'000	Software Development $'000	Trademarks & Brand Names $'000	Total $'000
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**
Gross Cost	1,119,599	41,605	53,452	1,214,656
Accumulated amortisation	-	(23,427)	(12,199)	(35,626)
Accumulated impairment loss	(1,119,599)	(5,066)	(41,253)	(1,165,918)
At 30 June 2017	**-**	**13,112**	**-**	**13,112**
Movement in carrying amounts				
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 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
Additions	-	5,959	-	5,959
Reclassifications from property, plant and equipment	-	(52)	-	(52)
Exchange differences	(17,922)	(790)	(2,313)	(21,025)
Amortisation expense	-	(4,068)	(127)	(4,195)
Impairment expense	(314,946)	(5,066)	(41,253)	(361,265)
Disposals	-	(280)	-	(280)
Balance at 30 June 2017	**-**	**13,112**	**-**	**13,112**

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
2017						
Goodwill recognised ($'000)	-	-	-	-	-	-
Indefinite life intangibles ($'000)	-	-	-	-	-	-
2016						
Goodwill recognised ($'000)	5,893	-	43,532	-	283,443	332,868
Indefinite life intangibles ($'000)	57	-	1,715	-	41,921	43,693

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.

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

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.

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

As at 31 December 2016, the Group considered the performance of the UK businesses which had underperformed against budget and previous forecasts. Whilst the Group's UK business had shown signs of improvement, recovery had 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 as at 31 December 2016 for all CGUs in the UK. The impairment test was based on a fair value less costs of disposal methodology which resulted in all remaining UK goodwill and indefinite life intangibles being fully impaired as at 31 December 2016 and an impairment expense of $350.3m being recognised for the period.

As at 30 June 2017, the remaining goodwill relating to the Australian CGU was tested for impairment. The impairment test was based on a value-in-use methodology and an impairment expense of $5.9m was recognised for the period. This additional impairment resulted in a total impairment relating to goodwill for the year ended 30 June 2017 of $356.2m.

As the carrying value of the Australian CGU (specifically Victorian PIL) was in excess of the recoverable amount, the excess was applied to corporate assets of the Australian business. As a result, the software assets of the Australian business were fully impaired at 30 June 2017 and an impairment expense of $5.1m was also recognised for the year.

Goodwill in the following CGUs were impaired during the year ended 30 June 2017:

CGU	Impairment loss $'000	Recoverable amount $'000
Slater & Gordon Solutions (SGS) (31 December 2016)	307,560	70,181
UK – PIL (31 December 2016)	42,744	42,794
Australia (30 June 2017)	5,893	94,541

4.1.4. Key Assumptions used in the recoverable amount calculations

UK CGUs

A fair value less costs of disposal approach was used to calculate the recoverable amount of the UK CGUs. It was calculated using a discounted cash flow model and is considered to be a Level 3 valuation 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 year ended 30 June 2017, 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 now fully impaired as at 30 June 2017.

Australian CGU

A value in use model was used to calculate the recoverable amount of the Australian CGU (specifically Victorian PIL). The calculated recoverable amount was based on internally prepared future cash flow forecasts which took into account the current risks and circumstances of the operations. The cash flow model used a discount rate of 15% reflecting the uncertainty surrounding the business at 30 June 2017. The forecast cash flows were projected over a period of 5 years, beyond which period a terminal growth rate of 2% was used to extrapolate cash flow projections.

The recoverable amount of the Australian CGU (specifically Victorian PIL) was measured using a value–in-use basis. The goodwill and indefinite life intangibles in the Australian CGU are now fully impaired as at 30 June 2017.

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.

Current	**2017 $'000**	**2016 $'000**
Trade receivables	226,412	299,502
Impairment of trade receivables	(69,437)	(92,824)
	156,975	206,678
Disbursements	301,291	340,605
Allowance for non-recovery	(65,694)	(76,573)
	235,597	264,032
Other receivables	2,894	1,667
	395,466	**472,377**
Non-current		
Disbursements	119,847	88,991
Allowance for non-recovery	(28,355)	(23,600)
	91,492	**65,391**
Impairment of receivables		
Balance at beginning of the year	(92,824)	(104,327)
Receivables written off as uncollectible	29,647	835
Provision for impairment recognised, including balances from business acquisitions	(7,114)	(9,059)
Release of provisions	4,853	-
Movement in provision for discount	(9,126)	7,856
Foreign exchange translation differences	5,127	11,871
Balance at end of the year	**(69,437)**	**(92,824)**

The comparative for the allowance for non-recovery of non-current disbursements has been decreased by $56.5m with an offsetting reclassification to the allowance for non-recovery of current disbursements.

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total	**<30 days**	**30-60 days**	**61-90 days**	**91-180 days**	**>180 days**
2017	226,412	91,107	20,743	12,136	24,135	78,291
2016	299,502	98,654	26,349	18,613	31,558	124,328

See note 5.4.4 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

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.

	2017 $'000	2016 $'000
Current		
Personal injury	268,424	333,792
Project litigation	14,324	10,613
Other	12,123	17,493
	294,871	361,898
Non-current		
Personal injury	219,855	224,174
Project litigation	239	1,461
	220,094	225,635

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 profit or loss.

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

	Plant & Equipment $'000	Land & Buildings $'000	Low Value Asset Pool $'000	Total $'000
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**
Gross Cost	77,624	249	2,995	80,868
Less accumulated depreciation	(51,903)	-	(2,410)	(54,313)
At 30 June 2017	**25,721**	**249**	**585**	**26,555**
Movement in carrying amounts				
Balance at 1 July 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**
Additions	1,858	-	139	1,997
Exchange differences	(920)	(16)	-	(936)
Depreciation expense	(6,730)	-	(303)	(7,033)
Disposals	(659)	-	(21)	(680)
Balance at 30 June 2017	**25,721**	**249**	**585**	**26,555**

The carrying amount of plant and equipment under finance lease included above amounted to $4,533,000 (30 June 2016: $6,784,000).

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.

	2017 $'000	2016 $'000
Current		
Unsecured liabilities		
Trade creditors and accruals	150,026	173,672
Legal creditors	268,009	287,655
Vendor liabilities – acquisitions	584	2,243
	418,619	463,570
Non-current		
Unsecured liabilities		
Vendor liabilities – acquisitions	-	510

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 high quality 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. For leased premises, the provision also includes any costs associated with remediating the premises to the condition agreed in the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract if applicable.

Third Party disbursements

The Group has an agreement with a third party disbursement 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 provision for third party disbursements reflects the value of clients' obligations that are not expected to be recovered by the disbursement funder.

4.6.2. Provisions

Current	2017 $'000	2016 $'000
Employee benefits	19,176	19,700
Solicitor liability claims	12,479	9,158
Provision for third party disbursements	880	-
Provision for onerous contracts	5,294	4,160
Provision for payments to former owners	5,550	19,437
Other provisions	11,153	-
	54,532	52,455
Non-current		
Employee benefits	3,429	3,404
Provision for onerous contacts	3,286	3,804
Provision for dilapidations	7,475	7,829
Other	6,982	-
	21,172	15,037

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. 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.

4.7.2. Fair Value Hierarchy

30 June 2017 **Recurring fair value measurements**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivative financial instruments – interest rate swaps	-	1,419	-	1,419
Contingent consideration *	-	-	455	455
	-	1,419	455	1,874

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 *	-	-	2,068	2,068
	-	2,841	2,068	4,909

* Part of Vendor Liabilities which are included in Payables in the Statement of Financial Position

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 prior business combinations were measured with reference to current fee and performance forecasts which were used to estimate future cash flows. The key inputs into this valuation were the estimated future cash flows and the average discount rate of 9% was used to determine the present value of the future cash flows. The last tranche of contingent consideration is now current and payable in December 2017.

4.7.4. Reconciliation of recurring Level 3 Fair Value Movements

	2017 $'000	2016 $'000
Opening balance	2,068	6,090
Payments relating to contingent consideration	(1,505)	(3,584)
Fair value movement on contingent consideration*	(108)	(438)
Closing balance	**455**	**2,068**

* 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 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 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.

During the year ended 30 June 2017 $31.4m of interest payments, equating to 88% of the interest due under this facility, were capitalised into the loans.

Under the amended SFA the Group was required to pay a deferred restructuring fee to its lenders in the form of cash or warrants at the irrevocable election of the lenders. The fee, totalling $17.8m, has been treated as a transaction cost relating to the underlying borrowing and is being amortised to the income statement over the term of the facility. Refer to note 5.6.6 for further details on how this deferred fee has been accounted for.

The bills of exchange and other ancillary facilities have been used to fund previous business acquisitions, to meet 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 2017 the Group remains in compliance with all its undertakings under the SFA and the Directors are of the view that the Group will continue to comply with the obligations under the SFA.

To support the Group's ongoing liquidity requirements, in May 2017 the Group entered into a $40m working capital facility with its lenders. The facility will provide the Group with working capital headroom as it continues to execute its plan to restore its financial performance. This facility will be increased subsequent to year end as part of the recapitalisation. Refer to note 5.2.5 below.

Net Debt

The Group has drawings of $761.6m (30 June 2016: $765.6m) under the SFA, against limits of $761.6m at 30 June 2017; and drawings of $15.0m (30 June 2016: $nil) under the working capital facility, against a limit of $40.0m (30 June 2016: $nil).

The Group has cash on hand of $33.3m (30 June 2016: $82.5m), other borrowings of $5.1m (30 June 2016: $8.5m), offset by deferred debt raising costs of $0.7m (30 June 2016: $9.6m) resulting in net debt of $747.7m (30 June 2016: $682.3m) and available liquidity of $60.0m (30 June 2016: $88.3m). The Group's net debt position has increased since 30 June 2016 by $65.4m, reflecting underlying cash requirements in the business and the capitalisation of interest.

5.2.3. Summary of Borrowing Arrangements

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

Total banking facilities	2017 $'000	2016 $'000
Bank overdrafts	1,691	5,799
Super senior facility	40,000	-
Bills of exchange	761,599	765,893
Finance lease facility	6,800	10,000
Total credit facilities	810,090	781,692

Facilities utilised		
Current		
Super senior facility	15,000	-
Bills of exchange(1)	450,192	280
Debt raising costs under the SFA facility(2)	(749)	-
Finance lease liability	1,797	3,362
	466,240	3,642
Non-current		
Bills of exchange(1)	311,407	765,613
Debt raising costs under the SFA facility(2)	-	(9,567)
Finance lease liability	3,295	5,092
	314,702	761,138

(1) Includes capitalised interest costs of $31.4m (30 June 2016: $nil) as agreed with the lenders.

(2) Comprises the unamortised value of borrowing costs on establishment of $4.4m (30 June 2016: $3.7m) and refinance of net debt facilities of $(3.6m) (30 June 2016: $5.9m). These costs are deferred on the balance sheet and amortised to the Statement of Profit or Loss and Comprehensive Income (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.

The bank overdraft facility is arranged with Royal Bank of Scotland (National Westminster Bank) with the general terms and conditions being set and agreed to annually. The current facility is £1.0m (30 June 2016: £1.0m). Interest rates on the bank overdraft are charged at variable rates plus an agreed margin, subject to adjustment.

5.2.4. Recapitalisation Agreement

On 29 June 2017, the Group announced that it had entered into a binding recapitalisation agreement with its Senior Lenders. The key terms of the agreement at that date were the restatement of debt to $30m in exchange for 95% of the issued capital of the company, creation of a £250m convertible note in the UK and the establishment of a $5m facility in exchange for the issuance of warrants over a further 1% of the issued capital.

On 31 August 2017, the Group announced that it had entered into an amended binding restructure support deed ("RSD") with its Senior Lenders with revised terms. The Group will seek to implement the recapitalisation via a creditors' scheme of arrangement ("Senior Lender Scheme"). The key terms of the revised recapitalisation are now as follows:

Increased Working Capital Facility

The Group's Senior Lenders have committed to increase the Group's working capital facility by $50m (refer to note 5.2.5), which will be available for drawdown prior to implementation of the recapitalisation. The additional funding will comprise a $25m AUD denominated tranche and a $25m GBP denominated tranche. This funding will be used for general corporate purposes, including costs incurred in connection with the recapitalisation.

Separation of UK operations

On implementation of the creditors' scheme of arrangement to give effect to the recapitalisation, all UK operations and UK subsidiaries will be separated from the Group and transferred to a new UK holding company ("UK HoldCo"). UK HoldCo will be wholly owned by the Senior Lenders. Subsequently, existing shareholders of the Group will cease to have any interest in the Group's existing UK operations or UK subsidiaries. As a result of this, the increase to the working capital facility referred to above will be separated into a $25m AUD denominated facility for the Australian business and a $25m GBP denominated facility for the UK business. The Australian business will also retain its $40m current working capital facility (refer to note 5.2.5) bringing the Australian business facility to $65m.

The Company believes the separation of the UK operations provides the best option to enable both the Australian and UK operations to succeed in their own right.

Issue of shares in the Company to Senior Lenders

On implementation of the Senior Lender Scheme, Senior Lenders will be issued with approximately 95% of the equity of the Australian parent company and 100% of UK HoldCo. Existing shareholders will hold approximately 5% of the Australian parent company post the recapitalisation. The number of shares to be issued to each Senior Lender will depend on their commitments in respect of the increased working capital facilities and the refinancing of the Company's facilities under the recapitalisation.

New Debt Facilities

Outstanding secured debt will be permanently reduced by a combination of releasing, refinancing and restating debt.

The debt facilities of the Australian company on implementation of the recapitalisation will be as follows:

a) Super Senior Secured Debt Facility ($65m): The $65m facility will have a 3 year term and will be used for working capital purposes.

b) Restated Debt Facility ($60m): $60m of senior secured debt under the Company's existing Syndicated Facility Agreement will be restated on substantially the same terms but amended with a 5 year term and interest not payable in cash until the Senior Secured Debt Facility has been repaid, amongst other changes.

c) Existing lease facilities of less than $5m.

In respect of the UK company debt facilities on implementation of the recapitalisation will be as follows:

a) Super Senior Secured Debt Facility ($25m): The $25m facility will be denominated in GBP, will have a 3 year term and will be used for working capital purposes.

b) Convertible Notes (£250m): S&G UK will issue interest-free convertible notes to Senior Lenders. The convertible notes will entitle the holders to payment of any amounts, up to £250m, received by S&G UK in respect of the net proceeds of Watchstone-related claims above $40m and certain net proceeds of any asset divestments and insurance proceeds received in respect of the UK operations.

Watchstone Receivable

In addition to the above arrangements, as partial consideration for the transfer of S&G UK shares from the Company to UK HoldCo, the Company will have recourse to the first $40m of any proceeds that S&G UK receives from Watchstone-related claims (refer to note 7.4.1). These will be applied first to reduction of the Super Senior Secured Debt Facility.

Conditions Precedent

The recapitalisation is conditional upon the satisfaction or waiver (if applicable) of certain conditions precedent, including:

- FIRB Approval – the Treasurer of the Commonwealth has provided written advice or confirmation to the effect there are no objections under the Foreign Acquisitions and Takeovers Act 1975 (Cth) to the restructure, or is otherwise precluded from making an order in respect of the recapitalisation;
- Shareholders of the Company approving the required resolutions at the general meeting by the requisite majorities (if required);
- The approval of the Senior Lender Scheme and Shareholder Creditor Scheme (as described in note 8.1) at the scheme meetings by the requisite majorities of the respective creditors;
- Court approval of the Senior Lender Scheme, the Shareholder Creditor Scheme and the settlement of the Hall Proceeding;
- The Company obtaining all other relevant regulatory approvals, authorisations, consents or waivers, including from ASX and ASIC;
- Each party to a 'Business Separation and Transitional Arrangements Agreement' (or similar document) in respect of the separation of the S&G Group's Australian and UK operations (in a form to be agreed between the Company and the Senior Lenders) duly executing their counterpart and delivering it to the Company such that the agreement has come into effect conditional on implementation of the Senior Lender Scheme;
- Without waiving privilege, the Company receiving written notice from the Lenders that the tax opinion received by the Company is reasonably acceptable to the Lenders;
- The Company receiving cash proceeds in relation to project litigation matters substantially in accordance with budgeted quantum and timing in the period between the date of the RSD and the Scheme Meeting;
- The Company obtaining the consent from each person who is entitled to exercise any right under any provision of any material contract that entitles the person to terminate or modify the contract as a result of the recapitalisation and in respect of which the Majority Supporting Lenders require the Company to seek such consent;
- Deeds poll entered into by certain third parties continue to benefit the beneficiaries named in those deeds poll, and those deeds poll have not been terminated.

Each party must use its respective reasonable endeavours to procure that each of the conditions precedent is satisfied as soon as reasonably practicable.

The Company or the Majority Supporting Lenders may, if any other condition precedent is not satisfied or waived, or becomes incapable of satisfaction, by 31 December 2017, terminate the RSD if the parties are not able to reach agreement on how to proceed with the recapitalisation following a period of consultation.

The Group believes the recapitalisation will be executed successfully.

5.2.5. Super Senior Secured Debt Facility

To support the Group's ongoing liquidity requirements, up to and beyond the debt recapitalisation, the Group entered into a $40m working capital facility in May 2017, of which $15m was drawn prior to year end. The working capital facility is funded by a subset of the Group's lenders, referred to here as "Majority Lenders".

In conjunction with the recapitalisation (note 5.2.4) and as part of the RSD, the working capital facility will be expanded to $65m for the Australian business and $25m for the UK business.

The expanded working capital facility is for a 3 year period with drawn amounts payable if the recapitalisation agreement is not finalised by 31 January 2018. Interest is charged on the facility at an agreed fixed rate, although not payable in cash until maturity.

The Group has drawn down $12.5m on 15 August 2017 and expects to require a further drawdown under this facility of $12.5m in September 2017.

Prior to the final $12.5m drawdown of the remainder of the $40m working capital facility in September 2017, there are several conditions precedent to be satisfied as follows:

- Approval of the Group's FY18-FY20 forecasts by the Majority Lenders;
- Satisfactory evidence that the cost-out initiatives implemented by restructuring firms introduced to the business by the Majority Lenders have made sufficient progress as determined by the Majority Lenders;
- Confirmation by the agent of the Majority Lenders that a review of the FY17 audit process and accounts has concluded that appropriate and satisfactory accounting standards consistent with GAAP have been adopted and applied by the company in respect of all its financial reporting obligations;
- Approval by the Majority Lenders of the business plans for priority practice areas in both the UK business and Australian business; and
- Continuation of the weekly updates and ad hoc updates provided to the Majority Lenders by the CFO and CEO of the Australian and UK businesses on key liquidity and working capital drivers within the Group.

The Group believes the conditions precedent to drawdown will be satisfied.

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, at 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 2016: 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 2016: 3.96% to 9.25%) per annum.

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

	2017 $'000			2016 $'000		
	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
Within one year	2,053	(256)	1,797	3,808	(446)	3,362
One year or later and not later than five years	3,484	(189)	3,295	5,536	(444)	5,092
	5,537	(445)	5,092	9,344	(890)	8,454

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:

	2017 $'000	2016 $'000
Within one year	25,665	33,731
One year or later and not later than five years	62,194	80,470
Greater than five years	49,717	52,632
	137,576	166,833

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.

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 and accumulated 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets						
Cash	33,303	82,494	-	-	33,303	82,494
Total financial assets	33,303	82,494	-	-	33,303	82,494
Financial liabilities						
Other current liabilities	1,815	7,490	-	-	1,815	7,490
Finance lease liability	-	-	5,092	8,454	5,092	8,454
Super senior facility	15,000	-	-	-	15,000	-
Bills of exchange	674,312	675,913	87,287	89,980	761,599	765,893
Total financial liabilities	691,127	683,403	92,379	98,434	783,506	781,837

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 2016: 12%) of the Group's outstanding borrowings on the bills of exchange at 30 June 2017. 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	
	2017	2016	2017 $'000	2016 $'000
0 to 2 years	2.39%	2.06%	68,830	27,992
2 to 5 years	2.32%	2.47%	18,457	61,988
			87,287	89,980

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 Profit or Loss and Other 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:

	2017 $'000	2016 $'000
+/- 100 basis points:		
Impact on profit after tax	-	-
Impact on equity	1,168	2,121

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 and accumulated in the foreign currency translation reserve which forms part of equity.

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 $33.3m at 30 June 2017 (30 June 2016: $82.5m). 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.

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.

2017	< 12 Months	1-5 years	Total contractual cash flows	Carrying amount
Non-derivative financial liabilities	$'000	$'000	$'000	$'000
Payables	418,619	-	418,619	418,619
Borrowings	499,121	322,287	821,408	780,942
Other current liabilities	1,815	-	1,815	1,815
Financial liability maturities	919,555	322,287	1,241,842	1,201,376
2016				
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

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

	2017 Shares	2017 $'000	2016 Shares	2016 $'000
Ordinary shares fully paid	347,245,601	1,119,235	352,377,933	1,116,573
VCR Shares	-	-	-	(525)
Balance at the end of the year	**347,245,601**	**1,119,235**	**352,377,933**	**1,116,048**
Movement in Ordinary Share Capital				
Balance at the beginning of the year	**352,377,933**	**1,116,573**	**350,719,894**	**1,097,928**
Issued during the year				
• EOP Share Buy Back	(5,132,332)	(9,232)	-	-
• 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	-	11,907	-	11,808
• Costs of share registry management	-	(13)	-	-
• Reversal of capital raising costs, net of tax	-	-	-	2,767
Balance at the end of the year	**347,245,601**	**1,119,235**	**352,377,933**	**1,116,573**
VCR Share Capital balance at the end of the year	**-**	**-**	**-**	**(525)**
Total Share Capital balance at the end of the year	**347,245,601**	**1,119,235**	**352,377,933**	**1,116,048**

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 the financial year ended 30 June 2017, the Company did not pay a dividend (30 June 2016: $19,330,000).

As referred to in note 5.2.4, the Company has entered into a binding restructure support deed with its lenders. On implementation, subsequent to reporting date, the company will be separated into its Australian and UK Operations. Secured lenders will be issued with approximately 95% of the Australian Company's equity and 100% of the UK Company's equity. Existing shareholders will hold approximately 5% of the Australian Company immediately post the recapitalisation.

VCR Shares

As at 30 June 2017 there were nil VCR shares on issue (30 June 2016: nil VCR shares), with the Employee Ownership Plan (EOP) being discontinued during the current year due to it no longer fulfilling its intended purpose.

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.

(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. There was no issue of shares under this scheme in the current year ended 30 June 2017 (30 June 2016: 142,756 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 2017 (30 June 2016: nil 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 2016: S&P/ASX200) index (excluding resources) over the Measurement Period.
- 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.

FY17 EEIS Offer

There was no offer or issue of performance rights under this scheme in the current year ended 30 June 2017

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.

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.

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

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.

Total number of rights granted under both the FY16 and FY17 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
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. GCFO Retention Plan

During the year, the Board implemented a one off retention plan for the Group Chief Financial Officer ("GCFO") in place of his participation in any other Group equity plan. The GCFO Retention Plan has been assessed by the Board following the vesting date of 30 June 2017. The hurdle was not achieved and all performance rights and options have now lapsed.

5.6.4. Employee Ownership Plan ("EOP")

The EOP was replaced by the EIP (refer 5.6.2 above) and was therefore currently in run-off with no new shares being issued under the EOP during the year ended 30 June 2017.

During the year, the Company cancelled the remaining 5,132,332 restricted ordinary shares under the EOP via a buy-back completed in April 2017. The buy-back price set in accordance with the EOP was applied against outstanding EOP loan amounts with a cash impact of $238,404 to reimburse a limited number of employees who had made part pre-payments of EOP loans. No Key Management Personnel participated in the buy back. The EOP has been discontinued as it ceased to fulfil its intended purpose.

5.6.5. Share Based Payment Arrangements to Former Owners

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.

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

As referred to in note 5.2.2, in May 2016, the terms of the multicurrency SFA were revised. Under the revised terms, the Group 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 6.24% of any uplift in the market capitalisation of the Group from the effective date of the SFA amendment to such refinancing or maturity.

5.6.6. 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.

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.

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 re-measurement of $1.1m (30 June 2016: $0.1m) are presented within finance costs for the year ended 30 June 2017. The liability recognised for the remaining cash component as at 30 June 2017 is $11.7m (30 June 2016: $10.4m) and is included in the net long term borrowings amounts as detailed in Note 5.2.3.

On 29 June 2017, as described in note 1.1, the Group has entered into a recapitalisation agreement which represents a full extinguishment of the SFA debt. The recapitalisation agreement is expected to come into effect subsequent to year end, at which time the SFA deferred restructure fee will be immediately expensed to the profit and loss and the warrants will be cancelled. The balance of the warrants in the Share-based Payment Reserve will be transferred to equity at the date of the recapitalisation agreement.

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

United Kingdom

SGL UK

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

SGS

iSaaS Technology Limited
Compass Costs Consultants Ltd
Intelligent Claims Management Limited
Mobile Doctors Group Limited
Medici Legal Limited
Mobile Doctors Solutions Limited
Mobile Doctors Limited
React & Recover Medical Group Limited
Recover Healthcare Limited
React Medical Reporting Limited
React Medical Management Limited
Medicalaw Limited
Abstract Legal Holdings Limited
Accident Advice Helpline Direct Limited
Legal Facilities & Management Services Limited
Access to Compensation Limited
Liberty Protect Limited
Slater Gordon Solutions Legal Services Limited
SGS Business Process Services (UK) Limited

Malta

Overland Limited
Overland Health Limited
Overland Malta (Trading) Limited

Crusader Assistance Group Holdings Limited along with its subsidiaries Crusader Uninsured Loss Recovery Service Limited and Crusader Connect Limited was disposed of, and Quindell ACH Limited was dissolved during the current year.

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 Corporations Instrument 2016/785 dated 17 December 2016 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

	2017 $	2016 $
Compensation by category		
Short-term employment benefits	2,924,235	4,056,725
Post-employment benefits	177,750	213,254
Other long term employment benefits	43,502	60,741
Share based payments	879,381	73,548
Other benefits	949,550	499,331
	4,974,418	4,903,599

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 2017 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.

	2017 $'000	2016 $'000
Results of parent entity		
Loss for the year	(174,247)	(1,133,848)
Other comprehensive loss	619	(334)
Total comprehensive loss for the year	(173,628)	(1,134,182)

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.

	2017 $'000	2016 $'000
Financial position for the parent entity at year end		
Current assets	127,393	134,306
Total assets	283,756	412,799
Current liabilities	197,382	91,857
Total liabilities	335,788	290,813
Total equity of the parent company comprising of		
Contributed equity	1,119,180	1,115,993
Reserves	31,745	34,705
Retained profits	(1,202,958)	(1,028,712)
Total Equity	(52,033)	121,986

6.3. Auditor's Remuneration

The auditor of the Group for the year ended 30 June 2017 is Ernst & Young (30 June 2016: Ernst & Young).

	2017 $	2016 $
Audit Services		
Ernst & Young		
Audit and review of financial reports	767,000	700,000
Other regulatory services	100,450	-
Overseas Ernst & Young firms		
Audit and review of financial reports	1,689,076	2,797,090
Other regulatory audit services	42,017	57,446
Other Auditor		
Audit and review of financial reports	-	218,553
Other regulatory audit services	-	51,531
	2,598,543	3,824,620
Other Services		
Ernst & Young		
Other – consulting services	19,923	257,000
Other Auditor		
Other – consulting services	-	282,033
Due diligence investigations	-	16,125
	2,618,466	**4,379,778**

6.4. Accounting Standards issued but not yet effective at 30 June 2017

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 and detailed assessment of the expected impacts of these standards and interpretations is currently underway with the initial findings for each new accounting standard noted in the relevant sections below. The Group early adopted AASB 15 *Revenue from Contracts with Customers* in the prior year.

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

AASB 9 as issued replaces AASB 139 and includes a logical model for classification, measurement and derecognition of financial assets, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The main changes to the classification and measurement of financial assets and liabilities 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.
- 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 attributable to changes in credit risk is presented in other comprehensive income, and the remaining change is presented in profit or loss.

An assessment of the impact of AASB 9 on the position of the Group is ongoing, however there are no expected material changes in the classification of financial assets and liabilities. Fair value changes resulting from credit risk are not expected to have a significant impact on future results. The introduction of the expected loss impairment model for determining credit provisions has not yet been determined. There is no change anticipated in relation to hedge accounting.

6.4 Accounting Standards issued but not yet effective at 30 June 2017 (continued)

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, none of which is expected to affect the Group's revenue recognition process.

Reference	Title	Application date of Standard	Application date for Group
IFRIC 23	*Uncertainty over Income Tax Treatments*	1 January 2019	1 July 2019

The interpretation clarifies the application of the recognition and measurement criteria in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatment by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group has not yet assessed the impact of IFRIC 23.

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.

An assessment of the impact of AASB 16 on the financial performance and position of the Group is ongoing with a view to informing the transition decisions to be made before adoption of the new standard. It is not yet possible to make a reliable estimate of the impact of the standard on the Consolidated Financial Statements. Although the impact is yet to be quantified, given that at 30 June 17 the Group is lessee to a number of operating leases, in particular in relation to properties, it is expected that the adoption of the standard will result in a material impact on the statement of financial position.

Currently, the Group does not expect to early adopt AASB 16.

Note 7: Unrecognised Items

7.1. Guarantees

The Group has entered into lease rental guarantees and performance guarantees with a face value of $12.1m (30 June 2016: $12.5m).

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 Note 4.7.

7.3. 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 30 June 2017 is $16m (30 June 2016: $19m). The maximum exposure of the Group at 30 June 2017 is $16m (30 June 2016: $19m) if the disbursements on client matters are not recovered from any other party.

7.4. Contingent Asset

7.4.1. 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 £50m will not be released to Watchstone until such time as the claim made against Watchstone is resolved (through proceedings or settlement). On 14 June 2017 the Company filed and served a claim in the High Court against Watchstone Group Plc for approximately £600m. The claim is based upon serious allegations against Watchstone and its then senior management, including fraud, concerning the purchase by Slater and Gordon of Watchstone's Professional Services Division in 2015.

7.5. Contingent Liabilities

7.5.1. Class Action Proceedings

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.

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.

On 20 June 2017 the Company announced that legal proceedings were filed against it by Babscay Pty Ltd on behalf of persons who acquired an interest in shares of the Company between 24 August 2012 and 19 November 2015. The statement of claim asserts that the Company's financial statements for the financial years ended 30 June 2013, 2014 and 2015 contained false and/or misleading statements. The allegations focus on the way in which the Company recognised revenue and, in financial year 2015, accounted for acquisitions in accordance with Australian Accounting Standards.

On 11 July 2017, the Company announced it had entered into an in principle conditional agreement to settle the class action proceeding through a mediation process facilitated by the Federal Court. The settlement pursuant to this agreement will resolve any and all potential shareholder claims against the Company and its directors and officers. The settlement remains subject to court, lender and shareholder approval and further details are available in note 8.1 Subsequent Events. An amount relating to the company's contribution to the in principle settlement has been recognised as a provision at 30 June 2017.

Note 8: Subsequent Events

8.1. Shareholder Class Action

As outlined in note 7.5 above, during the year ended 30 June 2017, the Company announced two shareholder class action proceedings had been filed against the Company. The Company also received notification of one other potential class action proceeding by former and existing shareholders.

On 11 July 2017, the Company announced it had reached an in principle conditional agreement to settle the class action proceeding brought on behalf of Mr Matthew Hall through a mediation process facilitated by the Federal Court. The agreement will resolve any and all potential shareholder claims against the Company and its directors and officers. The settlement of all other shareholder claims will be effected by a shareholder creditors' scheme of arrangement ("Shareholder Creditor Scheme"). The settlement is subject to completion of formal legal documentation and will also require approval by the Federal Court of the settlement terms. It is also subject to shareholder and lender approval via vote at a meeting to be held in November 2017.

The terms include the following:

- an agreed settlement amount relating to all Shareholder Creditor claims of $32.5m ("Shareholder Creditor Scheme Fund") comprising proceeds from responsive directors and officers liability insurance policies held by the Company will be made available by agreement in principle reached with the Company's insurers;
- $4m will be made available by the Company's Lenders to fund a further payment by the Company for the benefit of the Hall Proceeding claimants;
- releases will be given in favour of those insurers;
- various other provisions releasing, resolving and insulating the Company and its current and former officers from the impact of claims by Shareholder Creditors in connection with the Company's affairs;
- payment of approved legal costs incurred by the Hall Proceeding claimants out of the Shareholder Creditor Scheme Fund;
- the Hall Proceeding will be dismissed with no orders as to costs; and
- the settlement is without admission of liability by the Company.

8.2. Separation of Businesses

On 31 August 2017, the Group entered into a binding restructure support deed with its Senior Lenders in relation to the recapitalisation of the Group (refer to note 5.2.4). The recapitalisation is intended to provide the Group with a sustainable level of debt and a stable platform for its future operations, and additional liquidity support for its continued operation prior to the implementation of the recapitalisation

On implementation of the recapitalisation, all UK operations and UK subsidiaries (including Slater & Gordon (UK) 1 Ltd ("S&G UK")) will be separated from the Australian parent company (Slater and Gordon Limited) and transferred to a new UK holding company ("UK HoldCo"). UK HoldCo will be wholly owned by the Senior Lenders. Following separation, existing shareholders of the Company will cease to have any interest in the Company's existing UK operations or UK subsidiaries.

The Company believes the separation of the UK operations provides the best option to enable both the Australian and UK operations to succeed in their own right.

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 2017.

9.3. Prior Period Business Combinations

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

Slater and Gordon Limited

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 37 to 80 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 2017 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 Corporations Instrument 2016/785.

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 2017.

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

John Skippen

Chair

Melbourne

31 August 2017

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Independent Auditor's Report to the Members of Slater and Gordon Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Slater and Gordon Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1.1 in the financial report which indicates that the consolidated entity incurred a net loss after tax of $546.8 million, negative net cash flow from operating activities of $39.1 million and, as at 30 June 2017 the Group's total liabilities exceeded its total assets by $248.8 million. The note also details that the Group's Syndicated Facility Agreement is fully drawn, with $450.2 million of the drawings repayable in May 2018 in accordance with the agreement.

Note 1.1 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 a portion of the Group's consolidated entity's borrowing facilities of $450.2 million due in May 2018, or earlier, if that was required. It also details that the Group has reached agreement with its lenders to provide additional liquidity support required for it to remain able to pay debts as and when they fall due through to the proposed date of the recapitalisation of the Group and also details the consolidated entity's reliance on the recapitalisation and the ongoing support of its lenders to continue as a going concern.

Note 1.1 references Note 5.2 and Note 8 that detail the recapitalisation agreement entered into by the Group with its lenders and the settlement of shareholder class actions that both remain subject to conditions precedent and approvals as detailed in Note 5.2 and Note 8.

These conditions along with other matters as set forth in Note 1.1 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 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Carrying Value of Goodwill and Other Indefinite Life Intangible Assets and Associated Impairment

Why significant	How our audit addressed the key audit matter
The Group is required to annually test the carrying value of goodwill and other intangible assets with an indefinite life for impairment. Disclosures about goodwill and intangible assets are included in Note 4.1 to the financial report.	Our procedures included the following: ▸ Considered whether the methodology used in preparing the value-in-use model and fair value less costs of disposals calculations used by the Group to test for impairment meets the requirements of Australian Accounting Standard AASB 136 *Impairment of Assets.*

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Why significant	How our audit addressed the key audit matter
As disclosed in Note 4.1.3 and Note 4.1.4, the Directors' assessment of goodwill and other identifiable intangible assets for impairment, involves critical accounting estimates and assumptions, specifically concerning future discounted cash flows. These estimates and assumptions are impacted by future performance, market and economic conditions in both Australia and the United Kingdom. An impairment charge of $361.2 million was recorded against these assets in the year ended 30 June 2017. Given the estimates and assumptions involved in the impairment test, the recent performance of the Group and the magnitude of impairment charges taken in the past, this was considered to be a key audit matter.	▸ Tested whether the impairment models used were mathematically accurate. ▸ Assessed whether the cash flows used in the impairment models accurately reflected budgets approved by the Board at 31 December 2016 and prepared by the Group and submitted to representatives of its lenders and the forecast financial information provided by the Group to its lenders to support the Recapitalisation Agreement at 30 June 2017. ▸ Considered the historical reliability of the Group's cash flow forecasting process. ▸ Considered the impact of a range of assumption sensitivities on the impairment models. ▸ Assessed the external inputs and assumptions within the cash flow forecasting models by comparing them to assumptions and estimates used elsewhere in the preparation of the financial report and benchmarked them against market observable external data. ▸ Considered the adequacy of the financial report disclosures contained in Note 4.1, Note 4.1.3 and Note 4.1.4, in particular those regarding assumptions. ▸ As impairment testing relies upon business valuation principles, we involved our valuation specialists to assist in the work outlined above where we considered such expertise was required.

Work in Progress (WIP) and Associated Revenue Recognition

Why significant	How our audit addressed the key audit matter
WIP is significant to the Group, comprising 45% of total assets and movements are included in revenue recognised for the year. The Group's disclosures regarding WIP and the associated revenue recognised are included in Note 3.1 and Note 4.3 to the financial report.	Our procedures included the following: ▸ Considered whether the Groups' accounting policy for complied with Australian Accounting Standards, in particular AASB15 *Revenue*. ▸ Obtained details of WIP recognised for each revenue stream at balance date and applied statistical sampling techniques to select individual legal matters ("cases") for testing.

Why significant	How our audit addressed the key audit matter
The Directors' determination of the carrying value of WIP and its associated revenue streams involves significant judgement, data analysis and complexity and accordingly has been considered a key audit matter The Group considers each revenue stream in isolation and makes judgements in relation to: ► The identification of a contract ► The identification of the performance obligations as part or within a contract ► Determination of the transaction price, particularly for revenue streams accounted under a "no win no fee" basis ► Allocation of the transaction price ► Recognition of revenue when a performance obligation is satisfied To validate the judgements made in relation to WIP, the Group develops a series of data models based on historical information over a two year period. Data included in these models provides a methodological approach to determine the valuation status. Accordingly, this has been considered a key audit matter.	► Obtained evidence to support the case status that had been allocated to each case file by the responsible professional. Evidence obtained was assessed against the coding guidelines of the Group. ► Assessed the data that supports the judgements noted that were included in the data models. ► Assessed the movements in the cases profile including changes in status and ageing. ► Involved our data quality specialists to assess the accuracy and integrity of both the data (historical information over a two year period) and the workings of the models. This was completed using data analytic procedures to re-perform, re-calculate and validate key calculations. ► Considered the adequacy of the financial report disclosures contained in Note 3.1 and Note 4.3, in particular those regarding assumptions to which the outcome of the data models is most sensitive.

Recoverability of Trade Receivables and Disbursements and Associated Provisioning

Why significant	How our audit addressed the key audit matter
Trade receivables and disbursements are significant to the Group, comprising 43% of total assets, net of provisions for impairment. The recoverability of trade receivables and disbursements is a highly subjective area due to the nature of the legal case profile and the level of judgement applied by the Group in determining provisions. Accordingly, this has been considered a key audit matter	Our procedures included the following: ► We assessed the assumptions used to calculate the trade receivables and disbursements provisions for impairment. ► We performed analyses of ageing of receivables and disbursements, collection history, future collections strategies and assessment of significant overdue individual trade receivables and disbursements.

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Litigation Matters and Subsequent Events

Why significant	How our audit addressed the key audit matter
The Group is and has been subject to a number of Shareholder Class Actions and other legal proceedings. These matters are detailed in Note 7.4, Note 7.5 and Note 8.1. These matters are subject to a number of pending approvals and the settlement of the Class Action matters are a condition precedent of the proposed debt restructure as detailed in Note 8.1. Accordingly, our consideration of these matters and the related disclosures was considered a key audit matter.	Our procedures included the following: ▸ Obtained all proposed settlement and claim documentation in relation to the Class Action and other legal proceedings. ▸ Met with the Group's internal General Counsel in relation to the status of the legal proceedings. ▸ Considered the conditions noted in Note 7.4, Note 7.5 and Note 8.1 for factual accuracy. Considered the adequacy of the financial report disclosures contained in Note 7.4, Note 7.5 and Note 8.1.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 35 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Slater and Gordon Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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.

Ernst & Young

Christopher George
Partner
Melbourne
31 August 2017

Additional ASX Information

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 31 August 2017.

(a). Distribution of shareholders and option holders.

Holding		Number of Ordinary Shareholders	Performance Rights
1	- 1,000	4,011	-
1,001	- 5,000	6,288	14
5,001	- 10,000	2,651	17
10,001	- 100,000	3,695	19
100,001	- Over	513	-
		17,158	50

There are 10,950 shareholders holding less than a marketable parcel of 6,173 shares each (i.e. less than $500 per parcel of shares).

(b). Twenty largest shareholders

	Shareholder	Number of Shares held	% Held
1	CITICORP NOMINEES PTY LIMITED	7,138,314	2.06
2	MR ANDREW GRECH	6,383,238	1.84
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,681,219	1.64
4	MR KEN FOWLIE	5,096,221	1.47
5	JBWERE (NZ) NOMINEES LIMITED <43941 A/C>	4,297,564	1.24
6	MR HAYDEN STEPHENS	4,255,115	1.23
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,239,548	1.22
8	COMSEC NOMINEES PTY LIMITED	3,937,049	1.13
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,684,700	1.06
10	MR PENG REN	2,800,000	0.81
11	BNP PARIBAS NOMS PTY LTD <DRP>	2,314,181	0.67
12	MR JAKE JOHN RUTTEN + MRS DINAH ANN RUTTEN <JAKE RUTTEN SUPER A/C>	1,610,000	0.46
13	MR DANIEL WONG	1,590,050	0.46
14	MR MING CHENG + MS LEI SONG	1,480,000	0.43
15	DEANSGATE 123 LLP	1,411,864	0.41
16	MR PETER JOHN KLASEN	1,318,000	0.38
17	THEOFAM NOMINEES PTY LTD <THEOFAM A/C>	1,250,000	0.36
18	NATIONAL NOMINEES LIMITED <DB A/C>	1,195,024	0.34
19	MR HAN ZHONG	1,125,111	0.32
20	MR HARRY HATCH	1,118,888	0.32
		61,926,086	**17.85**

(c). Substantial Shareholders

(d). 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.*

(e). 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
James M. Millar
Thomas 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

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