SLATER AND GORDON GROUP

Annual Report 2015

Foundations for growth

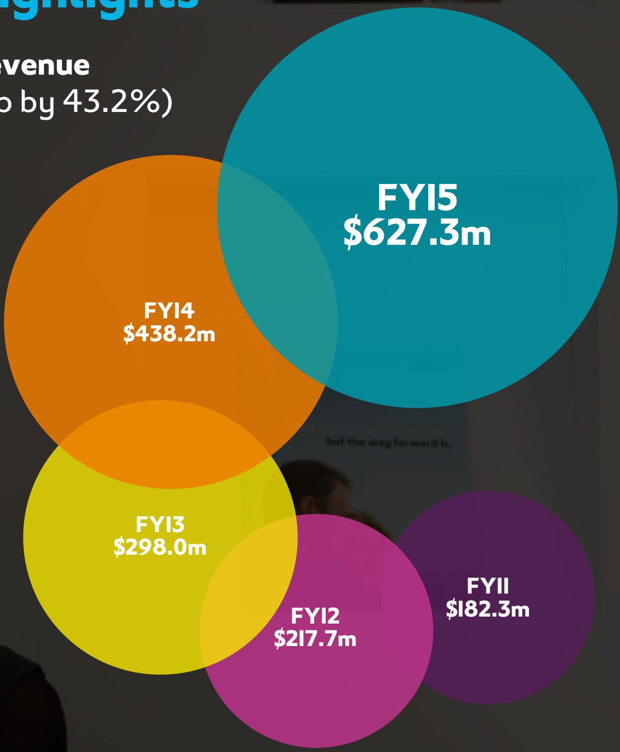
Contents

Images in this report feature Slater and Gordon Manchester (UK) office staff.

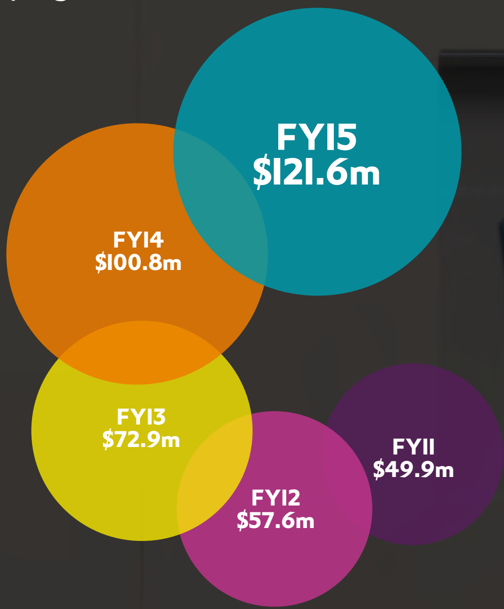
Slater and Gordon is the leading provider of consumer legal services in Australia and, more recently, the UK where we've now established a strong platform for future growth.

Highlights

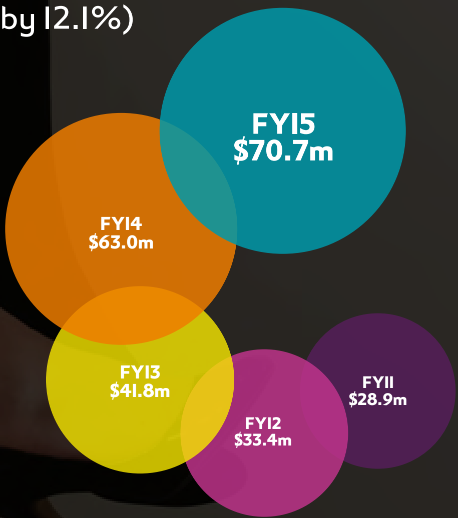
Revenue
(up by 43.2%)



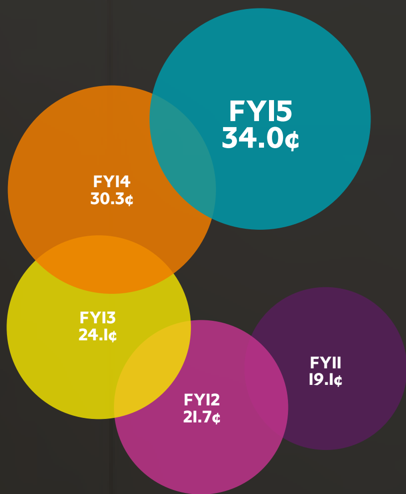
Normalised EBITDA
(up by 20.6%)



Normalised NPAT
(up by 12.1%)



Normalised Basic EPS
(up by 12.4%)



Normalised data is adjusted for:
FY15 – Acquisition costs, discount on acquisition, early termination of lease and AASB3 policy change. Also excludes one month of SGS.
FY14 – WIP adjustment relating to the Fenton's acquisition, an onerous lease provision, acquisition costs and AASB3 policy change.
FY13 – Acquisition costs.
FY12 – Write-down of the VIOXX class action.

Chair's Report

"We believe we are progressing well ahead of our long-term strategic goal."

Dear Shareholder,

I am pleased to present the Slater and Gordon Limited (Slater and Gordon Group) Annual Report for the 2015 financial year.

The past year has been a year of opportunity and challenges, both of which have made us a stronger and better company.

Slater and Gordon Group continued its track record of delivering strong financial results for shareholders. In Australia, our Personal Injury Law (PIL) practice remained resilient and our General Law (GL) practice made solid progress. The acquisition, in November 2014, of Nowicki Carbone and Schultz Toomey O'Brien added strength and capability to our Australian operations.

In the UK, we successfully integrated the businesses acquired during the 2014 financial year, transitioning our Manchester operations from three locations into one, and implementing a new case and practice management system.

In May we completed what was by far our largest acquisition, with the A$1.3 billion purchase of Quindell Plc's Professional Services Division (PSD), a leading PIL service provider operating across the claims value chain providing legal, health and motor services. The PSD operations have been rebranded as Slater Gordon Solutions.

In the UK we have now established a compelling service offering across the full range of personal legal services and employ approximately 3,950 people across 28 locations. We believe we are progressing well ahead of our long-term strategic goal of building a platform from which we can deliver significant value for shareholders.

Clearly such a large transaction is not undertaken without extensive due diligence. We had more than 70 of our lawyers review over 8,000 case files and the benefit of independent advice from our external advisers to ensure that our bottom-up evaluation of the PSD opportunity was sound. We are very fortunate that Ken Fowlie has relocated to the UK to lead these operations. Ken has over 20 years experience with the Group and most recently headed Slater and Gordon Lawyers in Australia. The Board is confident Ken is the best person to run and grow this business. As well as the existing UK management, Ken is being well supported by a dedicated team including Kirsten Morrison, who has also relocated to the UK to take up the role of General Counsel UK.

Unfortunately, the medium and long-term opportunities created by the acquisition have been clouded by some short-term challenges. Our approach to managing these has been robust and transparent.

Some shareholders have voiced concerns about our decision to support the transaction by raising equity using a pro rata renounceable rights offer, a decision made in consultation with our advisers Greenhill Caliburn and Citi. Given the circumstances, the pressing timing constraints of the acquisition, and in particular the transaction's demand for funding certainty and immediacy, the Board and senior management team still believe that the process we undertook and the structure we adopted were appropriate.

In June, the Company was notified that the Australian Securities and Investments Commission (ASIC) intended to raise some queries regarding the Group's accounting procedures.

In the course of preparing the responses consolidation errors in the reporting of historical UK cash flows were identified. Whilst these errors were unfortunate they have now been rectified and had no impact on the net cash from operating activities, which remains as reported. The ASIC review process has been extensive and Slater and Gordon Group continues to cooperate fully with ASIC to allow it to conclude its review process, which the Company expects to be completed shortly.

During the year we implemented several initiatives to ensure that a sound corporate governance framework remains in place as the Company grows. These initiatives include a search for the appointment of an additional two Non-Executive Directors to the Board, strengthening our Governance, Risk and Internal Audit function and enhancing our financial disclosures. A process also commenced to request expressions of interest from global firms to conduct our Group audit, and we expect a global audit firm to be appointed in time for first half FY16 results. I look forward to updating you on these activities throughout the year.

It is true to say that Slater and Gordon is one of the world's leading providers of consumer legal services, with a strong track record and a strong platform for ongoing growth. This year has been a pivotal one in our development. We know there is still a great deal of growth potential ahead as our team continues its relentless focus on delivering great outcomes for clients.

On behalf of the Board of Directors, I would like to thank you for your ongoing support and reassure you of our unwavering commitment to long-term value creation for shareholders.

Yours sincerely,

John Skippen
Chair


We believe
in making things
clear and simple
for our clients.

Group Managing Director's Report

"We acquired a number of practices during FY15 that added further strength to our Australian and UK operations."

Dear Shareholder,

I am very pleased to deliver another set of operating and financial results demonstrating resilience and ongoing improvement in key areas of the Slater and Gordon Group. Overall, Slater and Gordon Lawyers has performed well and the outlook for this financial year is strong. Pleasingly, as well as delivering our financial performance targets we also achieved a great deal of progress with initiatives aimed at setting up our operations for ongoing success.

UK Growth Platform Established

Clearly the acquisition of a number of business assets from Quindell Plc, which we described at the time of the transaction as the Professional Services Division (PSD), was the most significant activity of the year, establishing the Slater and Gordon Group as the clear leader in PIL in the UK and providing us with what we believe is a platform for continued growth. The PSD operations provide the scale and access to channels of new business generation required to continue to grow our UK business organically. The business, now rebranded as Slater Gordon Solutions, is uniquely placed to solve the problems experienced by clients when they are involved in a road traffic accident where they are not at fault, whether it's arranging car repairs, replacement car hire or resolving a personal injury claim, including arranging medical or ancillary care.

Continued Investment in Slater and Gordon Lawyers Brand

We also continued to invest heavily in the Slater and Gordon Lawyers brand throughout the year, including the successful launch of a refreshed brand across the Group. In Australia brand awareness remains strong at 72%, and in the UK the brand has now achieved 24% awareness – a significant lift on the 11% awareness achieved in the UK in 2014.

Initiatives to Improve Client Satisfaction

Client-focused initiatives aimed at increasing client satisfaction also delivered results. Independent research for the Australian business showed good improvements across the board, particularly in the client triage function, which has been a particular focus of activity. This focus is being matched by similar activity within our UK business.

Integration of Acquired Businesses

We acquired a number of practices during FY15 that added further strength to our Australian and UK operations. These practices, along with those acquired during FY14, were substantially integrated during the year and are performing according to expectations. In FY16 our focus will shift to completing the integration process and taking the opportunity to enhance operational effectiveness, rather than looking for further acquisition opportunities.

UK Single IT System

The implementation of a single integrated finance and practice management IT system across Slater and Gordon Lawyers (UK) is almost complete, with the full integration of all staff onto the platform expected in FY16. This has been a successful project and represents a genuine opportunity for us to design into our UK operations the operating conditions needed to deliver ongoing productivity gains.

Management Team Restructure

With the Group now entering its next phase of maturity, we are building the management structures needed in the fee earning community, our shared services groups and at the corporate level to take the organisation forward successfully. In terms of the leadership team, along with Ken Fowlie heading Slater Gordon Solutions, we are fortunate to have Cath Evans and Hayden Stephens commencing in their new roles as CEO's of Personal Injury Law and General Law respectively. I look forward to updating you on their progress during the year.

Overall, there has been a lot of productive activity with plenty of the initiatives continuing in to this financial year.

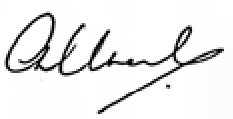
FY16 Priorities

In FY16 our key areas of focus will be improving cash performance across the Group, enhancing operational effectiveness and successfully delivering the Slater Gordon Solutions (SGS) operational and financial targets.

We believe the legislative environment will remain relatively stable in both Australia and the UK.

I would like to thank our clients for trusting Slater and Gordon with their legal matters during 2015 and our staff for their professionalism and tireless endeavours. And I would like to thank you, our shareholders, for your support.

Yours sincerely,



Andrew Grech
Group Managing Director

We inspire people to find the best way forward.

Slater and Gordon Group Overview

Who We Are

Slater and Gordon Group is a leading provider of consumer legal services in Australia and the United Kingdom (UK). We employ 1,400 people in 67 locations across Australia and 3,950 people in 28 locations in the UK.

Our Mission

To give everyday people easier access to world-class legal services.

Our Values

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

Our Services

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

Employees

5,350

Brands

Slater Gordon Lawyers
Slater Gordon Solutions
claims.direct
accident advice helpline
COMPASS LAW
Overland Health
Mobile Doctors

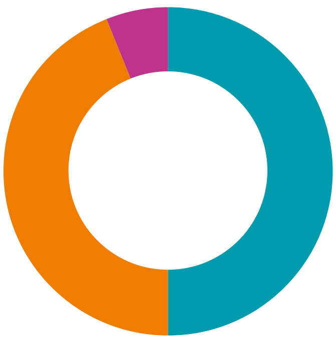
Shareholders

19,000+

Locations

95

FY15 Revenue A$627.3 million



- Slater and Gordon Lawyers Australia **50%**
- Slater and Gordon Lawyers UK **44%**
- Slater Gordon Solutions **6%**
  (Note: one-month contribution)

Our Strategy

Outcome

Satisfied clients, engaged staff, sustainable shareholder returns

Growth Strategy

Leading consolidation of the UK PIL market

Building an efficient, integrated operating platform in the UK

Delivering strong earnings growth from the Australian PIL practices

Building on our platform in GL consumer legal services

Key Drivers

Client Experience	Brand and Marketing	People and Culture	Operations
Striving to put clients at the centre of everything we do	Leveraging the power of the Slater and Gordon Lawyers and in-house brands	Building an aligned, skilled and engaged labour force	Building an efficient and robust operating platform Innovation in our service offering, delivery modes and the management of the organisation

Our mission is to give people easier access to world-class legal services.

Group Activities

We continue to invest in the key drivers of our business: the client experience, brand and marketing, people and culture, and operations.

Client Experience

The firm is focused on continuously improving the experience of its clients with the goal of improving client satisfaction, lifting conversion and building client advocacy. Several initiatives were undertaken during FY15 that improved the way we intake clients to the firm and assist them in navigating the legal process.

In Australia, this resulted in an increase in client satisfaction. Independent research measured total client satisfaction for Slater and Gordon Lawyers increasing from a score of 70 in 2014 to 76 in 2015. In the UK, client satisfaction was measured for the first time with a score of 68.

Brand and Marketing

Slater and Gordon Lawyers is one of the best-known law firm brands in Australia and the UK. Currently, the Group consists of the following brands: Slater and Gordon Lawyers (Australia and UK); Nowicki Carbone, part of the Slater and Gordon Group (Victoria); Shultz Toomey O'Brien Lawyers, part of the Slater and Gordon Group (Queensland); Fentons Solicitors, part of the Slater and Gordon Group (UK), Claims Direct (UK); Slater Gordon Solutions (UK); Accident Advice Helpline (UK); Mobile Doctors (UK); and Compass Costs (UK). Our house of brands reduced during FY15, with Trilby Misso Lawyers (Queensland), Conveyancing Works (Queensland), and Pannone (UK) all successfully transitioning to the Slater and Gordon Lawyers brand. During FY16 we will carefully consolidate the Nowicki Carbone, Schultz Toomey O'Brien and Fentons brands into the Slater and Gordon Lawyers brand.

In Australia, prompted brand awareness is strong at 72%. Significant increases in brand awareness have been achieved in Queensland and New South Wales, strengthening our position as a national brand.

In September 2014, we evolved the Slater and Gordon Lawyers brand. This was positively received by our clients in both the PIL and GL practices.

In the UK, Slater and Gordon Lawyers is now the third best-known law firm in the nation, dominating the market across a number of key channels. The Slater and Gordon Lawyers brand has 24% prompted brand awareness nationally in only its second full financial year of operation in the UK. This is a more than doubling of awareness year on year. High visibility media coverage has seen Slater and Gordon become recognised as a leading consumer law commentator with our lawyers making regular speaking appearances across a broad spectrum of media channels regularly. We also opened our first UK retail space in the new Manchester office. This custom-built space is designed to encourage 'walk-ins' from clients seeking legal advice. Visitors to the Slater and Gordon retail space can find information on our full range of services. Web access is also provided to visitors, enabling them to go online and learn more about the services we offer. Visitors can also have an initial meeting with one of our legal advisers.

People and Culture

At Slater and Gordon we believe that our people are the heart of our success as an organisation. During the year we continued to implement initiatives focused on creating an aligned, skilled and engaged labour force.

In Australia, we continued to build on 'Rewarding You Fairly' – our remuneration framework – to include a mid-year check-in and integration of the firm's values into development and performance conversations. Our learning programs have been expanded, with additional people leader, technical and coaching programs.

This year we introduced 'Rewarding You Fairly' to our UK business. It provides a consistent, clear and solid platform for professional growth and development. We have also developed an extensive range of learning and development curriculums to address the unique requirements of each of our UK legal practice areas.

In the UK, we take part in the BSN Diversity League Tables every year, a survey that provides a benchmark for performance on diversity strands of gender, ethnicity, disability and sexual orientation. In FY15, Slater and Gordon Lawyers UK was in the top 10 of the Diversity League Tables on our overall score, and featured in the top five in two individual tables –our ranking for female partners and female associates.

Operations

Our highly developed work process design and technology expertise provides us with a unique competitive advantage. Business improvement initiatives are being implemented to make sure we are working effectively across the firm after a period of rapid growth. In FY15 we have been focused on effectively integrating our acquired businesses.

In the UK, the Slater and Gordon Lawyers practice management and client management system has been implemented with the final phase due for completion in FY16. We are establishing the standard core platform on which Slater and Gordon Lawyers UK will operate. We continue to invest in project management, change management and digital capabilities to enhance our ability to deliver whole-of-firm improvements in both Australia and the UK.

We're always on our clients' side, championing their cause.

Corporate Social Responsibility

One of the defining features of Slater and Gordon Group is our relationship with the local people and communities we serve. In addition to our pro bono legal work, we encourage and support community engagement through philanthropic giving, sponsorship activities and staff fundraising and volunteering efforts. We focus our social responsibility efforts into three key areas:

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

During FY15 we increased our support of community organisations working in these areas and we significantly increased our investment in community partnerships.

FY15 Highlights

- Our international Health Projects and Research Fund distributed its first round of grants, distributing £103,500 to eight applicants in the UK and A$77,500 to three recipients in Australia;
- we increased the membership of our Staff Giving Program in Australia by 11%, contributing to the distribution of almost A$100,000 to community groups;
- our UK staff supported numerous charities that aid our injured and bereaved clients through fundraising activities such as sponsored cycle rides, runs, climbs, hikes and events, while also assisting on steering committees and with sponsored events;
- we achieved a 10% increase in the number of lawyers performing pro bono work in Australia;
- we became the official supplier of legal services to the Australian Olympic Team;
- increased our staff participation in the Mother's Day Classic by 20%, with 520 staff participating and our Melbourne team achieving the largest corporate team in the state;
- signed up as a corporate supporter of the Australian Marriage Equality campaign and contributed to other key events and campaigns to address inequality;
- partnered with the Newcastle Jets to support their Jet Well community program in local hospitals; and
- we were the official AFL match day partner for the Robert Rose Cup, which promotes disability inclusion through sporting and community participation.

FY16 Priorities

- Continue to build on our commitment to strategic pro bono partnerships that align with clients;
- continue to invest in community giving and grants to health and medical research organisations; and
- increase our investment in community partnerships and engagement.

Environmental Responsibility

Slater and Gordon Group recognises that it has an obligation to reduce the Company's impact on the environment and to imbed sustainable work practices. In line with the legal services industry, Slater and Gordon Group has assessed its major impact areas and areas for reduction as: paper usage, energy usage, waste and travel.

Work on reducing our environmental impacts has progressed in Australia in FY15 through the Company's membership of the Australian Legal Sector Alliance, an industry-led association working to promote sustainable practices across the legal sector. For example, we used the AusLSA's carbon consumption calculator to measure our annual performance and the progress we are making in reducing our carbon emissions. Further, Australian staff contributed ideas and solutions to reduce environmental impacts through the Company's Environmental Committee.

FY15 Highlights

- Despite our continued growth in Australia, we recorded a decrease in our per capita carbon emissions. This achievement is mainly due to a commitment to energy saving initiatives, which has cut our electricity usage;
- the completion of an environment management system to inform and drive the process of reducing emissions in Australia; and
- the implementation of a consolidated data collection and reporting framework to understand the breadth of environmental impacts in the UK.

FY16 Priorities

In FY16, our priority is to improve the internal and external reporting on our key impact areas.

Board of Directors and Company Secretary

John Skippen
Chair, Non-Executive Director
ACA

Experience

John has been on the Board since 2010 and has been 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 (appointed November 2006).

Non-Executive Director of Super Retail Group Ltd (appointed September 2008).

Former Directorships

Previous Non-Executive Director of Emerging Leaders Investment Ltd (2010–2014).

Special Responsibilities

Chair – Board (current).

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

Chair – Nomination Committee (appointed 1 July 2015).

Member – Nomination and Remuneration Committee (ceased 30 June 2015).

Andrew Grech
Group Managing Director
LLB MAICD

Experience

Andrew joined Slater and Gordon in 1994 and was appointed as Managing Director in 2000 and Group Managing Director on 1 July 2014. Before being appointed Managing Director in 2000, Andrew worked in most of Slater and Gordon's litigation practice areas, working across both high profile class actions and individual compensation claims. Andrew brings to the Board extensive experience as a legal practitioner and law firm manager.

Other Current Directorships

None.

Former Directorships

None.

Other Positions

Previous founding chair of the Youth Junction Incorporated, a not for profit youth charity operating in Sunshine, Victoria (2005–2010).

Member of the Board of the Youth Junction Incorporated (appointed 2005 – current).

Member of the Advisory Council of the Melbourne Law School (2014 – current).

Special Responsibilities

Group Managing Director.

Ken Fowlie

Executive Director

LLB BCom (NSW)

MSc (with distinction) (LBS)

MAICD

Experience

Ken was appointed a 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 became the Managing Director, UK and Europe for Slater and Gordon incorporating Slater and Gordon Solutions.

Other Current Directorships

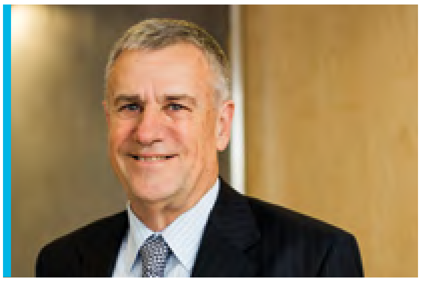
None.

Former Directorships

None.

Special Responsibilities

Managing Director – UK and Europe.



Ian Court

Non-Executive Director

FAICD

Experience

Ian was appointed a Director of the Company in 2007.

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

Non-Executive Director of AssetCo Management Pty Ltd as management company for SSSR Holdings Pty Ltd (Southern Cross Station) (Appointed November 2007), Praeco Pty Ltd (HQ Joint Operations Command) (Appointed November 2009), Western Liberty Group Holdings Pty Ltd (Perth District Court Complex) (Appointed March 2011). He also holds pro-bono positions as: Chair of ACTU Member Connect Pty Ltd (Appointed July 2004) and Chair of Renewable Energy Development Trust (Appointed in 2007).

Former Directorships

Non-Executive Director of Victorian Funds Management Corporation (2006–2012).

Epic Energy Holdings Pty Ltd (2007–2011).

Pacific Hydro Ltd (2004–2007).

Federal Airports Corporation (1986–1994).

Utilities of Australia Pty Ltd (2000–2006).

Bennelong Funds Management Pty Ltd (2006–2008).

Ecogen Holdings Pty Ltd (2003–2004).

Australian Venture Capital Association Ltd (2003–2005) and ISPT Pty Ltd (1994–1998).

Other Current Positions

Chair of the IFM Investors Investor Advisory Board (appointed May 2004).

Special Responsibilities

Chair – Audit, Compliance and Risk Management Committee (current).

Member – Remuneration Committee (appointed 1 July 2015).

Member – Nomination and Remuneration Committee (ceased 30 June 2015).

Board of Directors and Company Secretary (continued)

Erica Lane
Non-Executive Director
B App Sc, Grad Dip Comp, MBA (Melbourne), MBA (Chicago), MAICD

Experience

Erica joined the Board of the Company in 2008. Since 2000, she has held various appointments in funds management, investment management, professional services and healthcare spanning both listed and non-listed environments and public and private sectors. She is an experienced member of audit committees and has chaired Nomination and Remuneration and IT Committees.

In addition to Board appointments, Erica consults extensively in the public and private sectors at CEO and Board level on a range of business issues. In an executive capacity, Erica held senior positions in finance, funds management and insurance at the ANZ bank and worked with international consultancy firms.

Other Current Directorships

None.

Former Directorships

Wilsons Investment Management HTM (ASX: WIG) – Member, Audit/Risk and Nomination and Remuneration Committees (2013–2014).

Victorian Funds Management Corporation (2002–2009) – Chair, Nomination and Remuneration Committee and Member, Audit/Risk and Investment Committees.

Eastern Health (2000–2004) – Chair, IT Committee and Member, Audit/Risk Committee.

Ilhan Food Allergy Foundation (2007–2010).

Other Positions

Founder of AnaphylaxiStop, a social enterprise supporting medical research into food allergies (appointed 2006).

Director, Erica Lane & Associates Pty Ltd (appointed January 2004).

Special Responsibilities

Chair – Remuneration Committee (appointed 1 July 2015).

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

Chair – Nomination and Remuneration Committee (ceased 30 June 2015).

Rhonda O'Donnell
Non-Executive Director
M App Sc, MBA (Melbourne)

Experience

Rhonda joined the Board of the Company in 2013.

Rhonda has extensive experience in international and local industries including telecommunications, information technology, education, government and utilities. Rhonda has been a successful executive and board member in both the private and public sectors. Rhonda has received several industry achievements including the award for the Victorian Telstra Business Woman of the Year in 1999.

Other Current Directorships

Non-Executive Director, Catapult Group International Ltd (appointed September 2014).

Non-Executive Director, MTAA Superannuation Fund Pty Limited (appointed May 2015).

Executive Director, O'Donnell Global Solutions Pty Ltd (appointed August 2009).

Former Directorships

Non-Executive Director, RMIT Vietnam (2011–2015).

Non-Executive Director, RMIT Training (2010–2015).

Managing Director, Cambridge Technology Partners (2000–2003).

Managing Director, Global Customer Solutions (GCS)(a subsidiary of TXU (now TRU Energy)(1998–2000).

Other Current Positions

Current Member, RMIT Council (appointed in September 2008).

Strategy Consultant – DB Results (current).

Other Former Positions

Previous Chairman and President, Novell Asia Pacific (2001–2007).

Previous Chairman, Victorian Government Purchasing Board (2005–2011).

Previous Chairman, Advisory Board Insync (2011–2015).

Special Responsibilities

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

Member – Remuneration Committee (appointed 1 July 2015).

Member – Nomination Committee (appointed 1 July 2015).

Member – Nomination and Remuneration Committee (ceased 30 June 2015).

Wayne Brown
Group Chief Financial Officer and Joint Company Secretary
BCom (Hons), M Int Bus (Melbourne), CA MAICD

Experience

Wayne commenced as Chief Financial Officer and Company Secretary of Slater and Gordon in 2004. Prior to joining Slater and Gordon, Wayne was the Financial Controller of Grand Hotel Group (an ASX listed property trust) and prior to that, Wayne worked at Arthur Andersen for 10 years where he specialised in corporate recovery, insolvency and restructuring. Wayne contributes skills in corporate governance, financial management, analysis and reporting.

Kirsten Morrison
General Counsel and Joint Company Secretary
BA/LLB (Hons)
Grad. Dip. Applied Corporate Governance

Experience

Kirsten commenced as a commercial litigator with Slater and Gordon in 2006 and then as General Counsel and Company Secretary in 2008. In August 2015, Kristen has taken up the role as General Counsel for Slater and Gordon Group UK. Prior to joining Slater and Gordon, Kirsten was a lawyer at Allens Arthur Robinson and completed an Associateship to the Hon. Justice Hargrave in the Victorian Supreme Court. Kirsten contributes skills in commercial law and corporate governance.

Corporate Governance

The Board of the Company recognises that a genuine commitment to sound principles of corporate governance is fundamental to the sustainability of the Company and its performance. The Corporate Governance Statement for the reporting period ending 30 June 2015 can be found on the Company's website at www.slatergordon.com.au/the-firm/governance, together with the Company's Corporate Governance Policies. The Company complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition), which is reflected in its Corporate Governance Statement.

Operating and Financial Review

1. Operations

Overview

The Slater and Gordon Group is a leading provider of consumer legal services in Australia and the United Kingdom (UK). The firm provides specialist legal services in two main segments of consumer law – Personal Injury Law (motor vehicle accidents, workers compensation and civil liability) and General Law (family law, conveyancing, wills, estate planning, business and specialised litigation, class actions). Slater and Gordon Group became the world's first listed law firm in 2007 and after successfully pursuing a strategy of geographic and practice area diversification in Australia expanded into the UK in 2012. In FY15 the firm completed the A$1.3 billion acquisition of Quindell's Professional Service Division, a leading PIL service provider in the UK, which it has rebranded as Slater Gordon Solutions.

Business Model

Our mission is to give people easier access to world class legal services. We do this by using our competence in brand building and process engineering to build operations of scale and capability that provide highly specialised services with a great deal of price certainty for clients.

Revenue

Revenue is generated from providing legal services to tens of thousands of clients across Australia and the UK and is not reliant on any one key customer or case outcome. On the contrary, as at 30 June 2015, the Group was acting on behalf of approximately 200,000 individual clients. In FY15 approximately 80% of revenue was derived from Personal Injury Law. Most of this 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 118), PIL revenue is recognised using the stage of completion method. Recognising revenue on this basis gives rise to a corresponding asset in the balance sheet – work in progress (WIP) that represents the value of work completed but unbilled at the end of the period or deferred income. The majority of General Law work is conducted on a fee for service basis.

Costs

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 Group suite of brands, with brand awareness being the key driver of client enquiries.

Assets and Liabilities

The significant items in our balance sheet 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, Intangible assets – generated by acquisitions, 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.

Financial Performance

Slater and Gordon Group delivered a strong financial performance in the twelve months ending June 2015 with our core practice areas performing well and delivering revenue, EBITDA and cash flow in line with previous management guidance. Net Profit after income tax increased 22.8% to A$83.8 million.

There are three metrics that are key to understanding the Group's results. These are provided in the table below.

The consolidated statement of comprehensive income contains a number of transactions which we have normalised to provide greater clarity to the underlying operational results.

The normalisation items for FY15 and the FY14 comparative period are:

i. Gain from bargain purchase of $58.9 million (2014 restated: $19.8 million) resulting from the change in accounting policy in relation to the treatment of deferred consideration under AASB 3 Business Combinations and the re-classification of the Leo Abse and Cohen discount on acquisition;

ii. Discount on acquisition relating to Nowicki Carbone, Bannister Law and Walker Smith Way and recognised as WIP movement of $9.3 million;

iii. The corresponding payments to former owners $25.4 million reclassified as remuneration under the new accounting treatment for deferred consideration under AASB3 Business Combinations;

iv. Costs relating to acquisitions of $25.0 million, including an amount recognised in Salaries and Employee Expense of $1.3 million for internal due diligence work performed on the acquisition of SGS; and

v. The early termination of a lease of $1.6 million.

	FY15 $m	FY14 Restated $m	Movements $m
Total Revenue	627.3	438.2	189.1
EBITDA	132.4	108.7	23.7
Net Profit After Tax (NPAT)	83.8	68.2	15.6

This results in normalised revenue and normalised EBITDA of:

	FY15 $m	FY14 Restated $m	Movement %
Total revenue per financial statements	627.3	438.2	43.2
Normalisation adjustments:			
– Discount on acquisition	(9.3)	(7.4)	
– Gain from bargain purchase	(58.9)	(19.8)	
Total revenue – normalised	**559.1**	**411.0**	**36.0**
Less interest income (for EBITDA calculation)	(3.3)	(1.8)	
Total revenue-normalised less interest income	**555.8**	**409.2**	
Total expenses per financial statements, excluding finance costs and depreciation and amortisation expense	(491.6)	(327.7)	
Normalisation adjustments			
– Payments to former owners	25.4	9.0	
– Acquisition costs	25.0	4.1	
– Onerous lease provision	1.6	6.1	
Normalised expenses	(439.6)	(308.5)	
Normalised EBITDA	116.2	100.7	15.4
Normalised EBITDA margin	20.9%	24.6%	

Note: Data includes one month of SGS.

Total Normalised Revenue increased by 36.0% in FY15 due to strong growth in fee revenue across the Group with particularly strong results in the UK PIL practice driven by the acquisitions of Fentons and Pannone in FY14, and Flint Bishop, Leo Abse and Cohen and Walker Smith Way in FY15. The Australian PIL and GL practice groups also benefited from the acquisitions of Nowicki Carbone and Shultz Toomey O'Brien in the first half of FY15.

Normalised EBITDA growth of 15.4% is driven by improved contribution from PIL in Australia and the UK and GL in Australia. EBITDA growth is below revenue growth due to the expansion into the UK which has lower margins than the Australian business partly due to case mix and partly due to an increased level of marketing and business development expenditure building the Slater and Gordan UK brand.

Segment Performance

Personal Injury Law – Australia

Overview

The Australian Personal Injury Law (PIL) practice provides expert legal services to people in a range of areas including motor vehicle accidents, workers compensation and civil liability law. Most of this work is performed on a No Win – No Fee™ basis where legal fees are paid on the successful conclusion of a client's matter. Slater and Gordon Lawyers is the market leader in personal injury litigation in Australia with 25% market share.

FY15 Highlights

- The PIL practice performed well, demonstrating its resilience with strong underlying growth in fee revenue (excluding the impact of the Queensland practice);
- the acquisition of Nowicki Carbone (Victoria) and Schultz Toomey O'Brien (Queensland) in November 2014 added strength to the Australian PIL practice;
- continued improvement in the client intake process and client satisfaction scores; and
- move to a single business in Queensland with the migration of the Trilby Misso brand across to Slater and Gordon Lawyers and the co-location of staff.

FY16 Priorities

- Business improvement initiatives; and
- integration of FY15 acquisitions.

Personal Injury Law – UK

Overview

The UK Personal Injury Law (PIL) practice provides expert legal services to claimants in a range of areas including motor vehicle accidents, employers liability, industrial disease, clinical negligence and serious injury claims. Most of this work is performed on a No Win – No Fee™ basis where legal fees are paid on the successful conclusion of a client's matter.

We also conduct a substantial Court of Protection practice which ensures that people without the personal capacity to make decisions for themselves are protected. This trustee service is an important adjunct to our PIL practice and is complemented by a small Financial Planning service known as Adroit Financial Services.

Slater and Gordon Lawyers (UK) is now a leading personal injury litigation firm with work sourced primarily from the Slater and Gordon Lawyers brand.

Operating and Financial Review continued

1. Operations continued

FY15 Highlights
- The UK PIL practice performed very well with emerging brand awareness driving strong increases in enquiries, file openings and fee income nationally;
- 85% of staff now working on a common practice and case management system with the final roll out scheduled for H2 FY16;
- a sophisticated PIL workflow was developed and delivered to fee earners;
- transition of Manchester based staff into a single location; and
- the acquisition of Walker Smith Way and Leo Abse Cohen added strength to the UK operations and helped build upon our service provision to membership organisations.

FY16 Priorities
- Continue to build awareness of the Slater and Gordon Lawyers brand;
- further business improvement initiatives to deliver operational efficiencies; and
- completion of the IT systems roll out.

General Law – Australia

Overview
The General Law (GL) practice is made up of Personal Legal Services (PLS) and Business and Specialised Litigation Services (B&SLS).

PLS comprises Family and Relationship Law, Conveyancing, Wills, Estate Planning and Probate practices. Work is predominantly performed on a fixed fee basis. B&SLS comprises Commercial, Estate, Employment and Professional Negligence Litigation, Class or Group Actions and Criminal Defence work. Class actions are largely funded by third parties.

FY15 Highlights
- The Australian GL practice continued to make good progress with strong revenue growth across the practice groups and improved contribution to earnings;
- B&SLS revenues increased by over 20% with strong growth in litigation work across the practice and the re-establishment of a pipeline of third party funded class action work;
- successful resolution of the Fairbridge Farm class action with A$24 million settlement scheme for the former residents approved by the Supreme Court of NSW;
- emerging practices (estate, professional negligence and criminal law) accelerating their growth, albeit from a small base; and
- conveyancing performance stable with strong growth outside of Queensland.

FY16 Priorities
- Broadening the brand to attract new clients;
- continuing to build the third party funded class action project pipeline; and
- further investment into the growth of the Family Law and emerging practice areas.

General Law – UK

Overview
The UK General Law (GL) practice comprises Business and Specialised Litigation Services, Real Estate, Crime and Regulation, Personal Legal Services, Employment, Reputation and Professional Discipline. Slater and Gordon Lawyers has the largest Family and claimant Employment Law practices in the UK.

FY15 Highlights
- Continuing to invest and build scale in key areas such as Criminal, Employment, Estate Planning, Family and Property Law;
- increased GL presence with FY15 acquisitions of Walker Smith Way and Leo Abse & Cohen; and
- marketing campaigns in Employment and Family Law were well received.

FY16 Priorities
- Build on depth of expertise in key practice areas to strengthen our client offering;
- expand geographic footprint of practice groups; and
- continue to scale up smaller practice groups and optimise profitability levels.

Slater Gordon Solutions

Overview
Slater and Gordon Group acquired a number of business assets from Quindell plc in May 2015 which were described at the time as the Professional Services Division (PSD) and have now been rebranded as Slater Gordon Solutions (SGS).

SGS is the leading fast track personal injury law service provider in the UK, uniquely operating across the personal injury claims management value chain to provide legal, motor and health services.

It is a client focused business 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.

The operations can be broken into two segments – Claims and Motor and Health Services.

The Claims business operates across 12 locations employing approximately 1,600 staff. It deals with the origination, assessment and resolution of 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 portfolio of Noise Induced Hearing Loss (NIHL) claims acquired as part of the transaction in May.

FY16 Priorities

- Accelerating and optimising mix of RTA resolutions;
- resolution of hearing loss claims; and
- engaging with key partners.

2. Financial Position and Cash Flow

Cash Flow

Operating Cash Flow of A$40.8 million for FY15 was below FY14 due mainly to the implementation of a new Practice Management System in the UK causing a delay in billings and the inclusion of a component of the SGS acquisition relating to WIP in operating cash flows ($7.7 million).

When growing a PIL practice cash will trail profit due to the investment in WIP that does not convert to cash until future periods. As we move forward we will be focusing on EBITDAW (EBITDA less the movement in WIP) as a proxy for cash and target Gross Operating cash flow to be 100% of EBITDAW.

Net Assets

The Group's net assets increased significantly in FY15 due to the acquisition of SGS in May 2015. The acquisition was funded through a mix of equity and debt.

The Group raised A$890.9 million through a two for three pro rata accelerated entitlement offer ('Entitlement Offer') in April 2015. Approximately 94.3 million new shares were issued under the Institutional Offer, 18.8 million shares under the Retail Entitlement Offer, and 26.7 million shares under the Retail Shortfall Bookbuild. Debt was drawn down from a new Syndicated Debt Facility with the Group's financiers which replaced previous funding agreements and a new GBP denominated debt facility with the Group's financiers which replaced previous funding agreements (see further details below).

Debt

At 30 June 2015 gross debt was A$720.4 million, net debt $623.4 million and gearing (net bank debt/equity) 43.4%, slightly above our preferred 30–40% band due to the SGS transaction. Gearing is forecast to be 34% by 30 June 2016.

During the year the Group entered into a new multicurrency (AUD/GBP) syndicated bank facility with NAB and Westpac. The facility included loan facility, bank guarantees and/or letter of credit with an overall limit of GBP £375 million and AUD $90 million with expiry dates between June 2018 to June 2020. The facility is used to settle the previous facility and funding the new acquisitions.

In the balance sheet, foreign currency balances are translated at the spot rate at the 2014 and 2015 reporting dates.

This subsequently has a foreign exchange translation impact upon the reported debt balances in a number of ways;

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

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

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

	FY15 $m	FY14 $m Restated	Movements $m
Net operating cash flow	40.8	54.4	(13.6)
Net assets	1435.0	418.8	1016.2
Net debt	623.4	101.1	522.3
Gearing %	43.4	24.1	-
Loan and overdraft facilities – £ denominated facility	£376	-	-
Loan and overdraft facilities – A$ denominated facility	A$95	$A246	-

2. Financial Position and Cash Flow continued

To highlight these movements, based upon the 2015 financial accounts, the reconciliation of the opening debt to closing debt is as follows:

	$AUD M
Gross debt at 30 June 2014	$126.3
Proceeds from borrowings	$594.1
Repayment of borrowings	($44.0)
Implied gross debt at 30 June 2015	$676.4
Reported gross debt at 30 June 2015	(720.4)
Difference due to foreign exchange difference	($44.0)

The difference due to foreign exchange made up from the following:

	$AUD M
Movement in the foreign exchange rate from period	$11.0
Differential in exchange rate from using an average foreign exchange rate for the year compared to the rate at 30 June 2015	$21.0
Movement in exchange rate from 29 May 2015 to 30 June 2015 on proceeds of borrowings for Slater Gordon Solutions acquisition	$12.0

Dividends

Directors declared a final dividend of 5.5 cents per share, franked to 40% and a 10% increase on FY14 in line with our stated policy of increasing dividends 10% annually. As a result, 31.8% of FY15 NPAT will be distributed to shareholders as an interim and final dividend.

Off Balance Sheet Items

The opening FY16 balance sheet for SGS does not include a value for WIP associated with the portfolio of NIHL cases acquired as part of the SGS acquisition. Once we have stronger evidence in relation to the trajectory of the NIHL cases we expect to revisit the balance sheet and book an appropriate value for the WIP.

3. Business Strategy, Outlook and Risks

Business Strategy

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

Having acquired significant business assets in both Australia and the UK, the Group seeks to enable its strategy through a focus on client satisfaction, staff engagement and operational effectiveness. Having established critical mass in both markets in which it operates, the Group is levering its available assets and delivering sustainable shareholder returns through a business strategy built on organic growth and operational improvement. From an operational perspective, this involves the continued strengthening of the Group's current market leading position in the consumer law market as well as optimising the business performance of its assets including the recently acquired businesses operating under the Slater Gordon Solutions brand.

Outlook

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

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

Undoubtedly, the Group will face headwinds at various times connected with the ongoing integration activities that it will undertake to fully leverage the assets available to it and associated with the inevitable maturing of the Group, but the Group is actively taking steps to mitigate these risks.

Risks

During FY16, the Group will undertake a materiality assessment process which specifically understands and assesses material sustainability risks. With the above context, we make the following disclosure of material economic, social and environmental sustainability risks which the Company has under active management:

- Competition and market share: The Company operates in a competitive and innovative environment. Changes in the competitor landscape, including disruptive innovation could drive changes to market share. Strategic planning, investment in R&D, KPIs to promote leadership of innovation, M&A strategy and acquisition integration planning are activities we undertake to protect and grow our market share.
- Regulatory change: Legislative reform could have an adverse material impact on the Group, particularly in relation to personal injury litigation services. Effective government relations, management KPIs, modelling the potential impact and diversification into new services and markets are initiatives we use to monitor, manage and protect against potential regulatory changes.
- Financial Management: Financial and cost management, particularly labour costs, is critical to managing and improving gross margin in a legal business. The Company has established a mature remuneration and reward strategy, manages its labour mix and incorporates labour budgeting in the strategic planning process. The Company also has budgeting and forecasting systems in place to ensure sound financial management and regularly reviews overhead expenditure.
- Client service and professional standards compliance: Delivery of consistent and quality legal services is the cornerstone of our business and our reputation is based upon this. High professional standards and compliance with legal services regulatory regimes is central to our risk management strategy. The Company establishes its professional standards in its Values and National Practice Standards in Australia and the United Kingdom(NPS), which are implemented through training and workflow management. NPS tracking and audits, centralised claims and complaints handling and practice improvement plans ensure professional standards are monitored and maintained.
- People and Culture: People are the most critical asset of any professional services business. Initiatives to ensure employees are engaged and productive include Values, policies, diversity and flexibility, learning and development, the Group's remuneration strategy (Rewarding You Fairly) effective work, health and safety policies, M&A integration strategy, and regular engagement monitoring.

Financial Statements

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 2015 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ("IFRS").

Directors

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

- John Skippen – Chair
- Andrew Grech – Group Managing Director
- Ian Court
- Ken Fowlie – Managing Director (UK & Europe)
- Erica Lane
- Rhonda O'Donnell

Details of the skills, experience, expertise and special responsibilities of each director are set out in a subsequent section of this report.

Principal Activities

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

Results

The profit after income tax of the Group was $83.8 million (2014 restated: $68.2 million).

Review of Operations

The Group continued to deliver strong financial results during the year ended 30 June 2015, at the same time making solid progress against key strategic priorities, in particular the expansion of its UK operations.

The Group ended the year with total revenue of $627.3 million (2014 restated: $438.2 million) and net profit after tax of $83.8 million (2014 restated: $68.2 million). The full year dividend was up 12.5% over the prior year to 9.0 cents per share partially franked at 40% (2014: 8.0 cents per share fully franked).

The Australian business completed the acquisitions of Nowicki Carbone, a personal injury law practice based in Victoria, and Schultz Toomey O'Brien, a consumer law practice in Queensland, on 31 October 2014, which continue to reinforce the growth of the Group as the leader in consumer law in Australia.

Legislation in South Australia changed with effect from 1 July 2014 to allow for incorporated legal practices to operate in South Australia. As a consequence, the Adelaide practice was transferred from Andrew Grech trading as Slater and Gordon Lawyers to the Company for the value of the practice's net assets on 30 September 2014. The net asset value was fully offset by amounts owed to the Company pursuant to the service and license agreement between the Company and Andrew Grech.

During the financial year, the UK business devoted significant focus to consolidate the acquisitions completed during the course of FY14 into the existing operations, an exercise that involved both a relocation of the practices formerly known as Russell Jones and Walker and Pannone to one office in Manchester with the staff from the firm, formerly known as Fentons, to relocate shortly. The transition of the entities acquired prior to FY15 onto one Practice Management System and Case Management System, was substantially completed during the year. In addition to the acquisition of Walker Smith Way and Leo Abse Cohen in April and May 2015 respectively, the Group also completed the acquisition of SGS. The principal activities of SGS are:

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

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

Directors' Report

Review of Operations (continued)

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

IV. Services complementary to these claims processes, including:
   a. A medical reporting service for claimant lawyers;
   b. The assessment, triage and facilitation of rehabilitation services for not at fault parties injured in accidents; and
   c. A costing service for lawyers and law firms.

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

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

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

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

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

Significant Changes in the State of Affairs

In April 2015 the Group raised additional funds through a 2 for 3 pro rata accelerated entitlement offer ("Entitlement Offer"). Approximately 94.3 million new shares were issued under the Institutional Offer, 18.8 million shares under the Retail Entitlement Offer, and 26.7 million shares under the Retail Shortfall Bookbuild. The total sum raised of $890.9 million funded the acquisition of SGS, along with drawdowns from a new Syndicated Debt Facility with the Group's financiers which replaced previous funding agreements and a new GBP denominated debt facility with the Group's financiers which replaced previous funding agreements.

The new Syndicated Debt Facility included loan facilities with three and five year terms with overall limits of £375.0 million and $90.0 million. At 30 June 2015 the net bank debt was $623.4 million with a gearing ratio (net bank debt to /equity) of 43.0%.

The Group introduced in the financial period a broad-based 'share saver' offer to all employees and a new Employee Equity Incentive Plan ("EIP") which was approved by shareholders at the 2014 Annual General Meeting ("AGM"). Subsequent to the AGM, offers were made to all employees in Australia and the United Kingdom to take up $500 or £375 of equity respectively, with the Company matching the allocation on a 1 for 1 basis. Offers were taken up by around 800 employees across the organisation, representing approximately 40% of eligible employees.

Under the terms of the EIP, performance rights offers were extended to executives in October 2014 and December 2014. All executives across the Group have accepted the offers. Overall, 496,000 performance rights have been issued to executives throughout the Group, including a shareholder approved allocation of 56,000 performance rights (combined) to executive directors. Performance rights vest based on a three year service condition and the financial performance of the Australian PIL, Australian GL, UK PIL, UK GL or Group operations (depending on the executive role) over the three financial years FY15 to FY17. Performance measures include total shareholder return and earnings measures.

The EIP replaces the existing Employee Ownership Plan ("EOP"), without prejudice to the rights of current participants in the EOP. Vesting of equity interests under the EOP continues based on performance in FY15 and the repayment of loans associated with the EOP will continue throughout FY16 to FY18.

Directors' Report

Significant Changes in the State of Affairs (continued)

Other than the acquisitions during FY15 otherwise referred to in this report, and the above mentioned changes in capital structure and the introduction of the EIP, there have been no significant changes in the affairs of the Group that require disclosure in this report.

Events Subsequent to Reporting Date

Subsequent to the end of the financial year, all unvested Vesting Convertible Redeemable ("VCR") ordinary shares at 30 June 2015 have either vested and converted into ordinary shares (subject to disposal restrictions) or have been approved for redemption. Other than the aforementioned, there have not been any matters or circumstances that have significantly affected, or may significantly affect, the results reported in the financial statements.

Likely Developments

With a commanding market share lead in both Australia and the UK, the group is free from the demands of near term future acquisition activity and will focus its efforts on improvement of operating effectiveness.

Having acquired significant businesses in both Australia and the UK, and established critical mass in the personal injury law market, the Group will focus its resources to deliver sustainable shareholder returns through a business strategy built on organic growth.

From an operational perspective, this involves the continued strengthening of the Group's current market leading position in the consumer law market. This will include further investment in its finance and IT infrastructure and the progressive integration of the newly acquired operations of Slater Gordon Solutions.

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

Environmental Regulation

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

Dividend Paid, Recommended and Declared

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

	2015 $'000	2014 $'000
Dividends on ordinary shares		
Interim dividend partially franked (40%) at the tax rate of 30% for 2015: 3.50 cents per share (2014: 3.00 cents per share, fully franked)	7,341	6,115
Final fully franked dividend at the tax rate of 30% for 2014: 5.00 cents per share (2013: 3.85 cents per share, fully franked)	10,279	7,655
	17,620	13,770

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $19,289,594 franked to 40% (5.50 cents per share) to be paid on 29 October 2015 out of retained profits at 30 June 2015.

Dividend Reinvestment Plan

Since 27 February 2013, the Company has had in place a Dividend Reinvestment Plan ("DRP") to allow eligible shareholders to reinvest their dividends in further Company shares. The DRP was active for the final dividend declared for the financial year ended 30 June 2014 and the interim and final dividends declared for the financial year ended 30 June 2015. Under the DRP, 160,676 shares were issued for the 2014 final dividend at $6.01 per share and 97,043 shares were issued for the 2015 interim dividend at $7.50 per share.

Share Options

No options over unissued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Directors' Report

An equity incentive plan ("EIP") was established in November 2014 to provide annual equity incentives to selected senior executives. Pursuant to the EIP 496,000 performance rights were granted which are subject to vesting performance hurdles and continuing service (refer to page 57 for further discussion)

Indemnification and Insurance of Directors and Officers and Auditors

During the financial year, the Group has given indemnity or entered an agreement to indemnify, and paid insurance premiums as follows:

A premium of $64,500 (2014: $55,000) for a twelve month period was incurred in respect of directors, officers and the company secretary of the Company against a liability brought upon such an officer.

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

Slater and Gordon has not, during or since the financial year, indemnified or agreed to indemnify the auditor of Slater and Gordon against a liability incurred as auditor.

Directors' Report

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 on the Board since 2010 and has been 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 (appointed November 2006) Non-Executive Director of Super Retail Group Ltd (appointed September 2008) **Former directorships** Previous Non-Executive Director of Emerging Leaders Investment Ltd (2010-2014) **Special responsibilities** Chair – Board (current) Member – Audit, Compliance and Risk Management Committee (current) Chair – Nomination Committee (appointed 1 July 2015) Member – Nomination and Remuneration Committee (ceased 30 June 2015)

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 as Managing Director in 2000 and Group Managing Director on 1 July 2014. Before being appointed Managing Director in 2000, Andrew worked in most of Slater and Gordon's litigation practice areas, working across both high profile class actions and individual compensation claims. Andrew brings to the Board extensive experience as a legal practitioner and law firm manager. **Other current directorships** None **Former directorships** None **Other positions** Previous founding chair of the Youth Junction Incorporated, a not for profit youth charity operating in Sunshine, Victoria (2005-2010) Member of the Board of the Youth Junction Incorporated (appointed 2005 – current) Member of the Advisory Council of the Melbourne Law School (2014 – current) **Special responsibilities** Group Managing Director

Information on Directors and Company Secretaries (continued)

Ken Fowlie LLB BCom (NSW) MSc (with distinction) (LBS) MAICD Executive Director	**Experience** Ken was appointed a 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 became the Managing Director, UK and Europe for Slater and Gordon incorporating Slater and Gordon Solutions. **Other current directorships** None **Former directorships** None **Special responsibilities** Managing Director – UK and Europe

Information on Directors and Company Secretaries (continued)

Ian Court
FAICD
Non-Executive Director

Experience
Ian was appointed a Director of the Company in 2007.

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
Non-Executive Director of AssetCo Management Pty Ltd as management company for SSSR Holdings Pty Ltd (Southern Cross Station) (Appointed November 2007),
Praeco Pty Ltd (HQ Joint Operations Command) (Appointed November 2009),
Western Liberty Group Holdings Pty Ltd (Perth District Court Complex) (Appointed March 2011).
He also holds pro-bono positions as:
Chair of ACTU Member Connect Pty Ltd (Appointed July 2004) and
Chair of Renewable Energy Development Trust (Appointed in 2007).

Former directorships
Non-Executive Director of Victorian Funds Management Corporation (2006-2012)
Epic Energy Holdings Pty Ltd (2007-2011)
Pacific Hydro Ltd (2004-2007)
Federal Airports Corporation (1986-1994)
Utilities of Australia Pty Ltd (2000-2006)
Bennelong Funds Management Pty Ltd (2006-2008)
Ecogen Holdings Pty Ltd (2003-2004)
Australian Venture Capital Association Ltd (2003-2005) and ISPT Pty Ltd (1994-1998)

Other current positions
Chair of the IFM Investors Investor Advisory Board (appointed May 2004)

Special responsibilities
Chair – Audit, Compliance and Risk Management Committee (current)
Member – Remuneration Committee (appointed 1 July 2015)
Member – Nomination and Remuneration Committee (ceased 30 June 2015)

Information on Directors and Company Secretaries (continued)

Erica Lane
B App Sc, Grad Dip Comp,
MBA (Melbourne),
MBA (Chicago),
MAICD
Non-Executive Director

Experience

Erica joined the Board of the Company in 2008. Since 2000, she has held various appointments in funds management, investment management, professional services and healthcare spanning both listed and non-listed environments and public and private sectors. She is an experienced member of audit committees and has chaired Nomination and Remuneration and IT Committees.

In addition to Board appointments, Erica consults extensively in the public and private sectors at CEO and Board level on a range of business issues. In an executive capacity, Erica held senior positions in finance, funds management and insurance at the ANZ bank and worked with international consultancy firms.

Other current directorships

Nil

Former directorships

Wilsons Investment Management HTM (ASX: WIG) – Member, Audit/Risk and Nomination and Remuneration Committees (2013-2014)

Victorian Funds Management Corporation (2002-2009) – Chair, Nomination and Remuneration Committee and Member, Audit/Risk and Investment Committees

Eastern Health (2000-2004) – Chair, IT Committee and Member, Audit/Risk Committee

Ilhan Food Allergy Foundation (2007-2010)

Other positions

Founder of AnaphylaxiStop, a social enterprise supporting medical research into food allergies (appointed 2006)
Director, Erica Lane & Associates Pty Ltd (appointed January 2004)

Special responsibilities

Chair – Remuneration Committee (appointed 1 July 2015)
Member – Audit, Compliance and Risk Management Committee (current)
Chair – Nomination and Remuneration Committee (ceased 30 June 2015)

Information on Directors and Company Secretaries (continued)

Rhonda O'Donnell
M App Sc, MBA (Melbourne)
Non-Executive Director

Experience
Rhonda joined the Board of the Company in 2013.

Rhonda has extensive experience in international and local industries including telecommunications, information technology, education, government and utilities. Rhonda has been a successful executive and board member in both the private and public sectors. Rhonda has received several industry achievements including the award for the Victorian Telstra Business Woman of the Year in 1999.

Other current directorships
Non-executive director, Catapult Group International Ltd (appointed September 2014)
Non-executive director, MTAA Superannuation Fund Pty Limited (appointed May 2015)
Executive director, O'Donnell Global Solutions Pty Ltd (appointed August 2009)

Former directorships
Non-executive director, RMIT Vietnam (2011-2015)
Non-executive director, RMIT Training (2010-2015)
Managing Director, Cambridge Technology Partners (2000-2003)
Managing Director, Global Customer Solutions (GCS) (a subsidiary of TXU (now TRU Energy) (1998-2000)

Other current positions
Current Member, RMIT Council (appointed in September 2008)
Strategy Consultant – DB Results (current)

Other former positions
Previous Chairman and President, Novell Asia Pacific (2001-2007)
Previous Chairman, Victorian Government Purchasing Board (2005-2011)
Previous Chairman, Advisory Board Insync (2011-2015)

Special responsibilities
Member – Audit, Compliance and Risk Management Committee (current)
Member – Remuneration Committee (appointed 1 July 2015)
Member – Nomination Committee (appointed 1 July 2015)
Member – Nomination and Remuneration Committee (ceased 30 June 2015)

Wayne Brown
BCom (Hons),
M Int Bus (Melbourne),
CA MAICD
Group Chief Financial Officer and
Joint Company Secretary

Experience
Wayne commenced as Chief Financial Officer and Company Secretary of Slater and Gordon in 2004. Prior to joining Slater and Gordon, Wayne was the Financial Controller of Grand Hotel Group (an ASX listed property trust) and prior to that, Wayne worked at Arthur Andersen for ten years where he specialised in corporate recovery, insolvency and restructuring. Wayne contributes skills in corporate governance, financial management, analysis and reporting.

Kirsten Morrison
BA/LLB (Hons)
Grad. Dip. Applied Corporate Governance
General Counsel and Joint Company Secretary

Experience
Kirsten commenced as a commercial litigator with Slater and Gordon in 2006 and then as General Counsel and Company Secretary in 2008. In August 2015, Kristen has taken up the role as General Counsel for Slater and Gordon Group UK. Prior to joining Slater and Gordon, Kirsten was a lawyer at Allens Arthur Robinson and completed an Associateship to the Hon. Justice Hargrave in the Victorian Supreme Court. Kirsten contributes skills in commercial law and corporate governance.

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		Nomination and Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
A Grech	12	12	-	-	-	-
I Court	12	11	6	6	4	4
K Fowlie	12	12	-	-	-	-
E Lane	12	12	6	6	4	4
J Skippen	12	12	6	6	4	4
R O'Donnell	12	12	6	6	4	4

Directors' Interests in Shares

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

	Ordinary shares of the Company	Performance rights
A Grech	6,750,656	40,000
I Court	59,804	-
K Fowlie	5,646,221	16,000
E Lane	170,000	-
J Skippen	25,000	-
R O'Donnell	25,000	-

Directors' Interest in Contracts

Directors' interests in contracts are disclosed in Note 29 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*.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2015 $	2014 $
Due diligence investigations		
- Pitcher Partners	177,860	15,900
- Ernst & Young LLP	1,475,791	-
Total remuneration for due diligence investigations	**1,653,651**	**15,900**
Other Advisory		
- Pitcher Partners	39,227	17,557
- Baker Tilly	4,245	-
Total remuneration for other advisory	**43,472**	**17,557**
Total remuneration for non-audit services	**1,697,123**	**33,457**

Audited Remuneration Report

Dear Shareholder,

I am pleased to present our Remuneration Report for the year ended 30 June 2015. In striving to provide for continuous improvement, the Remuneration Report format has been modified so as to provide a framework for clearer disclosure of the relevant information to shareholders.

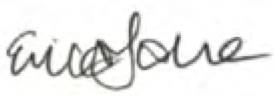
The 2015 financial year has been a year of great change for the Slater and Gordon Group. The strong underlying business performance has continued and in May 2015, we successfully completed the purchase of Slater Gordon Solutions ("SGS"), creating a leading consumer law firm in the UK. The Board is confident that this acquisition will deliver significant long term value to the Company's shareholders. Full details of the acquisition are dealt with comprehensively elsewhere in the Directors' Report.

I wish to highlight the changes in Board and executive key management personnel ("KMP") remuneration, as follows:

- Chair, Non-Executive Directors ("NED") and committee fees increased in FY15 by approximately 5%. This was the first increase since FY12.
- The Board undertook a review of all executive KMP and Board remuneration during the year, including independent remuneration consultant input, and will be recommending to shareholders at the upcoming AGM that the Director fee pool limit be increased to accommodate additional Board appointment(s) and to better reflect market expectations of NED fees. Despite these proposed changes our Board remuneration settings will remain conservative, ie. at the lower end of the range for companies of comparable size and complexity.
- As of 30 June 2015, all Board and executive KMP held shares in the Company. Minimum shareholding guidelines for Board members and executive KMP are presently under consideration and any policy changes will be announced in due course, as required.
- The Board intends to revise the remuneration opportunity for executive KMP in FY16. It is intended that increases in fixed remuneration will be held to less than 3% unless there has been a material change in the responsibility encompassed by the relevant position.
- Although executive KMP remuneration will remain conservative in FY16, the Board intends to increase 'at risk' short and long term remuneration opportunities for all executive KMP. These increased remuneration opportunities will be conditional upon performance to ensure appropriate alignment to shareholder interests. Bonuses to be paid to executive KMP in respect of FY15 have been provisionally determined and will not exceed $570,000. All executive KMP scored well against their KPIs, however, the total amount awarded will be less than the total paid in FY14. This reflects the Board's view that whilst the performance was strong, there are areas where further improvement is required. Final amounts will be determined following completion of the Company's performance and development review cycle in October 2015.
- Under consideration for FY16 are: the implementation of a clawback policy in relation to executive KMP; a policy of STI deferral for executive KMP; and minimum shareholding guidelines for the Board and executive KMP. A policy of STI deferral is currently in place with key leaders outside of the Group Executive. Any policy changes will be announced in due course, as required.
- No equity incentives for executive KMP vested in FY15 and no previously granted equity incentives will vest in FY16.

Effective from 1 July 2015, the Nomination and Remuneration Committee has been reconfigured into two (2) separate committees. The Nomination Committee will be focused on Board and Committee composition, appointment and induction of new Board members, succession planning and performance evaluation for the Board as a whole. The Remuneration Committee will continue to focus its efforts on ensuring that Board remuneration remains competitive but conservative and that executive KMP remuneration has an appropriate balance between fixed and variable components with a clear relationship between Group performance and risk management, including the successful integration of any acquisitions.

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



Erica Lane
Chair Remuneration Committee
29 September 2015

Audited Remuneration Report (continued)

Contents

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

Audited Remuneration Report (continued)

1.0 Introduction

The Group is a leading international consumer law firm employing approximately 5,350 people across 95 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 the Group to attract, motivate and retain competent executives in a number of locations.

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

The remuneration policies in respect of the Group's executive KMP are reviewed annually. The most notable achievement in FY15 was the acquisition of the professional services division from Quindell Plc (now rebranded as Slater Gordon Solutions ("SGS")) in the UK (announced on 30 March 2015) and supporting capital raising. A comprehensive analysis of this transaction is covered elsewhere in the Directors' Report. The full impact of this acquisition will be shown in the FY16 financial statements. In FY15 the Group grew net profit after tax ("NPAT") from $68.2m to $83.8m and revenue grew by 43% representing strong year on year performance and over achievement against our business targets in revenue terms. The lower growth in NPAT was largely as a result of changes to the accounting treatment of acquisition consideration and as such did not impact on cash performance. The results of the changes in application of the relevant accounting standards to acquisitions will normalise over time. Overall, the Board believes the Group's approach to remuneration is balanced, fair and equitable, designed to reward and motivate a successful and experienced executive team to deliver business growth and success as well as to meet the expectations of shareholders.

The Board's composition has remained unchanged over the year. Given the recent SGS acquisition and increase in the scale and footprint of the Group, the Board has determined to recruit two additional non-executive directors over the next several months.

1.1 Scope

This Remuneration Report sets out the remuneration arrangements in place for the Board and executive KMP of the Group during FY15, in accordance with the relevant provisions of the *Corporations Act 2001* and the applicable accounting standard requirements.

Audited Remuneration Report (continued)

1.2 Key Management Personnel

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

Name	Title	Change in FY15	Country of Residence
Non-executive Directors			
John Skippen	Chair, Non-executive Director Member, Audit, Compliance and Risk Committee, Chair, Nomination Committee	Appointed Chair, Nomination Committee, 1 July 2015	Australia
Ian Court	Chair, Audit, Compliance and Risk Committee, Non-executive Director	No change. Full year	Australia
Erica Lane	Chair, Remuneration Committee, Non-executive Director	Changed from Chair, Nomination and Remuneration Committee to Chair, Remuneration Committee, 1 July 2015	Australia
Rhonda O'Donnell	Non-executive Director	No change. Full year	Australia
Executive Directors			
Andrew Grech	Group Managing Director	Title changed from Managing Director to Group Managing Director, 1 July 2014	Australia
Ken Fowlie	Managing Director (UK and Europe)	Chief Executive Officer Australia to Managing Director (UK and Europe), 1 May 2015	United Kingdom
Other Executive KMP			
Wayne Brown	Group Chief Financial Officer	Title changed from Chief Financial Officer to Group Chief Financial Officer, 1 July 2014	Australia
Neil Kinsella	Head of General Law, UK	Changed from Head of UK to Head of M&A (UK), October 2014 to Interim Head of General Law UK in August 2015	United Kingdom
Hayden Stephens	Chief Executive Officer, General Law	Changed from Head of Personal Injury Australia to Chief Executive Officer of General Law, 1 July 2015	Australia
Cath Evans	Chief Executive Officer, Personal Injury Law	Changed from Chief Executive Officer (UK) to Chief Executive Officer, Personal Injury Law, 1 July 2015	Australia
Felicity Pantelidis	Group Chief Operating Officer	Changed from Chief Operating Officer, to Group Chief Operating Officer, 1 July 2015	Australia

Audited Remuneration Report (continued)

2.0 Remuneration Governance

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

2.1 Role of the Board and the NRC

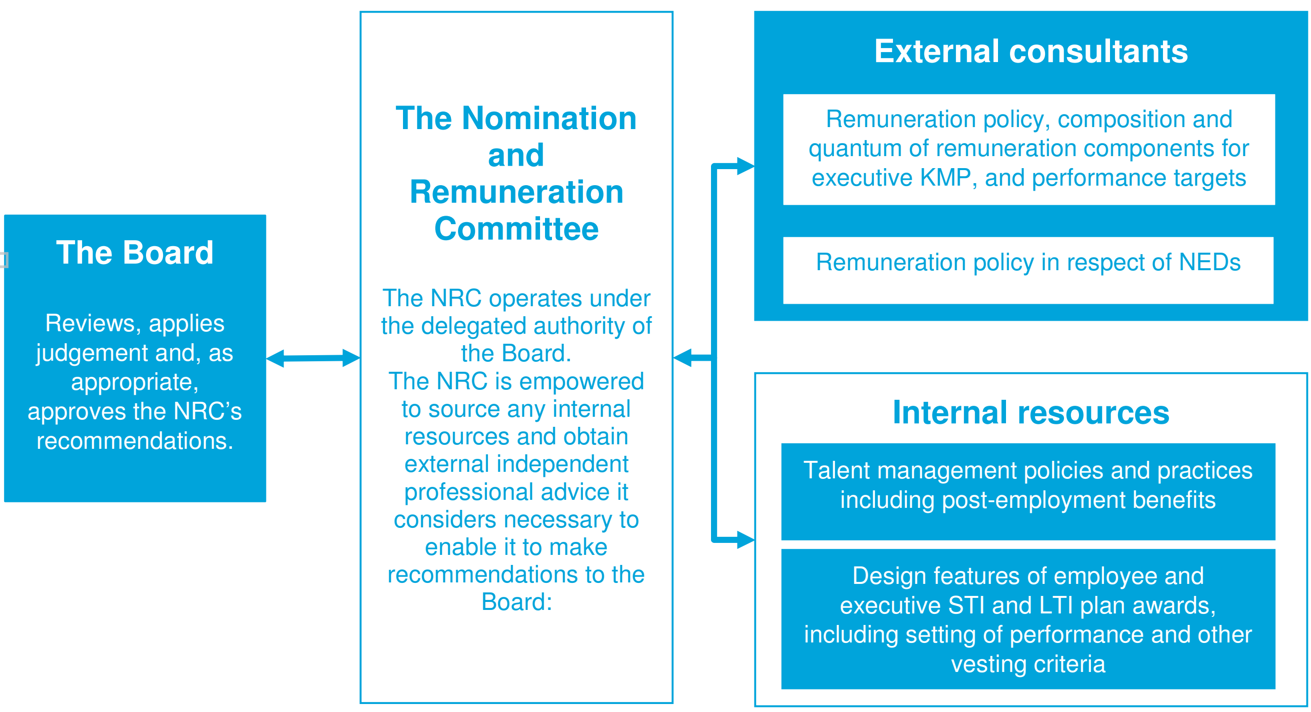
The Board has overall responsibility for the Group's remuneration strategy and policy. Consistent with this responsibility, the Board has established the NRC, comprised solely of independent NEDs.

The role of the NRC is set out in its Charter, which is reviewed annually and was last revised and approved by the Board in FY15. The NRC will be reconfigured into two (2) separate committees effective from 1 July 2015.

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

- ensuring that appropriate procedures exist to assess the remuneration levels of the Chairman, other NEDs, executive directors, direct reports to the Group Managing Director, 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 including succession planning, recruitment, development; and retention and termination policies and procedures for senior management; and
- developing, maintaining and monitoring appropriate post-employment and other benefit arrangements for the Group.

The NRC's role and interaction with Board, internal and external advisors for FY15, is illustrated below:



Audited Remuneration Report (continued)

2.1 Role of the Board and the NRC (continued)

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

2.2 Use of Remuneration Consultants

During FY15, remuneration consultancy contracts were entered into by the Company and accordingly the disclosures required under section 300A(1)(h) of the *Corporations Act 2001* are set out as follows:

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

Key questions regarding use of remuneration consultants	
Did the remuneration consultant provide remuneration recommendations in relation to any of the KMP for FY15?	Yes. Recommendations were in a written report to the Board.
How much was the remuneration consultant paid by the Company for remuneration related and other services?	Remuneration Services - $28,965 Other Services - $32,352
What arrangements did the Company make to ensure that the making of the remuneration recommendations would be free from undue influence by the executive KMP?	The Company adopted a 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.
Is the Board satisfied that the remuneration information provided was free from any such undue influence? What are the reasons for the Board being so satisfied?	Yes, the Board is satisfied. The reasons are as follows: the Chair of the Company and the NRC had oversight of all requests for remuneration information and the protocol with respect to the procurement of remuneration related advice was appropriate.

Audited Remuneration Report (continued)

3.0 Non-executive Director Remuneration

3.1 NED Remuneration

Principle	Comment
Fees are set by reference to key considerations	Fees for NEDs are based on the nature of the NEDs' work, their responsibilities and anticipated time commitment. The remuneration paid is intended to reflect the complexity of the business and its geographic spread. In determining the level of fees, independent survey data on comparable companies (ASX listed companies of similar size) is considered. NEDs' fees are recommended by the NRC and determined by the Board. Shareholders approve the aggregate amount available for the remuneration of NEDs.
Remuneration is structured to preserve independence whilst creating alignment (see also section 3.4)	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. The Company currently does not have any minimum shareholding guidelines for NEDs. However, all NEDs acquired shares in the Company during FY15 and all have current holdings.
Aggregate Board and committee fees are approved by shareholders	The total amount of fees paid to NEDs in FY15 was $471,873 in total which is 73% of the aggregate annual amount approved by shareholders at the 2012 AGM.

3.2 NED Fees and Other Benefits

Elements	Details		
Board/Committee	Board Chair fee[1]	$158,055	
Fees per annum – FY15	Board NED base fee[1]	$89,565	
	Committee fees	**Committee Chair**	**Committee Member**
	Audit, Compliance and Risk Management	$10,000	$5,000
	Nomination and Remuneration Committee	$10,000	$5,000

[1] Chair and NED fees were increased by CPI during FY15. Committee fees are not paid to the Chair of the Board. The amounts referred to in this table reflect fees determined by the Board in respect of FY15 only.

Post-employment benefits	
Superannuation	Superannuation contributions have been made in accordance with the Company's statutory obligations.

Other benefits	
Equity instruments	NEDs do not receive any performance related remuneration, options or performance rights.
Other fees/benefits	NEDs receive reimbursement for costs directly related to Slater and Gordon business.

Directors' Report

Audited Remuneration Report (continued)

3.3 NED Total Remuneration – Actual Paid

		Short-term benefits	Post-employment benefits	
Amounts $	**Year**	**Fees**	**Superannuation benefits**	**Total***
John Skippen (Chair)	**FY15**	**137,835**	**24,131**	**161,966**
	FY14	137,324	12,702	150,026
Ian Court	**FY15**	**79,258**	**27,099**	**106,357**
	FY14	72,442	23,976	96,418
Erica Lane	**FY15**	**97,516**	**9,259**	**106,775**
	FY14	91,549	8,468	100,017
Rhonda O'Donnell	**FY15**	**88,384**	**8,391**	**96,775**
	FY14	82,465	7,628	90,093
Total	**FY15**	**402,993**	**68,880**	**471,873**
	FY14	383,780	52,774	436,554

* NED base fees were increased by CPI during FY15. The FY15 remuneration includes back pay of the FY14 CPI increase on NED fees.

The aggregate annual amount available for payment to NEDs was last approved by shareholders at the 2012 AGM in the amount of $650,000.

3.4 Minimum Shareholding Guidelines

Although all NEDs hold shares in the Company, at the end of FY15 there were no minimum shareholding guidelines in place that apply to NEDs. The implementation of minimum shareholding guidelines for NEDs will be considered during FY16.

Directors' Report

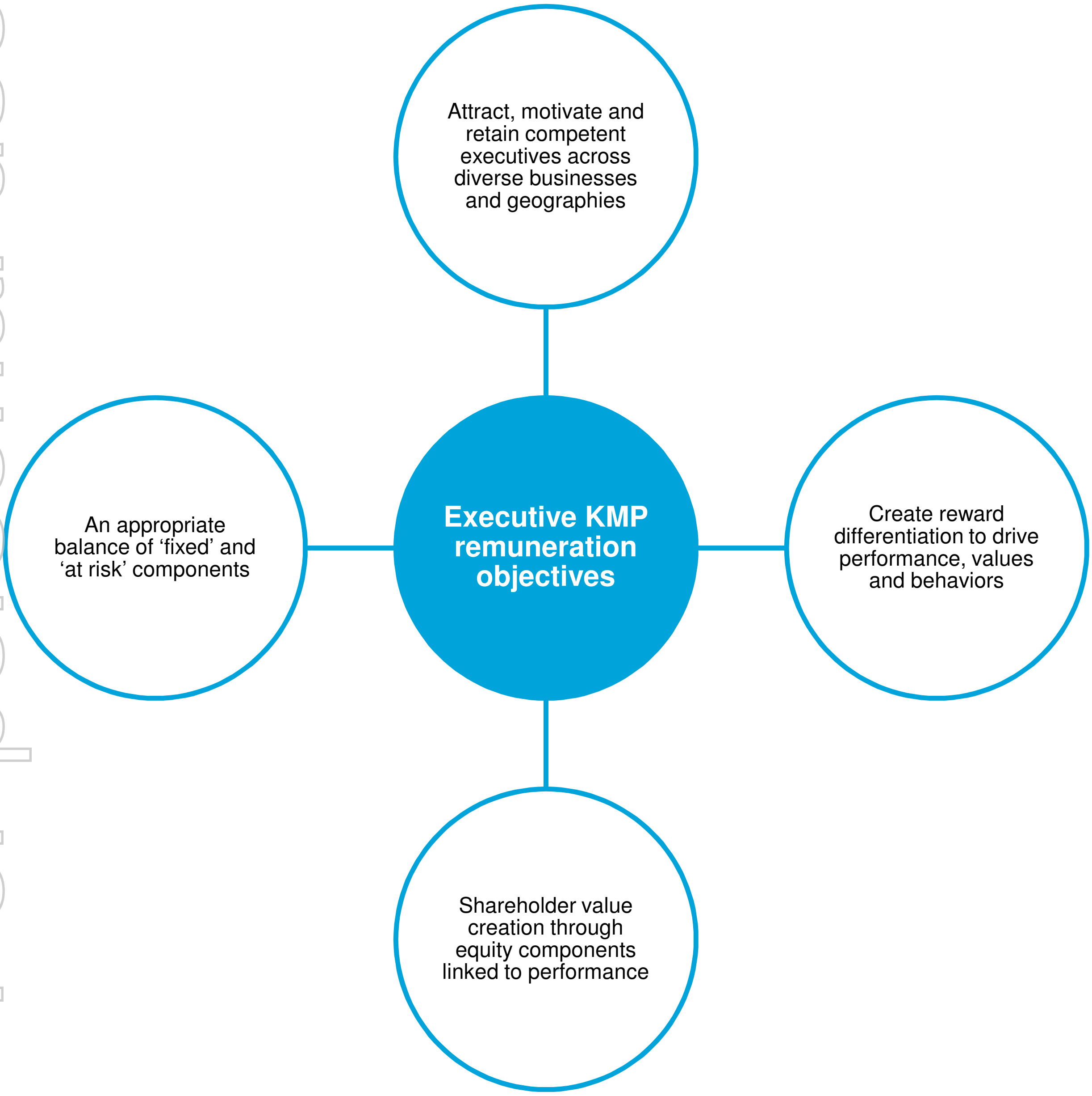
Audited Remuneration Report (continued)

4.0 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. Fixed remuneration components are determined having regard to the specific skills and competencies of the executive KMP with reference to both internal and external relativities, including local market conditions. The 'at risk' components of remuneration consisting of both short and long term incentives are intended to reward (risk balanced) performance on the achievement of clearly defined targets.

Executive KMP remuneration objectives can be illustrated as follows:



Audited Remuneration Report (continued)

4.1 Executive KMP Remuneration (continued)

			Remuneration will be delivered as:	Strategic intent and market positioning
Total target remuneration (TTR) is set by reference to the relevant geographic market. TTR is intended to be positioned in the third quartile compared to relevant market benchmark comparisons. Higher quartile TTR will only result if outperformance is achieved.	**Fixed**	**Total fixed remuneration (“TFR”)** TFR is set based on job role, market relativities, reflecting responsibilities, performance, qualifications, experience and geographic location	Base salary plus any fixed elements related to local markets, including superannuation or equivalents	TFR will generally be positioned at the median compared to relevant market based data considering expertise and performance in the role
Total target remuneration (TTR) is set by reference to the relevant geographic market. TTR is intended to be positioned in the third quartile compared to relevant market benchmark comparisons. Higher quartile TTR will only result if outperformance is achieved.	**At risk**	**Short-term incentives (“STI”)** STI performance criteria are set by reference to a Balanced Scorecard methodology, with KPI including financial and operational, people and culture and clients and development	Executive KMP receive the short term incentive in cash (after tax) at the end of the performance period. No STI deferral applies to executive KMP	Performance incentive is directed to achieving Board approved targets, reflective of changing circumstances. Ideally, TFR + STI is intended to be positioned in the third quartile of the relevant benchmark comparisons
Total target remuneration (TTR) is set by reference to the relevant geographic market. TTR is intended to be positioned in the third quartile compared to relevant market benchmark comparisons. Higher quartile TTR will only result if outperformance is achieved.	**At risk**	**Long-term incentives (“LTI”)** LTI targets are linked to both the Group’s internal EPS growth and external relative TSR outperformance measures	In FY15, equity was offered as performance rights, subject to performance and service for three years from grant date. The equity is at risk until vesting. Performance is tested once at the vesting date	LTI is intended to reward executive KMP for sustainable long-term performance aligned to shareholders’ interests. LTI allocation values are conservatively positioned

Audited Remuneration Report (continued)

4.2 Remuneration Composition Mix and Timing of Receipt

4.2.1 Current Remuneration Mix

The Group endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and at risk and paid in both cash and deferred equity. The broad remuneration composition mix for executive KMP can be illustrated as follows:

Remuneration Mix for FY15

The remuneration mix for FY15 is illustrated below:

Position	TFR as a % of TTR	STI (at target) as a % of TTR	LTI (at target) as a % of TTR
Group Managing Director	70%	22%	8%
Other Executive KMP	64% to 76%	21% to 33%	3% to 5%

Remuneration Mix for FY16

A detailed review of executive KMP remuneration was undertaken during FY15. All executive KMP were found to be very conservatively positioned relative to comparable executives in comparable companies. The Board has determined that the remuneration opportunity for all executive KMP should be increased, however, this increase will be mostly in 'at risk' performance-based remuneration, except where the individual role and responsibilities have fundamentally changed.

The individual remuneration opportunity for executive KMP for FY16 has been provisionally determined and will be finalised by the Board in October 2015. The proposed remuneration mix for FY16 is as follows:

Position	TFR as a % of TTR	STI (at target) as a % of TTR	LTI (at target) as a % of TTR
Executive KMP	48% to 60%	16% to 24%	20% to 33%

The Board intends to focus executive KMP remuneration opportunity on the achievement of both short and long term performance to ensure the best alignment between executive remuneration outcomes and shareholder interests.

Total Fixed Remuneration ("TFR")

The Group's approach to TFR settings is to aim to position all executives at about the median of comparable positions as conservatively as possible to control fixed costs, exchange rate movements notwithstanding. Only modest increases in TFR were approved in FY15 to maintain this conservative approach. TFR settings in FY16 have been adjusted to account for changes in job roles, accountability or additional responsibilities.

Short-Term Incentives ("STI")

The Group have focused STI on achieving selected KPI adopting a modified Balanced Scorecard methodology, but with a minimum financial performance as a primary gateway. To support the balanced approach to TFR, the Group has set STI opportunity aimed at achieving a market competitive TFR + STI above the median which is only paid if performance is delivered.

Long-Term Incentives ("LTI")

The LTI opportunity is determined based on the dollar value of the number of rights (or other selected equity interest) to be granted to each individual executive KMP and based on the gross contract value. That is, before applying any discount.

Directors' Report

Audited Remuneration Report (continued)

4.2.1 Current Remuneration Mix (continued)

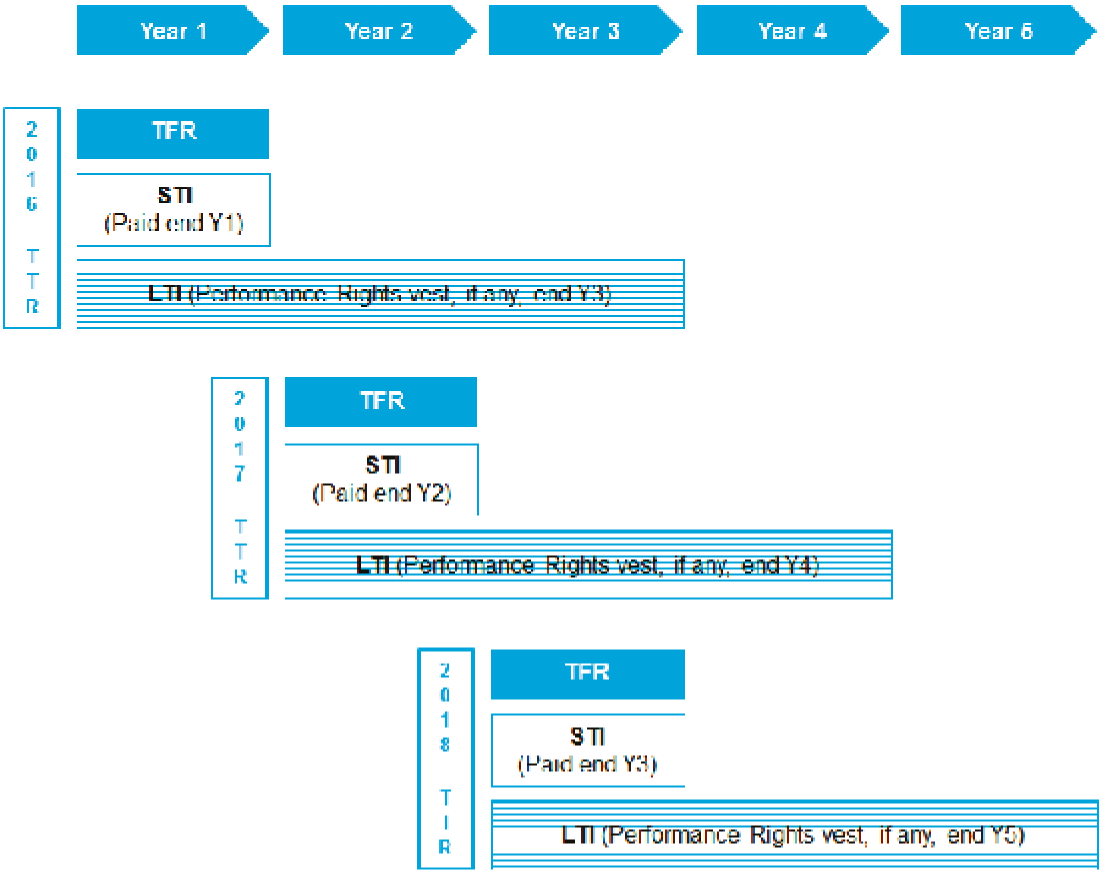
Total target remuneration ("TTR")

TTR under the remuneration mix adopted will, in the opinion of the Board, deliver an overall risk adjusted reward opportunity which is fair and market competitive and aligned to Group and Business Unit performance.

Shareholders should note that the Group has performance hurdles that are demanding, particularly for LTI. Further, any LTI award will only have value to the executive if the performance hurdles are met to enable vesting to occur.

4.2.2 Remuneration – Timing of Receipt of Remuneration

The three complementary components of executive KMP remuneration are 'earned' over multiple time ranges. This is illustrated in the following chart:



Note: The LTI component is awarded at the beginning of Year 1 and earned at the end of Year 3, but expensed over the three year service period.

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

4.3 Total Fixed Remuneration Explained

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

Audited Remuneration Report (continued)

4.3 Total Fixed Remuneration Explained (continued)

Executive KMP TFR is tested regularly for market competiveness by reference to appropriate independent and externally sourced comparable benchmark information. This includes comparable ASX listed companies based on a range of size criteria including market capitalisation, as well as taking into account an executive's responsibilities, performance, qualifications, experience and geographic location.

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

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

4.4 Variable (at Risk) Remuneration Explained

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

4.4.1 Short-Term Incentives ("STI")

Purpose	The STI arrangements are designed to reward executives for achieving the Group's strategic and operational objectives under a Balanced Scorecard methodology with annual performance targets set by the Board at the beginning of the performance period. The STI program is reviewed annually by the Remuneration Committee and approved by the Board. All STI awarded to the Group Managing Director and other executive KMP are approved by the Remuneration Committee and Board.
Performance targets	The key performance criteria of the Group's FY15 STI were as follows: **Financial and Operational** performance (not less than 55% of weighting). Financial performance for KMP is based on Group financial performance (Group EBITDA, EBITDA margin, Group cash flow). Operational performance is based on the delivery of key elements of Group strategy; **People and Culture** (not less than 35% of weighting). These objectives typically relate to organisational planning and development for the Group; and **Client and Development**. These objectives typically relate to business improvement initiatives within the Group. The mix of performance criteria and the individual key performance indicators may vary from year to year depending on the assessed annual performance priorities at the start of the year. An overall financial performance gate is applied to all executive KMP awards. Any anomalies or discretionary elements are validated and approved by the Board.
Rewarding performance	The achievement against the performance criteria set is calculated under a predetermined matrix. Validation of performance against the measures set for the Group Managing Director is endorsed by the Group Chief Financial Officer, and then reviewed and approved by the Remuneration Committee and the Board. Validation of performance against the measures set for the executive KMP are endorsed by the Group Managing Director, and then reviewed and approved by the Remuneration Committee and the Board. Any anomalies or discretionary elements are validated and approved by the Board.
Deferral of a portion of STI	Mandatory deferral of STI only applies to selected key leader executives who do not participate in the LTI. There is no mandatory STI deferral policy in place for executive KMP, however, this policy is under review in FY16.

Audited Remuneration Report (continued)

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

Actual STI awarded compared to STI opportunity

Executive KMP	Position	Target STI as a % of FY15 TTR	STI awarded as a % of Target STI	STI forfeited in FY15 as a % of Target STI	Anticipated STI to be awarded in FY15 ($)
Andrew Grech	Group Managing Director	21.83%	20.00%	80.00%	35,000
Ken Fowlie	Managing Director (UK and Europe)	24.01%	20.00%	80.00%	30,000
Wayne Brown	Group Chief Financial Officer	23.87%	20.00%	80.00%	25,000
Neil Kinsella	Head of General Law, UK	22.21%	28.27%	71.73%	40,000
Hayden Stephens	Chief Executive Officer, General Law	25.10%	20.00%	80.00%	30,000
Cath Evans	Chief Executive Officer, Personal Injury Law	32.90%	44.44%*	55.56%	100,000
Felicity Pantelidis	Group Chief Operating Officer	20.62%	80.00%	20.00%	80,000

*Non-discretionary element as an overseas living allowance

The amount of STI awarded has been provisionally determined based on the Company's assessment of results achieved by executive KMP against robust performance criteria set out in individual Balanced Scorecards. Ratings are based on meeting or exceeding expectations across all areas of responsibility. Recommendations are subject to rigorous moderation by the Remuneration Committee and the Board. The moderation process for STI to be awarded to executive KMP in respect of FY15 will be finalised by the Board in the first half of FY16.

The KMP substantially met their performance criteria across the balance of their performance targets given the stretching nature of the Financial and Operational objectives.

As previously noted, the Company takes a balanced but conservative approach to payment of STI to drive outperformance.

4.4.2 Long-Term Incentives ("LTI")

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

Purpose	To align executive KMP remuneration opportunity with shareholder value and provide retention stimulus.
Types of equity awarded	LTI up to FY13 was provided under the Employee Ownership Plan ("EOP"). See section 5.1 for further details. The Executive Equity Incentive Scheme ("EIP") was introduced in November 2014. See section 5.1 for further details. Under the EIP, selected senior executives are currently offered performance rights (being a nil exercise price right to fully paid ordinary shares of Slater and Gordon Limited).
Time of grant	All equity grants will be made after the AGM each year, but based on values determined prior to the AGM.
Time restrictions	The FY15 equity grants awarded to the Group Managing Director and other executive KMP are tested against the performance hurdles set, at the end of three financial years. If the performance hurdles are not met at the vesting date the performance rights lapse.

Audited Remuneration Report (continued)

4.4.2 Long-term Incentives ("LTI") (continued)

Performance hurdles and vesting schedule

The FY15 equity grants to the Group Managing Director and other executive KMP are in two equal tranches assigned **50%** to compound annual growth rate ("CAGR") in EPS and **50%** subject to ranking of TSR against the S&P/ASX 300 (excluding resources). The performance conditions applying to the latest grant (FY15) were as follows:

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

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

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

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

Dividends

No dividends are attached to performance rights.

Voting rights

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

Retesting

There is no retesting of performance hurdles under LTI.

LTI allocation

In FY15, LTI grants were based on a fixed number of performance rights. For FY16, the size of individual LTI grants for the Group Managing Director and other executive KMP is determined in accordance with the Board approved remuneration strategy mix. See section 4.2 for further details.

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

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

The first allocation of Performance Rights under the LTI was made in FY15 and testing of the vesting conditions will not apply until September 2017.

Audited Remuneration Report (continued)

4.5 Other Remuneration Elements and Disclosures relevant to Executive KMP

4.5.1 Clawback

The Group has not implemented a clawback policy to date. This position is under review in FY16.

4.5.2 Hedging and Margin Lending Prohibition

Directors and executive KMP must not engage in dealings based on short term fluctuations in Slater and Gordon securities. If a Director or executive KMP acquires Slater and Gordon securities, 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 arrangements 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 Slater and Gordon 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 Slater and Gordon securities during a prohibited trading period.

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

In limited circumstances, the Board may, in its discretion, allow holders of securities issued under the Employee Ownership Plan who have a loan repayment obligation to the company to enter into a hedging arrangement with prior approval.

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

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

4.5.3 Cessation of Employment Provisions

The provisions that apply for STI and LTI awards in the case of cessation of employment are detailed in section 6.0.

4.5.4 Conditions of LTI Grants

The conditions under which LTI performance rights are granted, and are approved by the Board in accordance with the relevant scheme rules, are as summarised in section 5.0.

4.5.5 Minimum Shareholding Guidelines

The majority of executive KMP are subject to minimum shareholding requirements under either:

a) the agreement between the seven shareholders of the Company prior to listing in 2007;
b) the Employee Ownership Plan; or
c) agreements relating to business acquisitions by the Company since 2007.

KMPs 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)

4.6 Relationship between the Group's Performance and Executive KMP Remuneration

4.6.1 The Group's Financial Performance (FY11 to FY15)

	2011	2012	2013	Restated 2014	2015	5 year CAGR[1]
Company Performance						
Revenue ($'000)	182,309	217,704	297,963	438,228	627,309	38.13%
Profit before tax ($'000)	41,543	36,494	61,341	95,747	114,531	31.75%
Profit after tax ($'000)	27,908	24,992	41,521	68,236	83,803	33.45%
Basic earnings per share (cents)	19.10	16.20	23.90	33.80	35.60	14.74%
Diluted earnings per share (cents)	18.30	15.70	23.30	33.20	35.30	16.15%
Dividends per share - paid during financial year (cents)	5.20	5.80	6.30	6.85	8.50	10.12%
Total dividends paid during financial year ($'000)	7,697	8,786	10,647	13,770	17,620	24.98%
Share price at 30 June ($)	2.30	1.85	2.78	5.16	3.56	18.40%

[1] Compound Annual Growth Rate ("CAGR") based on cumulative results 2011-2015 inclusive.

Slater and Gordon has achieved stellar compound growth on every relevant metric over the last 5 years. Executive KMP remuneration has materially lagged these achievements because of the Group's conservative remuneration settings.

The proposed changes to executive KMP 'at risk' remuneration is intended to ensure executives are only rewarded if overall short, medium and long-term Company performance is achieved.

An explanation of recent changes to the Company's accounting policies is provided in Note 1(w) to the financial statements. For further explanation of details on the Group's performance, see the Principal Activities, Review of Operations and Results sections of the Directors' Report. Refer to section 4.6.3 in relation to impact on KMP LTI FY15 base setting.

4.6.2 Group Current Year Performance and relationship to Executive KMP Remuneration

The total of executive KMP remuneration for those executives that remained employed for the full year was lower in FY15 than in FY14. This reflects the low STI payout in FY15. The accrual of LTI Awards in 2015 was small and no LTI award will vest earlier than 2017 and then only if the EPS and TSR hurdles are met.

4.6.3 Group EPS and TSR Performance (FY11 to FY15) and relationship to Executive KMP Remuneration

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

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

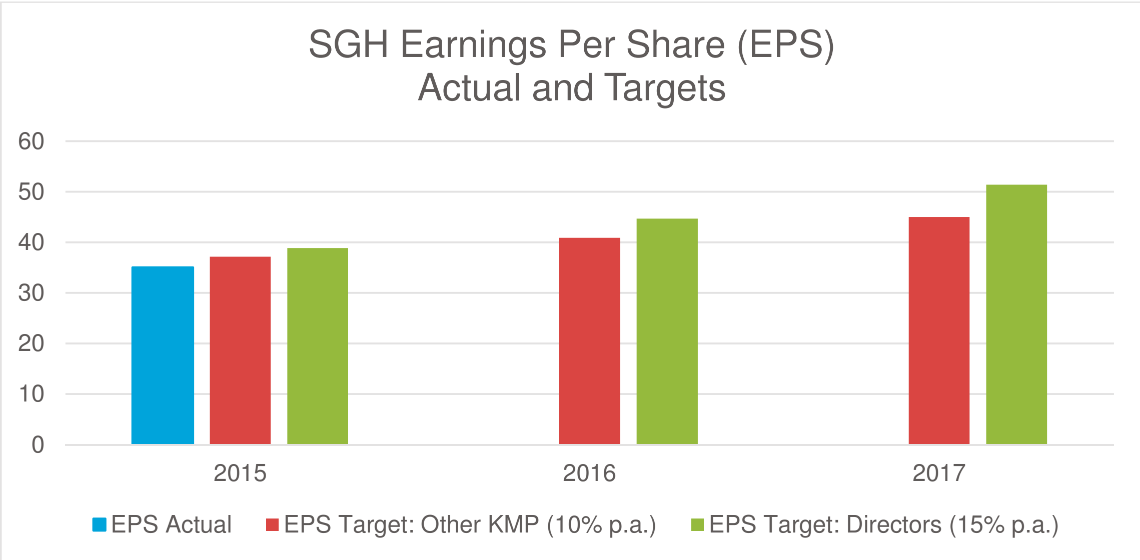
EPS (internal) and relative TSR (external) are generally accepted proxies for creation of shareholder value. It is the Board's intention to review the suitability of these performance criteria and settings on a regular basis to ensure they best serve shareholders' interests.

Audited Remuneration Report (continued)

4.6.3 Group EPS and TSR Performance and relationship to Executive KMP Remuneration (continued)

Earnings per share ("EPS")

The Group's basic EPS targets to achieve full vesting of the 2015 LTI performance rights grant is shown in the graph below:



50% of the LTI performance rights issued to executive KMP in FY15 are subject to the Group achieving various compound annual growth rates in EPS, as set out Section 4.4.2. These growth rates are assessed against the FY14 reported basic EPS of 30.3 cents ("Base Year EPS").

Due to recent changes in the Company's accounting policies (see Note 1(w) to the financial statements), FY14 earnings have been restated. As a consequence of the restatement, the basic EPS for FY14 has increased from 30.3 cents to 33.8 cents.

So as to ensure that executive KMP do not receive an unintended benefit from the change to the Company's accounting policies, the Company intends to amend the Base Year EPS to reflect the revised basic EPS of 33.8 cents, thereby increasing the EPS hurdle requirements of the FY15 LTI performance rights award. The Board believes that this approach is both fair and equitable to the executive KMP and will ensure shareholders are not disadvantaged as a result.

Notwithstanding the proposed increase in the Base Year EPS, the amended EPS targets are still budgeted to be achieved.

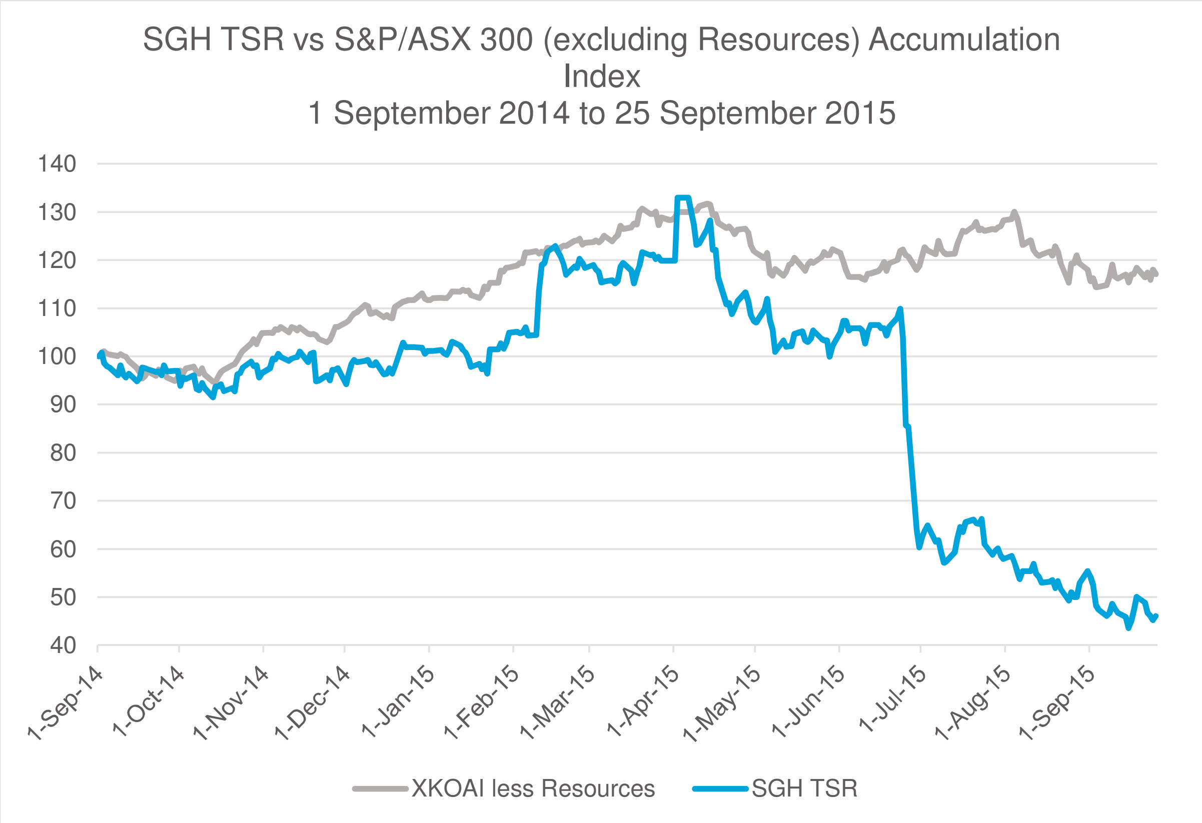
For more details on the Company's performance, refer the Principal Activities, Review of Operations and Results sections of the Directors' Report.

Total Shareholder Return ("TSR")

The Group's relative TSR performance over the relevant performance periods up to 30 June 2015 in respect of vested equity grants is set out below. This information is unaudited.

Audited Remuneration Report (continued)

4.6.3 Group EPS and TSR Performance (FY11 to FY15) and relationship to Executive KMP Remuneration (continued)



TSR is a function of share price growth and dividends reinvested. However, the Group's performance over time is affected by a range of variables, including currency volatility, global economic and geopolitical conditions, market growth for its products and other competitive pressures.

Based on the SGH TSR performance since the date of grant of the FY15 LTI it is unlikely that performance hurdles set will be met, unless there is a material rerating of SGH securities between the date of this report and the vesting date. The Board remains optimistic that this will be the case.

Audited Remuneration Report (continued)

4.7 Executive Remuneration Table – Statutory Disclosure

Amounts $		Short-term		Post-Employment		
Name	Year	Salary	Non-monetary benefits	Superannuation benefits	Long service leave	Other
Andrew Grech	**FY15**	**542,937**	**10,163**	**38,684**	**15,325**	**-**
	FY14	502,586	9,574	22,744	38,606	-
Ken Fowlie	**FY15**	**428,052**	**659**	**27,688**	**2,361**	**-**
	FY14	431,772	-	24,359	13,396	-
Wayne Brown	**FY15**	**351,187**	**29,808**	**18,783**	**9,280**	**20,783**
	FY14	337,494	20,526	17,775	18,554	40,666
Neil Kinsella	**FY15**	**471,625**	**-**	**-**	**-**	**-**
	FY14	442,850	-	-	-	-
Hayden Stephens	**FY15**	**381,260**	**17,240**	**18,783**	**11,486**	**-**
	FY14	348,016	13,867	17,775	6,936	-
Cath Evans	**FY15**	**382,681**	**-**	**18,783**	**6,501**	**-**
	FY14	401,402	-	25,351	8,141	200,000
Felicity Pantelidis	**FY15**	**327,054**	**10,163**	**18,783**	**10,001**	**-**
	FY14	-	-	-	-	-
Total	**FY15**	**2,884,796**	**68,033**	**141,504**	**54,954**	**20,783**
Total	FY14	2,464,120	43,967	108,004	85,633	240,666

Audited Remuneration Report (continued)

4.7 Executive Remuneration Table – Statutory Disclosure (continued)

Total	Short-term	Long-term		Total	Total	Proportion of total remuneration	
	Bonus	Value of options	Value of performance shares/rights			Performance related	Delivered as equity
607,109	**35,000**	**-**	**14,451**	**49,451**	**656,560**	**7.5%**	**2.2%**
573,510	125,000	-	-	125,000	698,510	17.9%	0.0%
458,760	**30,000**	**-**	**5,780**	**35,780**	**494,540**	**7.2%**	**1.2%**
469,527	50,000	-	-	50,000	519,527	9.6%	0.0%
429,841	**25,000**	**3,965**	**5,549**	**34,514**	**464,355**	**7.4%**	**2.0%**
435,015	60,000	11,745	-	71,745	506,760	14.2%	2.3%
471,625	**40,000**	**-**	**4,814**	**44,814**	**516,439**	**8.7%**	**0.9%**
442,850	88,570	-	-	88,570	531,420	16.7%	0.0%
428,769	**30,000**	**-**	**5,549**	**35,549**	**464,318**	**7.7%**	**1.2%**
386,594	50,000	-	-	50,000	436,594	11.5%	0.0%
407,965	**100,000**	**-**	**4,814**	**104,814**	**512,779**	**20.4%**	**0.9%**
634,894	225,000	-	-	225,000	859,894	26.2%	0.0%
366,001	**80,000**	**-**	**4,162**	**84,162**	**450,163**	**18.7%**	**0.9%**
-	-	-	-	-	-	-	-
3,170,070	**340,000**	**3,965**	**45,119**	**389,084**	**3,559,154**	**10.9%**	**1.4%**
2,942,390	598,570	11,745	-	610,315	3,552,705	17.2%	0.3%

There have been no material increases in fixed remuneration or 'at risk' variable remuneration opportunity during the year under review. Cath Evans received an overseas living allowance in FY14 and FY15.

Audited Remuneration Report (continued)

4.8 Executive Remuneration Table

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

Name	Year	Fixed Remuneration	Incentives	Total Cash	Past at risk remuneration received during the year	Actual remuneration received	Future at risk remuneration received during the year (LTI)
Andrew Grech	**FY15**	**591,784**	**35,000**	**626,784**	**-**	**626,784**	**61,608**
	FY14	534,904	125,000	659,904	-	659,904	-
Ken Fowlie	**FY15**	**456,399**	**30,000**	**486,399**	**-**	**486,399**	**24,643**
	FY14	456,131	50,000	506,131	-	506,131	-
Wayne Brown	**FY15**	**420,561**	**25,000**	**445,561**	**-**	**445,561**	**23,657**
	FY14	416,461	60,000	476,461	-	476,461	-
Neil Kinsella	**FY15**	**471,625**	**40,000**	**511,625**	**-**	**511,625**	**23,807**
	FY14	442,850	88,570	531,420	-	531,420	-
Hayden Stephens	**FY15**	**417,284**	**30,000**	**447,284**	**-**	**447,284**	**23,657**
	FY14	379,658	50,000	429,658	-	429,658	-
Cath Evans	**FY15**	**401,465**	**100,000**	**501,465**	**-**	**501,465**	**23,807**
	FY14	626,753	225,000	851,753	-	851,753	-
Felicity Pantelidis	**FY15**	**356,000**	**80,000**	**436,000**	**-**	**436,000**	**17,743**
	FY14	-	-	-	-	-	-
Total	**FY15**	**3,115,118**	**340,000**	**3,455,118**	**-**	**3,455,118**	**198,922**
Total	FY14	2,856,757	598,570	3,455,327	-	3,455,327	-

There have been no material increases in the remuneration paid to executive KMP during the current year. Cath Evans received an overseas allowance in FY14 and FY15.

Directors' Report

Audited Remuneration Report (continued)

5.0 Employee Share Scheme and Other Share Information

This section provides:

1. a description of the employee share schemes ("ESS") the Group uses to provide equity rewards to employees;
2. disclosures required in relation to ESS grants provided to executive KMP;
3. disclosures required about ESS instruments issued;
4. disclosures required in relation to Slater and Gordon Limited shares and other ESS instruments held by executive KMP;
5. the Group's share ownership guidelines; and
6. the Group's Securities Trading Policy.

5.1 Employee Share Schemes operated by the Group

Plan details	Type of instruments	Details	Purpose
Employee Ownership Plan ("EOP") Date established: 2006	Vesting Convertible Redeemable Ordinary Shares ("VCR shares")	Issue of VCR shares with a loan (full recourse but interest free) equal to the subscription amount to eligible and invited executives. Vesting was dependent on meeting designated performance criteria (Balanced Scorecard), remaining employed and repaying the loan.	The purpose of the EOP was to encourage key participating employees to take on a significant stake in the Group over the course of their careers. As at 30 June 2015, there was a total of 833,334 VCR shares (value – $2,966,669) and a total of 3,071,740 ordinary shares subject to disposal restrictions (value – $10,935,394) under the EOP. The loans outstanding in relation to these shares totalled $8,690,109 which are only repayable if the VCR shares vest.
Equity Incentive Plan ("EIP") Date established: Nov 2014	Performance rights under Executive Equity Incentive Scheme ("EEIS")	A performance incentive scheme designed to reward participants with achieving market competitive business outcomes. Participants receive an award based on a predetermined formula, as approved by the Board from time to time based on market standards and trends.	The purpose of the EIP is to provide annual equity incentives to selected invited executives in line with current market standards and expectations. The offer terms for EIP awards are flexible, but meet contemporary LTI design standards. The first grant of performance rights under this plan was made on 18 November 2014. As at 30 June 2015, 54 employees held 496,000 performance rights (Value - $1,597,820). Vesting is subject to continuing service and meeting performance hurdles. Also refer section 4.4.2.
Equity Incentive Plan ("EIP") Date established: Nov 2014	Service rights under Deferred Short Term Incentive Scheme ("DSTIS")	A deferred short term incentive scheme designed to reward participants in equity for a portion of their STI earned (up to 33%) and defer vesting for two (2) years.	The purpose of the EIP is to provide annual equity to selected invited executives in line with current market standards and expectations. No grants have been made in respect of the STI deferred scheme at the date of this report. Also refer section 4.4.2.

Directors' Report

Audited Remuneration Report (continued)

5.1 Employee Share Schemes operated by the Group (continued)

Equity Incentive Plan ("EIP") Date established: Nov 2014	Exempt shares under Share Save Scheme	The exempt share save scheme ("SSS") allows participating Australian employees to acquire up to $1,000 of Slater and Gordon shares each year tax free (subject to qualifying conditions) on a co-contribution basis (The November 2014 offer under the SSS was $500 company and $500 individual).	The purpose of the exempt SSS is to encourage broad based employee equity participation in Australia on an affordable and sustainable basis in line with current market standards and expectations. As at 30 June 2015, 407 employees held 65,527 exempt shares in SSS (Value - $233,276).
Share Incentive Plan ("SIP") Date established: Dec 2014	Ordinary shares under SIP	The SIP allows participating United Kingdom employees to acquire Slater and Gordon shares each year on a tax concessional basis (subject to qualifying conditions) and on a co-contribution basis (The December offer under the SIP was £375 company and £375 individual).	The purpose of the SIP is to encourage broad based employee equity participation in the UK on an affordable and sustainable basis in line with current market standards and expectations. As at 30 June 2015, 438 employees held 84,576 shares in SIP (Value - $301,091).

5.2 Employee Share Scheme Grants to Executive KMP

5.2.1 Analysis of Share Based Payments Granted as Remuneration

Details of vesting profile of the performance rights granted as remuneration to each executive KMP are set out below:

	Grant Date	Number granted	Number vested	Number forfeited / lapsed	Intrinsic Value of vested performance rights ($)
Andrew Grech	Nov 2014	40,000	-	-	-
Ken Fowlie	Nov 2014	16,000	-	-	-
Wayne Brown	Nov 2014	16,000	-	-	-
Neil Kinsella	Dec 2014	16,000	-	-	-
Hayden Stephens	Nov 2014	16,000	-	-	-
Cath Evans	Dec 2014	16,000	-	-	-
Felicity Pantelidis	Nov 2014	12,000	-	-	-
		132,000	**-**	**-**	**-**

The performance rights granted in FY15 have an exercise price of $0.00 and an expiration date of 30 September 2017. The performance rights granted to KMP during the year have a fair value (AASB 2) in the range of $2.4643 to $2.4799 at grant date.

5.2.2 Vesting and Exercise of Performance Rights Granted as Remuneration

During FY15, no performance rights vested or were exercised.

Audited Remuneration Report (continued)

5.2.3 Analysis of Movement in Performance Rights

The movement in number and value during the financial year of performance rights over ordinary shares of Slater and Gordon Limited acquired under EIP LTI held by executive KMP is detailed below:

	Number held at 1 July 2014	Number granted in year	Grant Value ($)	Number exercised in year	Intrinsic Value ($)	Number forfeited during year	Number held at 30 June 2015	Intrinsic Value at 30 June 2015 ($)
Andrew Grech	-	40,000	61,608	-	-	-	40,000	142,400
Ken Fowlie	-	16,000	24,643	-	-	-	16,000	56,960
Wayne Brown	-	16,000	23,657	-	-	-	16,000	56,960
Neil Kinsella	-	16,000	23,807	-	-	-	16,000	56,960
Hayden Stephens	-	16,000	23,657	-	-	-	16,000	56,960
Cath Evans	-	16,000	23,807	-	-	-	16,000	56,960
Felicity Pantelidis	-	12,000	17,743	-	-	-	12,000	42,720
	-	**132,000**	**198,922**	**-**	**-**	**-**	**132,000**	**469,920**

5.3 Potential Dilution if Performance Rights Vest and Ordinary Shares Issued

At the date of this report, the number of ordinary shares that would be issued if all performance rights were vested is 132,000, as set out above. If fully vested this represents less than 0.04% of issued capital. Vesting of performance rights is conditional on service and performance conditions being met.

Audited Remuneration Report (continued)

5.4 KMP Equity Interests

In accordance with the *Corporations Act 2001* (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 2001*) and all executive KMP.

Please refer section 4.5.2 Hedging and margin lending prohibition for more information.

The table below indicates Slater and Gordon Limited shareholding:

	Number held at 1 July 2014	Acquisitions	Disposals	Number held at 30 June 2015	Intrinsic Value at 30 June 2015 ($)
John Skippen	-	25,000	-	25,000	89,000
Ian Court	29,882	29,922	-	59,804	212,902
Erica Lane	150,000	20,000	-	170,000	605,200
Rhonda O'Donnell	-	25,000	-	25,000	89,000
Andrew Grech	5,295,495	1,850,161	395,000	6,750,656	24,032,335
Ken Fowlie	5,096,221	550,000	-	5,646,221	20,100,547
Wayne Brown	305,103	40,000	-	345,103	1,228,567
Neil Kinsella	640,668	-	213,541	427,127	1,520,572
Hayden Stephens	4,255,115	549,000	-	4,804,115	17,102,649
Cath Evans	4,110,476	470,957	500,000	4,081,433	14,529,901
Felicity Pantelidis	-	16,161	-	16,161	57,533
	19,882,960	**3,576,201**	**1,108,541**	**22,350,620**	**79,568,206**

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

	Unvested EOP Shares	Unvested Performance Rights	Total Number held at 30 June 2015	Intrinsic Value at 30 June 2015 ($)
Andrew Grech	-	40,000	40,000	142,400
Ken Fowlie	-	16,000	16,000	56,960
Wayne Brown	-	16,000	16,000	56,960
Neil Kinsella	-	16,000	16,000	56,960
Hayden Stephens	-	16,000	16,000	56,960
Cath Evans	-	16,000	16,000	56,960
Felicity Pantelidis	-	12,000	12,000	42,720
	-	**132,000**	**132,000**	**469,920**

Directors' Report

Audited Remuneration Report (continued)

6.0 Service Contracts and Employment Agreements

6.1 Employment Agreements: Executive Directors

The following sets out details of the employment agreements relating to the executive directors Andrew Grech and Ken Fowlie.

Length of contract	Both executive directors are on rolling contracts, which is an ongoing employment contract until notice is given by either party.
Contract Values	**Andrew Grech** TFR: $565,000 per annum (inclusive of superannuation); STI: Up to $175,000 (2014: $150,000) for the year ended 30 June 2015, inclusive of superannuation, at the discretion of the Board, based on the achievement of certain key performance indicators. The key performance indicators ("KPI") are consistent with the Company's approved business plan and are aligned to delivering sustainable value to shareholders. The indicators are based on the Balanced Scorecard methodology and cover Group operational and financial results and the successful implementation of Group strategic and people development initiatives. A cash bonus of $125,000 was paid during the year ended 30 June 2015 in respect to the year ended 30 June 2014. For the year ended 30 June 2015 a cash bonus of $35,000 has been provisionally determined. **Ken Fowlie** TFR: $450,000 per annum (inclusive of superannuation); STI: up to $150,000 (2014: $125,000) for the year ended 30 June 2015, inclusive of superannuation, at the discretion of the Board, based on the achievement of certain key performance indicators. The key performance indicators are consistent with the Company's approved business plan and are aligned to delivering sustainable value to shareholders. The indicators are based on the Balanced Scorecard methodology and cover Group operational and financial results and the successful implementation of Group strategic and people development initiatives. A cash bonus of $50,000 was paid during the year ended 30 June 2015 in respect to the year ended 30 June 2014. For the year ended 30 June 2015 a cash bonus of $30,000 has been provisionally determined.
Performance Review	The performance of the director is reviewed annually by the Nomination and Remuneration Committee and/or the Board. The director is assessed on achievement of the Group's goals and budgets applicable to the year in review. The Committee also reviews the remuneration of the director on an annual basis. The findings are reported to, and approved by, the Board.
Notice periods	In order to terminate the employment arrangements, executive directors are required to provide the Company with three (3) 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 three (3) months' written notice or payment in lieu of the notice period based on TFR. On termination, unless the Board determines otherwise, unvested STI or LTI benefits may be exercised or paid within 30 days of notice being given.

Audited Remuneration Report (continued)

6.1 Employment Agreements: Executive Directors (continued)

Redundancy	If the Company terminates employment for reasons of redundancy, under Company policy a severance payment will be made of up to 12 months' TFR. All STI and LTI benefits are either: • released in full or on a pro-rata basis; or • remain subject to performance criteria and vesting date, at the discretion of the Board with regard to the circumstances.
Death or total and permanent disability	On death or total and permanent disability, the Board has discretion to allow all unvested STI and LTI benefits to vest.
Termination for serious misconduct	The Company may immediately terminate employment at any time in the case of serious misconduct, and executive directors will only be entitled to payment of TFR up to the date of termination. On termination without notice by the Company in the event of serious misconduct: • all unvested STI or LTI benefits will be forfeited; and • any ESS instruments provided to the employee on vesting of STI or LTI awards that are held in trust, will be forfeited.
Statutory entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.
Vendor Shareholders	Any executive who was one of the seven Vendor Shareholders is a party to the Vendor Shareholder Agreement released to the ASX on 21 May 2007, and is subject to minimum shareholding requirements and the consequences which flow from the cessation of their employment as a term of that agreement.
Post-employment restraints	The employment agreement contains a restraint of trade provision which applies for a period of 12 months (or, in the case of a direct competitor of the Company, 24 months).

Audited Remuneration Report (continued)

6.2 Employment Agreements: Other Executive KMP

The following sets out details of the employment agreements relating to other executive KMP. The terms for all other executive KMP are similar but do, on occasion, vary to suit the requirements of different countries.

Length of contract	All other executive KMP are on rolling contracts, which is an ongoing employment contract until notice is given by either party.
Notice periods	In order to terminate the employment arrangements, other executive KMP are required to provide the Company with at least three (3) 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 between one and three months' written notice or payment in lieu of the notice period based on TFR. On termination, unless the Board determines otherwise, unvested STI or LTI benefits may be exercised or paid within 30 days of notice being given.
Redundancy	If the Company terminates employment for reasons of redundancy, under policy a severance payment will be made of up to 12 months' TFR. All STI and LTI benefits are either: • released in full or on a pro-rata basis; or • remain subject to performance criteria and vesting date, at the discretion of the Board with regard to the circumstances.
Death or total and permanent disability	On death or total and permanent disability, the Board has discretion to allow all unvested STI and LTI benefits to vest.
Termination for serious misconduct	The Company may immediately terminate employment at any time in the case of serious misconduct, and other executive KMP will only be entitled to payment of TFR up to the date of termination. On termination without notice by the Company in the event of serious misconduct: • all unvested STI or LTI benefits will be forfeited; and • any ESS instruments provided to the employee on vesting of STI or LTI awards that are held in trust, will be forfeited.
Statutory entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.
Vendor Shareholders	Any executive who was one of the seven Vendor Shareholder 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 12 months (or, in the case of a direct competitor of the Company, 24 months).

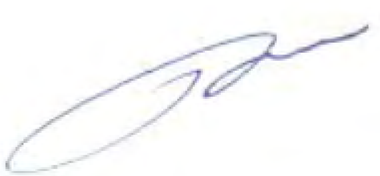
End of Remuneration Report.

Directors' Report

Rounding of Amounts

The amounts contained in the Directors' Report and financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



John Skippen
Chair
Melbourne
29 September 2015

Andrew Grech
Group Managing Director

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SLATER & GORDON LIMITED**

In relation to the independent audit for the year ended 30 June 2015, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

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

A R FITZPATRICK
Partner

29 September 2015

PITCHER PARTNERS
Melbourne

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

	Note	2015 $'000	2014 $'000 Restated
Revenue and other income			
Fee revenue – rendering of services		486,267	366,415
Net movement in work in progress		53,399	45,398
Services revenue	4	20,472	-
Gain from bargain purchase	4	58,939	19,762
Other income	4	8,232	6,653
Total revenue and other income		**627,309**	**438,228**
Less expenses			
Salaries and employee benefit expense		(263,348)	(200,270)
Payments to former owners		(13,933)	(3,651)
Share based payment expense to former owners	5	(11,506)	(5,379)
Cost of sales	5	(16,662)	-
Rental expense		(27,807)	(22,005)
Advertising and marketing expense		(56,289)	(32,786)
Administration and office expense		(44,195)	(36,391)
Consultant fees		(6,595)	(4,928)
Finance costs	5	(11,210)	(7,846)
Bad and doubtful debts		(11,585)	(6,904)
Depreciation and amortisation expense	5	(9,945)	(6,955)
Costs associated with acquisitions		(23,769)	(4,054)
Other expenses		(15,934)	(11,312)
Profit before income tax expense		**114,531**	**95,747**
Income tax expense	6	(30,728)	(27,511)
Profit for the year after income tax expense		**83,803**	**68,236**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations	20(b)	63,542	5,833
Changes in fair value of cash flow hedges	20(a)	(409)	(307)
Total items that may be reclassified subsequently to profit or loss		**63,133**	**5,526**
Other comprehensive income for the year, net of tax		**63,133**	**5,526**
Total comprehensive income for the year, net of tax		**146,936**	**73,762**
Profit for the year attributed to:			
Owners of the Company	21(a)	83,554	68,020
Non-controlling interests	22(a)	249	216
		83,803	**68,236**
Total comprehensive income for the year attributed to:			
Owners of the Company		146,583	73,539
Non-controlling interests		353	223
		146,936	**73,762**
Basic earnings per share (cents)	25	35.6 cents	33.8 cents
Diluted earnings per share (cents)	25	35.3 cents	33.2 cents

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

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 $'000	2014 $'000 Restated
Current assets			
Cash and cash equivalents	8	96,985	25,270
Receivables	9	619,855	183,684
Work in progress	10	553,177	278,072
Current tax assets	6	29,041	-
Other current assets	11	30,022	12,403
Total current assets		**1,329,080**	**499,429**
Non-current assets			
Property, plant and equipment	12	31,959	12,964
Receivables	9	79,762	45,684
Work in progress	10	272,721	189,262
Intangible assets	13	1,244,964	123,655
Deferred tax assets	6	83,356	22,264
Other non-current assets	14	15,179	11,844
Total non-current assets		**1,727,941**	**405,673**
Total assets		**3,057,021**	**905,102**
Current liabilities			
Payables	15	636,522	190,527
Short term borrowings	16	3,753	9,077
Current tax liabilities	6	22,556	2,481
Other current liabilities	17	10,985	10,103
Provisions	18	34,487	20,124
Total current liabilities		**708,303**	**232,312**
Non-current liabilities			
Payables	15	3,121	7,385
Long term borrowings	16	716,600	117,254
Deferred tax liabilities	6	180,508	123,621
Derivative financial instruments		1,621	1,020
Provisions	18	11,875	4,760
Total non-current liabilities		**913,725**	**254,040**
Total liabilities		**1,622,028**	**486,352**
Net assets		**1,434,993**	**418,750**
Equity			
Contributed equity	19	1,098,345	217,049
Reserves	20	82,877	14,217
Retained profits	21	253,147	187,213
Total equity attributable to equity holders in the Company		**1,434,369**	**418,479**
Non-controlling interest	22	624	271
Total equity		**1,434,993**	**418,750**

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2015

2015	Note	Contributed Equity	Retained Profits	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Total	Non-controlling interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2014 (restated)		**217,049**	**187,213**	**(780)**	**10,009**	**4,988**	**418,479**	**271**	**418,750**
Net Profit after tax for the year		-	83,554	-	-	-	83,554	249	83,803
Total other comprehensive income for the year	**20,22(a)**	-	-	(409)	63,438	-	63,029	104	63,133
Total comprehensive income for the year		**-**	**83,554**	**(409)**	**63,438**	**-**	**146,583**	**353**	**146,936**
Transactions with owners in their capacity as owners									
Ordinary and VCR shares issued (net)	**19**	896,352	-	-	-	-	896,352	-	896,352
Dividends paid	**7**	**-**	(17,620)	-	-	-	(17,620)	-	(17,620)
Transfer from share based payments reserve	**19**	6,199	-	-	-	(6,199)	-	-	-
Recognition of share based payments expense to former owners	**20**	-	-	-	-	11,506	11,506	-	11,506
Costs of equity raising	**19**	(21,255)	-	-	-	-	(21,255)	-	(21,255)
Performance Rights	**20**	-	-	-	-	324	324	-	324
Total transactions with owners in their capacity as owners		**881,296**	**(17,620)**	**-**	**-**	**5,631**	**869,307**	**-**	**869,307**
Balance as at 30 June 2015		**1,098,345**	**253,147**	**(1,189)**	**73,447**	**10,619**	**1,434,369**	**624**	**1,434,993**

2014 Restated	Note	Contributed Equity	Retained Profits	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Total	Non-controlling interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2013		**212,373**	**132,963**	**(473)**	**4,183**	**-**	**349,046**	**161**	**349,207**
Net Profit after tax for the year (previously reported)			60,946	-	-	-	60,946	159	61,105
Total other comprehensive income for the year (previously reported)	**20,22(a)**	-	-	(307)	5,687	-	5,380	7	5,387
Adjustments	**1(w)**	-	7,074	-	139	-	7,213	57	7,270
Total comprehensive income for the year (restated)		**-**	**68,020**	**(307)**	**5,826**	**-**	**73,539**	**223**	**73,762**
Transactions with owners in their capacity as owners									
Ordinary and VCR shares issued (net) (restated)	**1(w),19**	4,405	-	-	-	-	4,405	-	4,405
Dividends paid	**7**	**-**	(13,770)	-	-	-	(13,770)		(13,770)
Transfer from share based payments reserve (restated)	**1(w),19**	391	-	-	-	(391)	-	-	-
Recognition of share based payments expense (restated)	**1(w),20**	-	-	-	-	5,379	5,379	-	5,379
Costs of equity raising	**19**	(120)	-	-	-	-	(120)	-	(120)
Equity contribution by non-controlling interest	**22(a)**	-	-	-	-	-	-	(113)	(113)
Total transactions with owners in their capacity as owners		**4,676**	**(13,770)**	**-**	**-**	**4,988**	**(4,106)**	**(113)**	**(4,219)**
Balance as at 30 June 2014 (restated)		**217,049**	**187,213**	**(780)**	**10,009**	**4,988**	**418,479**	**271**	**418,750**

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	2015 $'000	2014 $'000 Restated
Cash flow from operating activities			
Receipts from customers		520,954	410,142
Payments to suppliers and employees		(464,980)	(342,758)
Payments to former owners		(2,592)	-
Interest received	**4(a)**	2,294	401
Borrowing costs		(8,865)	(5,344)
Income tax paid	**6**	(6,049)	(8,006)
Net cash provided by operating activities	**23(b)**	**40,762**	**54,435**
Cash flow from investing activities			
Payment for software development		(9,166)	(1,485)
Payment for plant and equipment		(13,142)	(3,284)
Costs associated with acquisition of businesses		(23,662)	(4,054)
Costs associated with originating loans		(9,464)	-
Payment for acquisition of businesses, net of cash in subsidiaries		(1,333,973)	(98,464)
Payment for acquisition of businesses – deferred consideration		(14,720)	(18,309)
Net cash used in investing activities		**(1,404,127)**	**(125,596)**
Cash flow from financing activities			
Proceeds from share issue	**19**	890,939	-
Repayment to related parties		(469)	-
Costs of raising equity		(18,438)	(120)
Proceeds from related parties and employees		3,825	5,247
Proceeds from borrowings		594,068	154,770
Repayment of borrowings		(43,966)	(73,695)
Dividends paid		(15,924)	(9,907)
Net cash provided by financing activities		**1,410,035**	**76,295**
Net increase in cash held		46,670	5,134
Effect of exchange rate fluctuations on cash held		25,045	80
Cash at beginning of financial year		25,270	20,056
Cash at end of financial year	**23(a)**	**96,985**	**25,270**

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

Notes to the Financial Statements

For the Year Ended 30 June 2015

Note 1: Statement of Significant Accounting Policies

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Slater and Gordon Limited is a company limited by shares, incorporated and domiciled in Australia. The consolidated financial statements comprise the Company and its controlled entities referred to in Note 30, together referred to as the Group and individually as Group Entities.

This financial report is a general purpose financial report that 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*.

Slater and Gordon Limited is a for-profit entity for the purpose of preparing the financial statements.

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

Compliance with IFRS

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").

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

Going concern

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

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising 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.

Note 1: Statement of Significant Accounting Policies (continued)

(c) Revenue

Rendering of services

It is the Group's policy to recognise revenue in accordance with the revenue recognition criteria described in AASB 118 *Revenue.*

Revenue from rendering of services to customers is recognised upon delivery of the service to the customer. The majority of revenue from services is comprised of fees billed, with the remaining amount representing movement in work in progress and services revenue. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and that revenue can be reliably measured. The Group measures revenue at the fair value of the consideration received or receivable.

The Group has implemented practice standards within each region to monitor the progression of individual cases, and thereby to determine the likely outcome of the transaction. The practice standards are based on the Group's significant depth of experience in progressing the various types of legal work undertaken to conclusion.

The Group renders the following key services to customers:

- provision of legal services for personal injury claims;
- provision of services for general law incorporating project litigation; and
- provision of legal and complementary services from SGS, acquired from Quindell Plc on 29 May 2015. Refer to Business Combinations Note 31.

Revenue resulting from work in progress movement

Revenue includes the difference in Work In Progress value between reporting periods. The revenue recognised excludes the net movement in Work In Progress contributed by the acquisition of client matters arising from a business combination or file specific acquisition.

In relation to Personal Injury legal matters, the Group identifies individual contracts at a similar stage of completion. This means that the rights and obligations contained in each contract do not vary materially from one contract to another in each category of work that the Group typically performs for clients.

The measurement of this component of revenue is based upon:

- the estimate of fees upon completion of the matter;
- the probability of the success of the matter; and
- the percentage of completion of the matter.

On an individual client matter basis this means that as Work in Progress increases on a client matter, the increase in Work in Progress is recorded as a revenue item. When a matter is finalised, the full amount of the actual fees for services is invoiced or billed to the client and recorded as revenue. This is then offset by the work in progress matter being written back to nil (recognised as a negative revenue amount) neutralising the previously recorded revenue.

Provision of legal and other services resulting from Slater Gordon Solutions

Legal Services

These services relate to road traffic accident ("RTA"), employee liability/public liability ("ELPL") and noise induced hearing loss ("NIHL") cases. Revenue is recognised by stage of completion, consistent with the treatment outlined above for provision of services from personal injury claims.

Other services include replacement vehicle hire, vehicle repair, provision of medical reports and rehabilitation.

Vehicle hire and repair

Revenue relating to car hire, repair and claims management services is measured at the fair value of the consideration receivable, net of Value Added Tax ("VAT") and other sales taxes. Revenue is recognised when services are provided, including an appropriate proportion of any services that are in progress at the reporting date. It is recognised only when it can be estimated reliably.

Note 1: Statement of Significant Accounting Policies (continued)

(c) Revenue (continued)

Hire revenue is recognised on a stage of completion basis as it is accrued on a daily basis for each day that the vehicle is on the road with the client. Revenue and costs are accrued on each specific vehicle at the GTA (the Association of British Insurers General Terms of Agreement for credit hire arrangements) or contracted rates.

The benefit of the service to the customer is generated over time and the ability to estimate the stage of completion is high given it is based on actual days and known rates.

Vehicle repair revenue is recognised on a 'significant act' basis whereby the significant act is the completion of a repair. At this point the obligation is fulfilled. The corresponding cost of repair is also recognised at this point.

Administration fee revenue on car hire/repair as set under the GTA is recognised at the start of the respective service.

Medical Reports and Services

Revenue is earned from the procurement of medical reports and other services.

The instructing party will request SGS to procure a service. An appointment is arranged with a third party medical practitioner. The significant event for revenue recognition is considered to be the attendance at the appointment of the instructing party's client. At this point there is certainty over the outcome. Therefore, medical reports revenue is recognised once an appointment has been attended as this is considered to be the significant act in accordance with AASB 118.

Rehabilitation Services

Revenue is recognised when the initial assessment appointment has been attended as this is considered to be the 'significant act'. The medical practitioner will confirm the course of treatment required in the initial assessment. For rehabilitation, the instructing party is liable for the costs as they have instructed the services on behalf of an individual.

Interest Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax ("GST") or UK equivalent value added tax ("VAT").

(d) Cash and cash equivalents

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. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position. 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.

(e) Disbursements

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.

(f) Property, plant and equipment

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

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is based on estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Note 1: Statement of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

Depreciation

Land is not depreciated.

The depreciable amounts of all other property, plant and equipment 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.

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

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any impairment losses are recognised in the profit or loss.

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

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of 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.

(h) Work in progress ("WIP")

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.

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. Refer Note 1(w) regarding changes to account classification during the financial year ended 30 June 2015.

Work in progress arising from legal services performed by Slater and Gordon Lawyers

Work in progress is carried at either cost or it may include profit recognised to date based on the value of work completed. The following are the methodologies adopted for each division in determining the value of work in progress: Personal Injury Law work in progress

Note 1: Statement of Significant Accounting Policies (continued)

(h) Work in progress ("WIP") (continued)

Personal injury law work in progress is measured using the regional practice standards applicable to each region established by the Group to determine the stage of completion using a methodology:

a) to examine the nature and extent of work performed for individual cases; and

b) to identify services performed to date as a percentage of total services to be performed.

The regional practice standards incorporate value pricing and fixed fee valuations, applying a probability of success factor, making allowance for the "No Win No Fee" conditional fee arrangements, under which the Personal Injury practice operates.

The Group conducts a detailed review of the stage of completion calculations for all cases on a half-yearly basis. When necessary, the Group revises the estimates of revenue for the services performed. The need for such revisions does not necessarily indicate that the outcome of the transaction cannot be estimated reliably, rather it implicitly includes some estimation uncertainty. (Refer Note 2(b) Critical Accounting Estimates and Judgments – Work in progress.)

General Law work in progress

For estate, probate, industrial law, commercial law and funded project litigation matters, time records and historical levels of fees billed are used in determining the value of work completed.

Project litigation work in progress

Project litigation matters are defined as any matters where total professional fees and/or disbursements are likely to exceed $1.0 million over the course of the conduct of the matter(s).

Work in progress in project litigation matters is recognised on self-funded project litigation matters for which a favourable outcome is considered probable. For such projects, work in progress is initially valued at costs incurred less a discount for the likely recovery of those costs. Cost includes both variable and fixed costs directly related to cases and those that can be attributed to case activity and that can be allocated to specific projects on a reasonable basis. Where a project litigation matter has reached partial or full settlement and an enforceable agreement to recover the professional fees exists, work in progress is valued at the settled fee amount and discounted for percentage file completion, and the probability of the full fee being collected. Project litigation matters that are not expected to be realised within twelve months are classified as non-current.

Work in progress arising from services provided by Slater Gordon Solutions

Legal Services

Revenue from work in progress from non-hearing loss files (RTA, ELPL) is recognised based on the following key milestones on a matter.

i) Validation – this is the initial stage of the case;

ii) Collation pre-med – matters with claim notification form ("CNF") submitted, but pre-receipt of medical report;

iii) Collation post-med – medical report received, but prior to submission of settlement pack;

iv) Valuation – settlement pack submitted, but prior to issue of proceedings; and

v) Issue – post issue of proceedings.

The measurement of this component of revenue is consistent with the Group approach for valuing WIP based on average fees, probability of success and percentage completion.

No value of work in progress has been recognised for Noise Induced Hearing Loss ("NIHL") files as the amount of revenue cannot at this stage (30 June 2015) be measured reliably.

Note 1: Statement of Significant Accounting Policies (continued)

(h) Work in progress ("WIP") (continued)

Vehicle hire and repair

Work in progress is recognised for the following transactions:

i) Incomplete WIP – where a car hire is still in use; and

ii) Billing not completed – this occurs where the car hire has been returned or repairs completed where the invoice is still outstanding (due to the time period required for all documentation to be in place before it is issued).

Work in progress is recognised based on the probable inflow of economic benefits flowing to the entity which occurs before settlement by the insurer. Settlement could take considerable time to recover. 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'.

Medical reports and rehabilitation services

Work in progress is recognised when an appointment has been attended. The amount will remain in work in progress until the discharge form has been received at which point the rehabilitation service is invoiced. This value remains in work in progress until the number of sessions required is known at which point the invoice is raised.

Work in progress is calculated based on the average amount charged out, based on historic cases less a historic dilution factor applied to reflect the fact that not all amounts will be billed.

For medical reports, the work in progress balance is calculated when the appointment is attended.

(i) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquired. Deferred consideration payable is measured at fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the gain is immediately recognised in the profit or loss as gain from bargain purchases.

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. Acquisition related costs are expensed as incurred.

Refer to Note 1(w) for the accounting policy change in respect of accounting for business combinations.

(j) Intangibles and goodwill

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

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 1: Statement of Significant Accounting Policies (continued)

(j) Intangibles and goodwill (continued)

Software development costs are carried at cost less accumulated amortisation and any accumulated impairment losses. These assets 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 and Brand names

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

Trademarks are carried at cost less accumulated amortisation and any accumulated impairment losses. Trademarks that have been assessed as having a finite useful life are amortised over their finite life.

Brand names acquired as part of the acquisition of Slater Gordon Solutions have been carried at cost. These brand names have been assessed as having an indefinite useful life, therefore no amortisation is applicable.

Customer relationships

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. They are assessed as having a finite useful life and are amortised over their useful life.

Goodwill

Goodwill is initially measured as the excess over the aggregate of the consideration transferred, the fair value (or proportionate share of net assets value) of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

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

(k) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

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

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(l) Taxation

Taxation consists of income tax, Goods and Services Tax ("GST") and Value Added Tax ("VAT").

Income tax

Income tax expense comprises current and deferred tax.

Current tax

Current income tax expense or benefit is the tax payable / receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax loses. 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 and generates taxable income.

Notes to the Financial Statements

For the Year Ended 30 June 2015

Note 1: Statement of Significant Accounting Policies (continued)

(l) Taxation (continued)

Deferred tax

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 recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. 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; such reductions are reversed when the probability of future taxable profits improves. 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.

Tax consolidation (applicable to Australian entities only)

The Company and its wholly-owned Australian domiciled entities except for Slater & Gordon Lawyers listed in Note 30 have implemented the tax consolidation legislation and have formed a tax-consolidated group from 28 April 2011. As a consequence, the Company and its controlled entities which comprise the tax consolidated group are taxed as a single entity. New Australian domiciled entities acquired during the current year have joined the tax consolidation group from the date of acquisition (refer to Note 31). The head entity within the tax consolidated group is Slater and Gordon Limited. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding arrangement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenue in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

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.

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

Note 1: Statement of Significant Accounting Policies (continued)

(m) Provisions

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.

A provision for solicitor liability claims is made for the potential future cost of claims brought against the Group by former clients. The provision is determined by including the estimated maximum amount payable by the Group under its Professional Indemnity Insurance Policy on all claims notified to its insurer.

(n) Employee Benefits

Short-term employee benefit obligations

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. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Long-term employee benefit obligations

The provision for employee benefits in respect of long service leave and annual leave payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. These estimated future cash flows have been discounted using market yields, at the reporting date, on corporate bonds with matching terms to maturity.

Employee benefit obligations are presented as current liabilities in the consolidated statement of financial position 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.

Defined contribution superannuation plan

The Group makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

Bonus plan

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment and the amount can be reliably measured.

Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Group recognises a provision for termination benefits 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. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted and presented as non-current liabilities.

(o) Share-based payment transactions

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 27. 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.

Note 1: Statement of Significant Accounting Policies (continued)

(o) Share-based payment transactions (continued)

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.

The Group operates an Employee Ownership Plan ("EOP"). The EOP allows employees to purchase Vesting Convertible Redeemable ("VCR") shares in the Company by way of an interest-free loan. Per the policy, the loan has been recorded as a financial instrument.

- The VCR shares vest over a specified period of time. At the time of vesting, VCR shares convert into ordinary shares with disposal restrictions. The terms and conditions of these shares are further described at Note 27.

- The value of the benefit received by an employee from issue of the VCR shares is assessed as the difference between the value of the VCR shares at the date of issue and the present value of the amount payable by the employee for purchase of the VCR shares. In accordance with AASB 2 *Share-based Payment*, the benefit is expensed on a proportional basis over the period from issue date to the date on which the employee becomes unconditionally entitled to the full benefit of ownership of the shares.

In 2015 the Equity Incentive Plan ("EIP") has been introduced to replace the EOP without prejudice to the rights of current participants in the EOP. Refer to Note 27 for more details.

(p) 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.

(q) Financial instruments

Classification

The Group has financial instruments in the following category: loans and receivables. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

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.

Impairment of financial assets

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

Note 1: Statement of Significant Accounting Policies (continued)

(q) Financial instruments (continued)

For loans and receivables or held-to-maturity investments 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.

Financial liabilities

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 less principal payments and amortisation.

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 and 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 hedge); 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 fair values or cash flow hedged items, are also documented.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

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 a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the consolidated statement of comprehensive income in the periods when the hedged item will affect profit and loss.

(r) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Group Managing Director, who is the Group's chief operating decision maker.

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

Note 1: Statement of Significant Accounting Policies (continued)

(s) Foreign currency translations and balances

components. All operating segment results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance. Refer to Note 3 for details on how management determines the operating segments.

Segment results that are reported to the Group Managing Director include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Functional and presentation currency

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). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction except for the foreign operations disclosed below.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) 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 are recognised as revenues and expenses for the financial year.

Foreign operations

Entities that have a functional currency different to the presentation currency are translated as follows:

- assets and liabilities are translated at the closing rate on reporting date;
- income and expenses are translated at actual exchange rates or 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; and
- all resulting exchange differences are recognised in other comprehensive income, 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.

(t) Earnings per share

Basic earnings per share ("EPS") is calculated as net profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated as net profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the year.

(u) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Comparatives have also been updated for changes in accounting policies as described in Note 1(w) below.

(v) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Class Order CO 98/0100 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.

Note 1: Statement of Significant Accounting Policies (continued)

(w) Changes in accounting policies adopted by the Group

Change to accounting for business combinations

The Group has reassessed its accounting treatment of deferred consideration payable in the context of its acquisition of legal service practices. This reassessment has taken into account an analysis of historical acquisitions in Australia and the United Kingdom where cash and share-based consideration payable to the vendor principals of businesses acquired by the Group is deferred.

Historically, all cash payments and share issues to vendors, whether restrained, deferred, contingent or otherwise, have been treated as consideration for the relevant business acquisition.

The Group has now carefully considered the appropriate treatment of these payments in light of the evolving interpretation of AASB 3 *Business Combinations* with regard to the treatment of specific components of deferred consideration.

An assessment has been made in relation to those arrangements that include contingent consideration to vendors of the business that are subject to so-called "bad leaver" provisions.

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.

In light of the evolving interpretation of AASB 3 within the accounting profession, we now take the view that such arrangements will be deemed to be "separate transactions" for accounting purposes, the effect of which is that they are treated as payments to former owners, to be expensed in accordance with other applicable Australian Accounting Standards.

The effect of these changes to the financial statements for the year ended 30 June 2014 is outlined as follows:

Impact on consolidated comprehensive income of the restatement of business acquisition accounting	30/06/2014 (Previously reported) $'000	Restatements $'000	30/06/2014 (Restated) $'000
Gain from bargain purchase	-	19,762	19,762
Payments to former owners	-	(3,651)	(3,651)
Share based payment expense to former owners	-	(5,379)	(5,379)
Finance cost – decrease	(8,412)	566	(7,846)
Income tax expense – increase	(23,344)	(4,167)	(27,511)
Profit for the year – increase	61,105	7,131	68,236
Profit for the year attributable to:			
Owners of the Company – increase	60,946	7,074	68,020
Non-controlling interests – increase	159	57	216
Increase in other comprehensive income, net of tax	5,387	139	5,526
Increase in other comprehensive income for the year attributable to:			
Owners of the Company	66,326	7,213	73,539
Non-controlling interests	166	57	223
Effect on basic earnings per share (cents)	30.30	3.50	33.80
Effect on diluted earnings per share (cents)	29.80	3.40	33.20

Note 1: Statement of Significant Accounting Policies (continued)

(w) Changes in accounting policies adopted by the Group (continued)

Impact on assets, liabilities and equity as at 30 June 2014	30/06/2014 (Previously reported) $'000	Restatements $'000	30/06/2014 (Restated) $'000
Work in progress - decrease	473,339	(6,005)*	467,334**
Intangible assets - decrease	130,190	(6,535)*	123,655
Deferred tax assets - decrease	26,985	(4,721)	22,264
Payables – decrease	214,037	(16,125)	197,912
Current tax liability – increase	1,960	521	2,481
Current provisions – increase	16,468	3,656	20,124
Deferred tax liability – decrease	124,604	(983)	123,621
Share capital – decrease	233,638	(16,589)	217,049
Reserves – increase	9,090	5,127	14,217
Retained profits – increase	180,139	7,074	187,213
Non-controlling interest - increase	214	57	271

*Includes the impact of the finalisation of acquisition accounting for Pannone of $6,005,000 decrease in WIP and $1,110,000 increase in intangible assets.
**Additional restatements to reclassify the WIP balance between current and non-current are discussed below.

Classification of Work In Progress and Disbursements

Historically, all of the Group's work in progress and disbursement balances have been classified as current assets in the consolidated statement of financial position, with the exception of the work in progress of the Group's Project Litigation practice which included a current and non-current component. The work in progress on the Group's Personal Injury Law ("PIL") matters were historically assessed as being capable of being resolved at any stage of the matters process and therefore all work in progress and disbursements on PIL matters were classified as current assets in the consolidated statement of financial position.

The Group has reassessed the classification of its work in progress and disbursement balances in the consolidated statement of financial position as at 30 June 2015. A historical analysis of the Group's work in progress balances and historical file velocity rates were used to form a view on the expected timing of settlements. The Group carefully considered the appropriate accounting as to this analysis and the applicable Australian Accounting Standards.

As a result of this reassessment, the Group has made adjustments to the presentation of its work in progress and disbursement balances to include a current and non-current classification in the consolidated statement of financial position as at 30 June 2015. The Group has also reclassified comparative balances in the consolidated statement of financial position as at 30 June 2014 to assist users in reviewing trends across the two reporting periods. It is not practicable to restate earlier periods.

Note 1: Statement of Significant Accounting Policies (continued)

(w) Changes in accounting policies adopted by the Group (continued)

The effect of these changes to the financial statements for the year ended 30 June 2014 is outlined as follows:

Impact on Work in Progress balance as at 30 June 2014	30/06/2014 (Previously reported) $'000	Restatements $'000	30/06/2014 (Restated) $'000
Current assets			
Non-personal injury	16,412	(1,681)	14,731
Personal injury	453,091	(190,856)	262,235
Project litigation	1,106	-	1,106
	470,609	(192,537)	278,072
Non-current assets			
Non-personal injury	-	-	-
Personal injury	-	186,532	186,532
Project litigation	2,730	-	2,730
	2,730	186,532	189,262

Impact on Disbursement balance as at 30 June 2014	30/06/2014 (Previously reported) $'000	Restatements $'000	30/06/2014 (Restated) $'000
Current assets			
Disbursements	133,927	(51,857)	82,070
Allowance for non-recovery	(7,717)	6,173	(1,544)
	126,210	(45,684)	80,526
Non-current assets			
Disbursements	-	51,857	51,857
Allowance for non-recovery	-	(6,173)	(6,173)
	-	45,684	45,684

(x) Adoption of new and amended accounting standards

The Group has adopted all the new mandatory standards and interpretations for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position of the Group, other than as identified in Note 1(w), as they did not result in any changes to the Group's existing accounting policies.

(y) Accounting standards issued but not yet effective at 30 June 2015

AASB 15 Revenue from contracts with customers

AASB 15 is operative for annual reporting periods beginning on or after 1 January 2017. AASB 15 specifies the accounting for an individual contract with a customer, also recognising that the requirements of the standard may be applied to a portfolio of contracts for performance obligations with similar characteristics, if the entity reasonably expects that the effects on the financial statements of applying the standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;

Note 1: Statement of Significant Accounting Policies (continued)

(y) Accounting standards issued but not yet effective at 30 June 2015 (continued)

- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures in relation to revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Group currently determines the stage of completion based on a methodology which identifies services performed to date as a percentage of total services to be performed for an outcome to be rendered in the case.

A thorough reassessment of the valuation methodology within all practice areas in each region is being undertaken to determine the full impact of the standard. The evaluation is in progress at the time of reporting and will be completed to facilitate the Group's intended early adoption of AASB 15 in the financial year ending 30 June 2016.

AASB 9 *Financial instruments*

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Chapter 6 Hedge Accounting supersedes the general hedge accounting requirements in AASB 139 *Financial Instruments: Recognition and Measurement*, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:

- to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);
- changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and
- modification of the requirements for effectiveness testing (including removal of the 'brightline' effectiveness test that offset for hedging must be in the range 80%-125%).

Revised disclosures about an entity's hedge accounting have also been added to AASB 7 *Financial Instruments: Disclosures.*

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

The effective date is annual reporting periods beginning on or after 1 January 2018.

AASB 9 is expected to be applied when it becomes effective.

Note 2: Critical Accounting Estimates and Judgements

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 areas involving significant estimates or judgements are:

(a) Impairment of goodwill

Goodwill is allocated to cash generating units ("CGU's") according to applicable business operations. CGUs for the purposes of impairment testing are:

1. Australia – Personal Injury Law ("AUS – PIL")
2. Australia – General Law ("AUS – GL")
3. UK – Personal Injury Law ("UK – PIL")
4. UK – General Law ("UK – GL")
5. Slater Gordon Solutions ("SGS")

During the current financial year the Group acquired several new entities within Australia and the UK, as a result of the significant geographical expansion of the Group and expansion of business activities; additional CGUs have been identified and the Group now allocates the UK subsidiaries into two CGUs being UK - PIL and UK - GL. SGS has been identified as its own CGU due to the different revenue streams and independent cash flows.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to Note 13.

(b) Work in progress ("WIP")

WIP is the balance of cases not yet billed at the end of the reporting period. The Group measures WIP based on the estimated fees likely to be rendered to the client multiplied by the percentage stage of completion at the reporting date adjusted for the probability of success. To determine the probability of success of a case the Group takes into account past history of similar cases and a level of judgement is required based on experience and historical performance of similar matters. Refer to Note 10.

The stage of completion valuation methodology incorporates best estimates of expected revenue and the percentage of total services completed to date. The expected revenue is based on the expected fee for the nature of the legal service provided with reference to internal and external (where available) historical and forecast fee levels. The percentage of completion and probability of success is made with reference to internal and external (where available) information and experience, and having regard to where a file is in its life cycle.

The Group conducts detailed reviews of all case files on a half-yearly basis and revises calculations based on estimates of revenue and stage of completion as necessary. While the Group remains satisfied that the valuation methodology applied to work in progress is robust and supported by historical trends, it acknowledges that the actual amount billed may vary from the estimated amounts previously recognised. However, the Group does not anticipate any material variation in the amounts recognised.

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.

(c) Provisional accounting

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. 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.

(d) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation both in Australian 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.

Note 2: Critical Accounting Estimates and Judgements (continued)

(d) Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Refer to Note 6.

(e) Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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.

Further information about the assumptions made in measuring fair values is included in the following Notes:

- Note 27 – Share-based payment arrangements
- Note 31 – Business combinations
- Note 32 – Financial risk management
- Note 33 – Fair value measurements

(f) Determination and fair value of intangibles in a business combination

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. Refer to Note 31.

(g) Principal vs agent

SGS Motor Services provides car hire and repair services for not at fault clients, and 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.
- 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.

(h) Provision for solicitor liability

Provision for Solicitor Liability claims relates to open claims and potential future claims as identified at end of the reporting period. Estimates of the provision is determined based on historical data, taking into account the nature of the existing claim and expected reimbursed expense will be included. The provision determined includes the estimated maximum amount payable by the Group. Refer to Note 18.

Note 3: Segment Reporting

The Group has three operating segments, as described below, which are the Group's strategic business units. Each strategic business unit is managed separately. For each of the strategic business units, the Group Managing Director reviews internal management reports on a monthly basis. 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. There is a recharge of ongoing management support to the other segments in the Group.

- **Slater and Gordon UK ("UK")** – includes the Group's operations, conducting a range of legal services in the United Kingdom. The segment also includes the investment in SGS.

- **Slater Gordon Solutions ("SGS")** – represents the newly acquired business assets/entities from Quindell Plc, offering legal services relating to road traffic accidents, employee liability and noise induced hearing loss. This segment also provides complementary services in health and motor services.

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

2015	AUS $'000	UK $'000	SGS $'000	Total $'000
Total segment revenue	321,632	275,845	37,181	634,658
Inter-segment revenue	(7,349)	-	-	(7,349)
Revenue from external customers	**314,283**	**275,845**	**37,181**	**627,309**
Earnings before interest, tax, depreciation and amortisation	**73,996**	**63,797**	**(5,376)**	**132,417**
Interest revenue	2,997	272	-	3,269
Interest expense	(6,355)	(4,851)	(4)	(11,210)
Depreciation and amortisation	(5,712)	(4,024)	(209)	(9,945)
Income tax (expense) / benefit	(19,239)	(12,452)	963	(30,728)
Net profit/(loss) after income tax	**45,687**	**42,742**	**(4,626)****	**83,803**
Segment assets				
Total segment assets*	760,669	1,666,549	775,163	3,202,381
Inter-segment assets	(118,305)	(27,055)	-	(145,360)
Total assets per the balance sheet	**642,364**	**1,639,494**	**775,163**	**3,057,021**
Segment liabilities				
Total segment liabilities	340,922	992,153	434,313	1,767,388
Inter-segment liabilities	-	(118,305)	(27,055)	(145,360)
Total liabilities per the balance sheet	**340,922**	**873,848**	**407,258**	**1,622,028**
*Additions to non-current assets				
Property, plant and equipment	7,837	12,042	5,086	24,965
Intangibles, including goodwill	5,152	1,009,698	71,355	1,086,205
Total additions to non-current assets	**12,989**	**1,021,740**	**76,441**	**1,111,170**

**Net loss after tax represents the period from 29 May 2015 (date of acquisition) to 30 June 2015.

Note 3: Segment Reporting (continued)

2014 Restated	AUS $'000	UK $'000	SGS $'000	Total $'000
Total segment revenue	241,256	202,439	-	443,695
Inter-segment revenue	(5,467)	-	-	(5,467)
Revenue from external customers	**235,789**	**202,439**	**-**	**438,228**
Earnings before interest, tax, depreciation and amortisation	**56,683**	**52,036**	**-**	**108,719**
Interest revenue	1,584	245	-	1,829
Interest expense	(5,142)	(2,704)	-	(7,846)
Depreciation and amortisation	(3,450)	(3,505)	-	(6,955)
Income tax expense	(16,253)	(11,258)	-	(27,511)
Net profit after income tax	**33,422**	**34,814**	**-**	**68,236**
Segment assets				
Total segment assets*	**614,766**	**404,576**	**-**	**1,019,342**
Inter-segment assets	(114,240)	-	-	(114,240)
Total assets per the balance sheet	**500,526**	**404,576**	**-**	**905,102**
Segment liabilities				
Total segment liabilities	**235,961**	**364,631**	**-**	**600,592**
Inter-segment liabilities	-	(114,240)	-	(114,240)
Total liabilities per the balance sheet	**235,961**	**250,391**	**-**	**486,352**
*Additions to non-current assets				
Property, plant and equipment	949	4,238	-	5,187
Intangibles, including goodwill	2,558	11,687	-	14,245
Total additions to non-current assets	**3,507**	**15,925**	**-**	**19,432**

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 4: Revenue

	Note	2015 $'000	2014 $'000 Restated
Services Revenue			
Ancillary revenue		15,252	-
Commission revenue		1,100	-
Rendering of services – non-legal		4,120	-
		20,472	-
Gain from bargain purchase		58,939	19,762
Other income			
Interest	**4(a)**	3,269	1,829
Other		4,963	4,824
		8,232	6,653
(a) Interest from			
Other persons		2,294	401
VCR share loans to employees		975	1,428
		3,269	1,829

Note 5: Profit from Continuing Activities

Finance costs expense			
Interest on bank overdraft and loans		8,551	4,807
Interest on deferred consideration payable to vendor on acquisitions		1,942	2,502
Interest on obligations under hire purchases		500	537
Deferred costs of borrowing		217	-
		11,210	7,846
Depreciation and amortisation of non-current assets			
Property, plant and equipment		4,442	4,352
Software development		1,807	1,141
Trademarks		3,696	1,404
Customer relationships		-	58
		9,945	6,955
Cost of sales			
Ancillary revenue		14,490	-
Commission revenue		3	-
Rendering of services – non-legal		2,169	-
		16,662	**-**
Share based payments expense		2,031	1,180
Share based payment expense to former owners		11,506	5,379
Post-employment benefits		11,839	9,237

Note 6: Income Tax

	2015 $'000	2014 $'000 Restated
Income tax expense		
Current tax	12,901	6,811
Deferred tax	18,898	21,033
Adjustment for current tax relating to prior periods	(1,071)	(333)
	30,728	27,511
Income tax recognised in other comprehensive income		
Deferred tax credit arising on cash flow hedges	(150)	(48)
Deferred tax charge arising on foreign exchange gain	5,190	2,085
	5,040	2,037
Income tax recognised directly in equity		
Current tax credit on share issue costs	(7)	-
	(7)	-
Deferred income tax expense included in income tax expense		
(Increase)/decrease in deferred tax assets	(61,092)	2,444
Deferred income tax relating to items charged to other comprehensive income	(5,040)	(2,037)
Deferred income tax relating to items charged directly to equity	7	-
Increase in deferred tax liabilities	56,887	20,897
Recoup prior year tax losses and over/under on prior year losses	(995)	-
Net deferred taxes arising from business combinations	29,835	110
Exchange differences	(704)	(381)
	18,898	21,033
The prima facie tax payable on profit before tax differs from the income tax expense as follows:	**114,531**	**95,747**
At the Australian statutory income tax rate of 30% (2014: 30%)	34,359	28,724
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Non-deductible expenses	12,083	3,252
Non-assessable income	(16,139)	(996)
	30,303	30,980
Adjustments in respect to prior periods	(1,071)	(48)
Difference in overseas tax rate	(3,204)	(3,046)
Deferred tax assets not recognised	4,273	120
Deferred tax assets now recognised	(54)	(110)
Other	481	(385)
Income tax expense	30,728	27,511
Current tax assets		
Balance acquired per SGS acquisition	29,041	-
	29,041	**-**

Note 6: Income Tax (continued)

	2015 $'000	2014 $'000 Restated
Current tax liability		
Balance at the beginning of the year	(2,481)	(3,940)
Balances arising from business acquisitions	(13,736)	-
Current income tax expense	(12,901)	(6,811)
Foreign withholding tax credit	-	282
Tax paid	6,049	8,006
Adjustments in respect of prior periods	620	179
Other	-	(32)
Exchange differences	(107)	(165)
Balance at the end of the year	(22,556)	(2,481)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

Deductible temporary differences	5,062	809
Tax losses	130	110
	5,192	919

In 2015 costs were incurred for both Trademarks and Acquisition Costs relating to acquisition of subsidiaries. These amounts total $16,873,000 (tax effect: $5,062,000) and have not been recognised as a deferred tax asset. These costs form part of the cost base of the Group's subsidiaries and as the Group does not plan to dispose of its subsidiaries in the foreseeable future, no deferred tax has been recognised for these costs.

A capital loss representing the movement in foreign exchange of $368,000 (tax effect: $110,000) arose on the transfer of shares held by Slater and Gordon in one of its subsidiary entities. It is uncertain whether future capital gains will arise against which this loss can be offset.

Revenue losses of $66,000 (tax effect: $20,000) relating to one of the Group's subsidiaries has not been recognised due to the uncertainty of that entity having sufficient future profits available to utilise the loss.

	2015 $'000	2014 $'000 Restated
Deferred tax assets		
Provision for impairment	8,808	1,276
Employee benefits	6,602	5,755
Provision for legal costs	378	275
Accruals	3,122	2,609
Non-deducted business related costs	251	451
Fair value of cash flow hedges	378	228
Unbilled acquired WIP and disbursements	14,010	985
Unrendered WIP and disbursements not yet deducted	4,967	-
Property, plant and equipment	516	171
Other	2,007	173
Revenue losses carried forward	23,138	3,329
Advanced Company Income Tax ("ACIT") refund in Malta	12,490	-
Deductible goodwill	6,689	7,012
	83,356	**22,264**

Notes to the Financial Statements

For the Year Ended 30 June 2015

Note 6: Income Tax (continued)

	2015 $'000	2014 $'000 Restated
Deferred tax liabilities		
Prepayments	(917)	(810)
Work in progress	(142,830)	(105,590)
Unrendered disbursements	(15,337)	(14,184)
Intangibles	(13,946)	(913)
Foreign currency translation reserve	(7,276)	(2,085)
Other	(202)	(39)
	(180,508)	**(123,621)**

Note 7: Dividends

	2015 $'000	2014 $'000
Dividends paid during the year		
Dividends on ordinary shares		
Partially franked (40%) interim dividend at the tax rate of 30% for 2015: 3.50 cents per share (2014: 3.00 cents per share, fully franked)	7,341	6,115
Fully franked final dividend at the tax rate of 30% for 2014: 5.00 cents per share (2013: 3.85 cents per share, fully franked)	10,279	7,655
Total dividends paid during the year	**17,620**	**13,770**
Dividends proposed and not recognised as a liability		
Dividends on ordinary shares		
Partially franked (40%) final dividend at the tax rate of 30% for the year ended 30 June 2015: 5.50 cents per share (2014: 5.00 cents per share, fully franked)	19,290	10,217
Franking credit balance		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:	891	(3,082)
Impact on franking account of dividend recommended by the directors since the year end but not recognised as a liability at year end:	3,307	4,379

Note 8: Cash and Cash Equivalents

	Note	2015 $'000	2014 $'000
Cash at bank	**23(a)**	96,985	25,270

Note 9: Receivables

Current	2015 $'000	2014 $'000 Restated
Trade debtors	373,061	111,549
Impairment of trade debtors	(76,115)	(8,690)
	296,946	102,859
Disbursements	361,590	82,070
Allowance for non-recovery	(44,769)	(1,544)
	316,821	80,526
Other receivables	6,088	299
	619,855	183,684
Non-current		
Disbursements	96,358	51,857
Allowance for non-recovery	(16,596)	(6,173)
	79,762	45,684
Impairment of receivable		
Balance at beginning of the year	(8,690)	(5,951)
Receivables written off as uncollectible	2,980	1,440
Provision for impairment recognised, including balances from business acquisitions	(68,005)	(3,991)
Foreign exchange translation differences	(2,400)	(188)
Balance at end of the year	(76,115)	(8,690)

Note 10: Work in Progress

Current	2015 $'000	2014 $'000
Non-personal injury	16,065	14,731
Personal injury	533,793	262,235
Project litigation	3,319	1,106
	553,177	278,072
Non-current		
Personal injury	270,578	186,532
Project litigation	2,143	2,730
	272,721	189,262

Note 11: Other Assets

Current	2015 $'000	2014 $'000
Prepayments	21,943	10,337
Other current assets	8,079	2,066
	30,022	12,403

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 12: Property, Plant and Equipment

	Note	2015 $'000	2014 $'000
Plant and equipment at cost		74,350	35,328
Less accumulated depreciation		(43,514)	(22,878)
	12(a)	30,836	12,450
Land and buildings at cost		302	-
Less accumulated depreciation		-	-
	12(b)	302	-
Low value asset pool at cost		2,442	1,825
Less accumulated depreciation		(1,621)	(1,311)
	12(c)	821	514
Total plant and equipment		31,959	12,964

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

(a) Plant and equipment		
Balance at the beginning of the year	12,450	11,679
Additions	16,823	3,131
Additions through acquisition of entities	7,389	1,839
Reclassification of plant and equipment	(2,140)	-
Exchange differences	581	221
Depreciation expense	(4,153)	(4,111)
Disposals	(114)	(309)
Carrying amount at end of year	30,836	12,450
(b) Land and buildings		
Balance at the beginning of the year	-	-
Additions through acquisition of entities	157	-
Reclassification from plant and equipment	145	-
Carrying amount at end of year	302	-
(c) Low value asset pool		
Balance at the beginning of the year	514	540
Additions	515	199
Additions through acquisition of entities	81	18
Depreciation expense	(289)	(241)
Disposals	-	(2)
Carrying amount at end of year	821	514

The carrying amount of plant and equipment under finance lease included above amounted to $6,493,000 (2014: $4,562,000).

Note 13: Intangible Assets

	Note	2015 $'000	2014 $'000 Restated
Goodwill – at cost		1,149,577	108,492
Accumulated impairment loss		-	-
Net carrying amount	**13(a)**	1,149,577	108,492
Software development – at cost		44,072	9,661
Accumulated amortisation		(24,208)	(4,556)
Net carrying amount	**13(b)**	19,864	5,105
Trademarks and brand names – at cost		81,004	11,488
Accumulated amortisation		(5,481)	(1,430)
Accumulated impairment loss		-	-
Net carrying amount	**13(c)**	75,523	10,058
Customer relationships – at cost		1,397	1,397
Accumulated amortisation		(1,397)	(1,397)
Net carrying amount	**13(d)**	-	-
Total intangible assets		1,244,964	123,655

Note 13: Intangible Assets (continued)

Movements in carrying amount

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

	Note	2015 $'000	2014 $'000 Restated
(a) Goodwill			
Opening net book amount		108,492	93,504
Additions in respect of business combinations	31	1,004,880	11,615
Exchange differences		36,205	3,373
Closing net book value		1,149,577	108,492
(b) Software development			
Opening net book amount		5,105	4,714
Additions		9,970	1,495
Additions in respect of business combinations	31	4,512	25
Reclassification from plant and equipment		1,995	-
Exchange differences		149	12
Amortisation expense		(1,807)	(1,141)
Disposals		(60)	-
Closing net book value		19,864	5,105
(c) Trademarks and brand names			
Opening net book amount		10,058	10,020
Additions in respect of business combinations	31	66,843	1,110
Exchange differences		2,318	332
Amortisation expense		(3,696)	(1,404)
Closing net book value		75,523	10,058
(d) Customer relationships			
Opening net book amount		-	58
Amortisation expense		-	(58)
Closing net book value		-	-

Goodwill and indefinite life intangibles acquired through business combinations have been allocated to individual cash generating units ("CGUs") in both the Australian and UK business for the purposes of impairment testing being the Personal Injury Law ("PIL") division, General Law ("GL") division and SGS.

The recoverable amount of goodwill and indefinite life intangibles allocated to each of the CGUs has been determined based on a value in use calculation as required by AASB 136 *Impairment of Assets*. This uses financial budgets and cash flow projections approved by senior management covering a five year period.

The value in use is compared to the net carrying amount of the CGU. If the calculated value in use exceeds the net carrying amount, no impairment loss is recorded.

Note 13: Intangible Assets (continued)

	AUS PIL	AUS GL	UK PIL	UK GL	SGS
2015					
Goodwill recognised ($'000)	47,499	13,939	50,843	9,574	1,027,722
Indefinite life intangibles ($'000)	-	-	1,956	-	68,656

	AUS PIL	AUS GL	UK PIL	UK GL	SGS
2014					
Goodwill recognised ($'000)	44,766	11,575	43,737	8,414	-
Indefinite life intangibles ($'000)	5,659	-	1,719	-	-

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The Group performed its annual impairment test in June of 2015. The Group is sensitive to the recovery of fees in its legal business, and the velocity of the resolution of those files. In performing the value-in-use calculations for each CGU, the group has applied post-tax discount rates to discount the forecast future post-tax cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below:

- Average fees recoverable for legal matters;
- Average file velocity for legal matters; and
- Cost of capital and discount rate used.

Average fees recoverable for legal matters

Average fees recoverable have been based upon an analysis of historical fee events in each of those practice areas, in conjunction with estimated fees of existing matters.

Individually each of the practice group's average fee levels is immaterial to the Group result, however should there be a material negative impact upon the average fee recoverable of matters across a number of practice groups in each jurisdiction, this could have a material impact upon the impairment analysis.

Sensitivity analysis has been conducted on the average fees recoverable for each of the CGUs, a reasonable level of negative movement in the average fees recoverable is unlikely to give rise to impairment to any of the CGUs.

Average file velocity for legal matters

The settlement profile of legal matters has been based upon the average settlement period for matters for each jurisdiction and practice area.

The velocity of settlement of legal matters has an impact upon the sensitivity analysis. Individually a slowing of file velocity in a practice area is immaterial, however should there be a material negative impact on the settlement period of matters across a number of practice groups and jurisdictions; this could have a negative impact upon the estimated future value of the CGU on a net present value basis due to the negative impact upon cash flows.

Sensitivity analysis has been conducted on the average velocity of matters in each of the CGUs and a reasonable level of negative movement in the settlement period for matters is unlikely to give rise to impairment to any of the CGUs.

Cost of capital and discount rate used

Cost of capital has been assessed per CGU. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have been incorporated in the cash flow estimates.

The discount rate has been adjusted to be a post-tax rate because in performing the value in use calculations for each CGU the Group has used forecast future attributable post-tax cash flows.

Note 13: Intangible Assets (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment to the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGU specific risk is incorporated by applying individual beta factors and additional asset specific risk premia where appropriate. The factors that comprise the WACC are evaluated annually based on publicly available market data. Adjustments to the discount rate are made having regard to the specific amount and timing of the future tax flows in order to reflect an appropriate post-tax discount rate.

For the Australian PIL, Australian GL, UK PIL and UK GL CGUs a post-tax cost of capital of 9.25% has been applied. This cost of capital has been assessed with reference to the Company's weighted average cost of capital and independent third party analysis of its cost of capital. This cost of capital was utilised as the Company has observable market data to allow an appropriate assessment of its cost of capital as a listed company on the Australian Stock Exchange.

The post-tax cost of capital for the SGS CGU was assessed at 10.45%. This cost of capital was assessed at a higher rate than all other CGUs due to the recent acquisition of the CGU by Slater and Gordon and the inherent risk that new acquisitions carry with them, as well as the specific risk characteristics of the forecast cash flows. This increased cost of capital represents the increased inherent equity risk associated with the transaction, and reflects the transactions funding structure within the calculation.

Australia – Personal Injury Law

The recoverable amount of the AUS – PIL CGU has been determined based on a value in use calculation using cash flow projections from the financial forecasts approved by senior management covering a five year period. A 5.00% (2014: 7.70%) nominal growth rate has been applied to the FY16 forecast for the periods FY17 to FY20 with a long term nominal growth rate adopted of 3.00%.

The growth rates beyond the 5 year period have been determined with reference to forecast inflation rates, population and industry growth rates.

The projected cash flows have been updated to reflect impacts of legislative change in the NSW and Queensland jurisdictions and growth achieved in the PIL practice groups over the past five years.

The post-tax discount rate applied to cash flow projections is 9.25% (2014: 9.10%).

Sensitivity analysis has been conducted on the key assumptions and a reasonable level of negative movement in each assumption does not cause impairment to the CGU.

Australia – General Law

The recoverable amount of the AUS – GL CGU has been determined based on a value in use calculation using cash flow projections from the financial forecasts approved by senior management covering a five year period. An 8.00% (2014: 9.12%) nominal growth rate has been applied to the FY16 forecast for the periods FY17 to FY20 with a long term nominal growth rate adopted of 3.00%.

The growth rates beyond the 5 year period have been determined with reference to forecast inflation rates, population and industry growth rates.

The projected cash flows have been updated to reflect growth achieved in the General Law practice groups over the past five years and the increased marketing expenditure applied to the General Law practice groups over the past year.

The post-tax discount rate applied to cash flow projections is 9.25% (2014: 9.10%).

Sensitivity analysis has been conducted on the key assumptions and a reasonable level of negative movement in each assumption does not cause impairment to the CGU.

United Kingdom- Personal Injury Law

The recoverable amount of the UK – PIL CGU has been determined based on a value in use calculation using cash flow projections from the financial forecasts approved by senior management covering a five year period.

Note 13: Intangible Assets (continued)

United Kingdom – Personal Injury Law (continued)

A 5.00% (2014: 6.80%) nominal growth rate has been applied to the FY16 forecast for the periods FY17 to FY20 with a long term nominal growth rate adopted of 3.00%.

The growth rates beyond the 5 year period have been determined with reference to forecast inflation rates, population and industry growth rates.

The projected cash flows have been updated to reflect the acquisitions of Walker Smith Way, Leo Abse & Cohen and the personal injuries practice of Flint Bishop in FY15, increased marketing in the United Kingdom for the Slater and Gordon brand which has led to increased brand recognition and growth achieved in the Personal Injuries practice groups since acquisition.

The post-tax discount rate applied to cash flow projections is 9.25% (2014: 9.10%).

Sensitivity analysis has been conducted on the key assumptions and a reasonable level of negative movement in each assumption does not cause impairment to the CGU.

United Kingdom – General Law

The recoverable amount of the United Kingdom – GL CGU has been determined based on a value in use calculation using cash flow projections from the financial forecasts approved by senior management covering a five year period.

An 8.00% (2014: 6.80%) nominal growth rate has been applied to the FY16 forecast for the periods FY17 to FY20 with a long term nominal growth rate adopted of 3.00%.

The growth rates beyond the 5 year period have been determined with reference to forecast inflation rates, population and industry growth rates.

The projected cash flows have been updated to reflect the acquisition of Walker Smith Way, increased marketing in the United Kingdom for the Slater and Gordon brand which has led to increased brand recognition, in addition to growth achieved in the General Law practice groups since acquisition.

The post-tax discount rate applied to cash flow projections is 9.25% (2014: 9.10%).

Sensitivity analysis has been conducted on the key assumptions and a reasonable level of negative movement in each assumption does not cause impairment to the CGU.

Slater Gordon Solutions

The recoverable amount of Slater and Gordon Solutions ("SGS") CGU, £756m as at 30 June 2015, has been determined based on a value in use calculation using cash flow projections from the financial forecasts approved by senior management covering a five year period.

Based on the provisional accounting the estimated recoverable amount of the SGS CGU exceeded its carrying amount by approximately £123m at 30 June 2015.

The projected cash flows have been based on financial forecasts by senior management for the periods FY16 to FY18 with a 2.25% nominal growth rate applied to periods post FY18. This long term growth rate for the SGS CGU has been based on the long term economic growth rate. This differs to the long term growth rate assumption applied to the other UK CGU's as SGS was only acquired on 29 May 2015.

A key driver of performance which may impact an impairment of the SGS CGU is the rate of resolution of personal injury claims ("velocity of matters"). Personal injury claims represent a very large proportion of the SGS business and if the velocity of matters slows, cash flow will be detrimentally impacted and this may impair goodwill.

A sensitivity analysis has been conducted to measure the extent to which velocity would need to be reduced before goodwill was impaired. The sensitivity analysis conducted on the average velocity of personal injury claims within the SGS CGU indicated a negative movement of up to 60% in the settlement period for matters would not cause an impairment to the SGS CGU.

In addition, cash flows of the SGS CGU were discounted to allow for a 50% discount to the forecast recovery of NIHL (Hearing Loss) with no impairment noted to the SGS CGU.

Note 13: Intangible Assets (continued)

Slater Gordon Solutions (continued)

The post-tax discount rate applied to cash flow projections for the SGS CGU is 10.45%.

This post-tax cost of capital was assessed at a higher rate than all other CGUs due to the recent acquisition of the CGU by Slater and Gordon and the inherent risk that new acquisitions carry with them, as well as the specific risk characteristics of the forecast cash flows. This increased cost of capital represents the increased inherent equity risk associated with the transaction, and reflects the transactions funding structure within the calculation.

Sensitivity analysis has been conducted on the cost of capital for the SGS CGU and the Directors noted that an increase of the post-tax discount rate to 12.0% was required before the carrying value of the CGU equalled its recoverable amount. This represented an increase of over 14.8% on the post-tax discount rate adopted by the Company.

Note 14: Other Non-Current Assets

	2015 $'000	2014 $'000
VCR share loans to employees	8,325	11,844
Other non-current assets	6,854	-
	15,179	11,844

Note 15: Payables

	2015 $'000	2014 $'000 Restated
Current		
Unsecured liabilities		
Trade creditors and accruals	281,169	74,792
Legal creditors	336,588	101,554
Vendor liabilities – acquisitions	18,765	14,181
	636,522	190,527
Non-current		
Unsecured liabilities		
Vendor liabilities – acquisitions	3,121	7,385

Note 16: Borrowings

	Note	2015 $'000	2014 $'000
Current			
Secured			
Cash advances – bills of exchange		447	7,215
Finance lease liability		3,306	1,862
	32	3,753	9,077
Non-current			
Secured			
Cash advances – bills of exchange		710,477	112,698
Finance lease liability		6,123	4,556
	32	716,600	117,254

Note 16: Borrowings (continued)

(a) Terms and conditions relating to the above financial instruments:

The cash advance facility is a Syndicated Banking Facility provided by a syndicate of banks including Westpac Banking Corporation ("Westpac") and National Australia Bank ("NAB"). Refer to Note 32 (ii) for more details. They are secured by a fixed and floating charge over the assets of the Company.

Interest on the bank overdraft is charged at BBSY plus an agreed margin.

(b) A portion of the bills of exchange cash advance facility is the subject of an interest rate swap to hedge the risk of an adverse interest rate movement. Refer to Note 32 (iv) for more details.

(c) The Group leases certain of its fixed assets under finance leases. The lease terms range from 3 to 10 years (2014: 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 3.2% to 9.25% (2014: 3.96% to 9.25%) per annum.

	2015 $'000			2014 $'000 Restated		
	Future minimum lease payment	Interest	Present value of minimum lease payment	Future Minimum lease payment	Interest	Present value of minimum lease payment
Within one year	3,784	(478)	3,306	2,270	(408)	1,862
One year or later and not later than five years	6,778	(655)	6,123	4,985	(777)	4,208
Greater than five years	-	-	-	357	(9)	348
	10,562	(1,133)	9,429	7,612	(1,194)	6,418

Note 17: Other Current Liabilities

	2015 $'000	2014 $'000
Current		
Unsecured		
LLP member capital contributions	10,985	10,103
	10,985	10,103

Note 18: Provisions

	2015 $'000	2014 $'000 Restated
Current		
Employee benefits	18,638	15,550
Solicitor liability claims	4,708	918
Provision for payments to former owners	9,969	3,656
Other current provisions	1,172	-
	34,487	20,124
Non-current		
Employee benefits	3,367	3,164
Other non-current provisions	8,508	1,596
	11,875	4,760

Note 19: Contributed Equity

	Note	2015 Shares	2015 $'000	2014 Shares	2014 $'000 Restated
Ordinary shares fully paid	**19(a)**	350,719,894	1,097,928	204,338,625	214,514
VCR Shares	**19(b)**	833,334	417	2,629,333	2,535
Balance at end of the year		**351,553,228**	**1,098,345**	**206,967,958**	**217,049**

(a) Movement in Ordinary Share Capital

	2015 Shares	2015 $'000	2014 Shares	2014 $'000 Restated
Balance at the beginning of the year	**204,338,625**	**214,514**	**196,809,265**	**206,506**
Issued during the year				
- Consideration for acquisitions	4,873,700	2,679	4,463,219	(134)
- Conversion of vested VCR shares	1,275,333	2,397	2,120,333	4,008
- Dividend Reinvestment Plan	257,719	1,696	945,808	3,863
- Equity Incentive Plan	151,668	759	-	-
- Shares issued through Entitlement Offer*	139,822,849	890,939	-	-
- Transfer from share-based payment reserve	-	6,199	-	391
Less capital raising costs, net of tax	-	(21,255)	-	(120)
Balance at end of the year	**350,719,894**	**1,097,928**	**204,338,625**	**214,514**

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

(b) Movements in VCR Share Capital

	Note	2015 Shares	2015 $'000	2014 Shares	2014 $'000
Balance at the beginning of the year		**2,629,333**	**2,535**	**5,111,334**	**5,867**
- Conversion of vested VCR shares to ordinary shares		(1,275,333)	(2,397)	(2,120,333)	(4,008)
- Employee share scheme buy-back:		(520,666)	(161)	(361,668)	(438)
Share based payments expense		-	991	-	1,180
Equity adjustment for leavers and extension of repayment term		-	(551)	-	(66)
Balance at end of the year		**833,334**	**417**	**2,629,333**	**2,535**

Ordinary shares

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

VCR shares

Please refer to Note 27 for detailed discussion on the rights attached to VCR shares.

Capital management

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.

During 2015, management paid dividends of $17,620,000 (2014: $13,770,000)

Management manages capital through the gearing ratio i.e. net bank debt / total equity. Net bank debt is calculated as total bank borrowings as shown in the statement of financial position less cash and cash equivalents. The target for the Group's gearing ratio is between 30% to 40%.

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 20: Reserves

	Note	2015 $'000	2014 $'000 Restated
Cash flow hedging reserve	**20(a)**	(1,189)	(780)
Foreign currency translation reserve	**20(b)**	73,447	10,009
Share-based payment reserve	**20(c)**	10,619	4,988
		82,877	14,217

Movements in carrying amount

Movement in the carrying amounts for each class of reserve between the beginning and the end of the current financial year.

(a) Cash flow hedging reserve

Balance at the beginning of the year	(780)	(473)
Loss recognised on interest rate hedges, net of tax	(409)	(307)
Balance at the end of the year	(1,189)	(780)

(b) Foreign currency translation reserve

Balance at the beginning of the year	10,009	4,183
Currency translation differences arising during the year	63,542	5,833
Non-controlling interest share in translation reserve	(104)	(7)
Balance at the end of the year	73,447	10,009

(c) Share-based payment reserve

Balance at the beginning of the year	4,988	-
Equity-settled share-based payment expense recognised	11,830	5,379
Transfer to share capital	(6,199)	(391)
Balance at the end of the year	10,619	4,988

Nature and purpose of reserves

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred, net of tax.

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Share-based payment reserve

The Group introduced the Equity Incentive Plan ("EIP") in October 2014, which replaces the existing Employee Ownership Plan ("EOP") without prejudice to the rights of current participants in the EOP. Under the terms of the EIP, performance rights offers were extended to executives in October and December 2014. All offers were accepted and 496,000 performance rights have been issued at the Group level, including a shareholder approved allocation of 56,000 performance rights (combined) to executive directors. The performance rights vest based on a three year service condition and the financial performance of the Australian, UK or Group operations (depending on the executive role) over the three financial years FY15 to FY17. Performance measures include total shareholder return and earnings measures. Each performance right grants the holder one ordinary share if vested, hence they have been included in the calculation of diluted earnings per share. Refer to Note 27 for more details.

Note 21: Retained Profits

	Note	2015 $'000	2014 $'000 Restated
Retained profits	**21(a)**	**253,147**	**187,213**

(a) Retained profits

	Note	2015 $'000	2014 $'000 Restated
Balance at the beginning of year		187,213	132,963
Net profit attributable to ordinary equity holders		83,554	68,020
Total available for appropriation		270,767	200,983
Dividends paid	**7**	(17,620)	(13,770)
Balance at end of year		253,147	187,213

Note 22: Non-Controlling Interests

	Note	2015 $'000	2014 $'000 Restated
Interest in:			
Share capital		-	-
Reserves		104	7
Retained profits		520	264
Balance at end of year	**22(a)**	624	271

(a) Non-controlling interests

	2015 $'000	2014 $'000 Restated
Balance at the beginning of the year	271	161
Capital contributions from non-controlling interests	-	(113)
Non-controlling interest share in net profit after tax	249	216
Non-controlling interest share in translation reserve	104	7
Balance at the end of the year	624	271

Note 23: Cash Flow Information

	Note	2015 $'000	2014 $'000 Restated

(a) Reconciliation of cash

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts.

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Note	2015 $'000	2014 $'000 Restated
Cash on hand	8	96,985	25,270
		96,985	25,270

(b) Reconciliation of cash flow from operations with profit after income

	Note	2015 $'000	2014 $'000 Restated
Profit after income tax		83,803	68,236
Non-cash flows in profit from ordinary activities			
Notional interest on VCR share loans	4	(975)	(1,428)
Depreciation and amortisation	5	9,945	6,955
Share based payments expenses		13,537	6,559
Accrual for payments to former owners		13,933	3,651
Costs associated with acquisition		23,662	4,054
Notional interest on deferred consideration	5	1,942	2,502
Bad and doubtful debts		11,585	6,904
Deferred costs of borrowing	5	217	-
Gain on bargain purchase		(58,939)	(19,762)
Changes in assets and liabilities			
Increase in receivables		(67,445)	(12,846)
Increase in other assets		(2,690)	(170)
Increase in work in progress		(62,027)	(45,382)
Increase in payables		44,171	13,806
Decrease in income tax payable		(4,128)	(7,670)
Increase in net deferred tax liability		29,298	24,683
Increase in provisions		4,873	4,343
Cash flows from operations		40,762	54,435

Note 24: Commitments and Contingencies

	Note	2015 $'000	2014 $'000
Operating lease commitments			
Non-cancellable operating leases (including rental of office space) contracted but not capitalised in the consolidated financial statements:			
Within one year		31,223	20,815
One year or later and not later than five years		76,894	43,920
Greater than five years		65,007	6,911
		173,124	71,646
Bank guarantees in respect of rental properties and acquisitions		28,621	9,255

Other commitments and contingencies

The Group has agreements with third party disbursement funders, ASK Funding Limited and Equal Access Funding Proprietary Limited ("the existing Funders"), to provide financial guarantees to the funders with respect to disbursement funding borrowings to the Group's clients. The nature of these agreements are that the funders will fund disbursements in respect of individual matters and will be reimbursed out of any settlement proceeds on the matter. The Group has provided a financial guarantee for the repayment of the clients' obligations to the funders. Nowicki Carbone also had in place agreements with third party disbursement funders, Wingate Funding Limited and Quantum Funding Limited ("the assumed Funders") on similar terms to the existing Funders arrangements and these have been assumed by the Group from the date of the acquisition, 31 October 2014.

Since 30 June 2014, the Group ended its arrangement with ASK Funding and settled all disbursements previously funded by ASK Funding and recognised them as part of the receivables balance at 30 June 2015. The total amount funded by the funders (existing and assumed) to the Group's clients at 30 June 15 is $18,851,000 (30 June 2014: $12,881,000). The maximum exposure of the Group at 30 June 2015 is $18,851,000 (30 June 2014: $12,881,000) if the disbursements on client matters are not recovered from any other party.

Refer to Note 31 Business Combinations for disclosures on contingencies arising from businesses acquired during the year.

Note 25: Earnings per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share

	Note	2015 $'000	2014 $'000 Restated
Net profit after tax attributable to ordinary equity holders		83,554	68,020
Earnings used in calculating basic and diluted earnings per share		83,554	68,020
Weighted average number of ordinary shares used in calculating basic earnings per share ('000's)		234,842	201,306
Effect of dilutive securities:			
VCR shares ('000's)		1,377	3,437
Performance rights		303	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share ('000's)		236,522	204,743

VCR shares

VCR shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. Refer to Note 27 for a detailed explanation of VCR shares.

Note 26: Key Management Personnel Compensations

	Note	2015 $	2014 $
Compensation by Category			
Short-term employment benefits		3,695,822	3,490,437
Post-employment benefits		210,384	160,778
Other long term employment benefits		54,954	86,633
Share based payments		49,084	11,745
Other benefits		20,783	240,666
		4,031,027	3,990,259

Note 27: Share-Based Payment Arrangements

The Group introduced a broad based 'share save' offer to all employees and a new Employee Equity Incentive Plan ("EIP") which was approved by the shareholders at the 2014 Annual General Meeting ("AGM").

Employee equity incentive plan ("EIP")

During the year ended 30 June 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 as at 21 October 2014 are entitled to participate in this Plan. Shares acquired under this Plan are subject to a holding period of 3 years.

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 as at 14 November 2014 are entitled to participate in this Plan. Shares acquired under this plan will be held in trust by MM&K Share Plan Trustee Ltd for a period of 5 years from the date of acquisition.

Executive equity incentive plan

The plan introduces an ownership-based compensation scheme for executives and senior employees. In October 2014, the Company's shareholders approved the S+G Executive Equity Incentive Scheme under which grants of performance rights have been made. The EIP replaces the existing Employee Ownership Plan ("EOP"), without prejudice to the rights of current participants in the EOP.

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 total shareholder return (TSR) against the TSR of the constituent companies within the S&P/ASX 300 index (excluding resources) over the Measurement Period. The performance period shall be the period from 1 September 2014 to 31 August 2017.
- 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.

Note 27: Share-Based Payment Arrangements (continued)

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

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

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

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

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

Grant date/employee entitled	Performance rights granted	Fair value of rights at Grant date	Vesting conditions*	Contractual life of performance rights
Group Executive Directors in Australia (31 October 2014)	56,000	2.4643	50% subject to TSR Outperformance hurdle and 50% subject to CAGR EPS hurdle	3 years
Group Executives in Australia (31 October 2014)	68,000	2.4643	Same as above	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.

Number of rights granted:

Grant date	Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
31 October 2014	-	300,000	-	-	300,000	-
12 December 2014	-	196,000	-	-	196,000	-

Share-based payment expenses recognised in profit or loss are disclosed in Note 5.

Note 27: Share-Based Payment Arrangements (continued)

Share based payment arrangements to former owners

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

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

These arrangements are now 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 comprehensive income.

Employee ownership plan ("EOP")

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

When making an offer to an employee to subscribe for VCR shares, the Board has the power to specify:

- the number of VCR shares which may be subscribed for by a particular employee;
- the issue price. The Board sets the issue price at the fair value of a share as at the date of the issue;
- the number of tranches into which the VCR shares will be divided and the vesting date for each tranche;
- the period for which an absolute restriction on disposal will apply (this period may not exceed 3 years from vesting);
- any conditions to be placed on vesting;
- any events which would result in the forfeiture of the VCR shares; and
- the period for which the Company will be able to buy back or require the forfeiture of the converted shares.

The EOP provides for a full recourse loan from the Company to the employee to facilitate the employee's subscription for VCR shares. The loan is secured by the VCR shares or the converted VCR shares. The offer made by the Board must specify the date by which the loan must be repaid.

Vesting, redemptions and conversion

VCR shares do not carry rights to participate in issues by the Company or to receive any dividends paid by the Company and cannot be transferred or otherwise disposed of without the prior written consent of the Board. VCR shares will not confer a right to notices of general meetings, a right to attend or speak at general meetings, nor a right to vote at general meetings except as may be required by law.

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

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

If all vesting conditions are satisfied, and no forfeiture event has occurred, each tranche of VCR shares vests, and then automatically converts to ordinary shares on a one for one basis, on the relevant vesting date.

Note 27: Share-Based Payment Arrangements (continued)

After conversion

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

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

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

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

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

Transfer

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

Profile of vesting, conversion and redemption of VCR shares to ordinary shares

The profile of the vesting of VCR shares relating to the issued VCR shares in February 2011, December 2011, December 2012 and February 2013 into ordinary shares, conversion into ordinary shares (subject to disposal restrictions) or scheduled for redemption as VCR shares based on the shares issued under the EOP as at 30 June 2015:

	Vested ’000	1 year or less ’000	1 to 5 years ’000	More than 5 years ’000	Total ’000
VCR shares which have (or may) vest as ordinary shares	4,954	833	-	-	5,787
VCR shares which may convert to ordinary shares but are subject to disposal restrictions	1,959	1,840	1,988	-	5,787
VCR shares to be redeemed	-	75	-	-	75

Note 27: Share-Based Payment Arrangements (continued)

Accounting recognition

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

The key assumptions used in the present value calculation are:

Date VCR shares issued	22 February 2011	31 December 2011	20 December 2012 and 25 February 2013
Shares issued	1,830,000	2,390,000	2,425,000
Issue price	$2.05	$1.79	$1.95
Effective interest rate	8.5%	8.5%	8.5%
Final repayment date	1 July 2014 to 1 July 2016	1 July 2015 to 1 July 2017	1 July 2016 to 1 July 2018

The interest income recognised on VCR Share loans to employees has been disclosed in Note 4.

The benefit provided to the employee is required to be recognised in the accounts under AASB 2 *Share-based Payment*. The benefit is assessed as the difference between the fair value of the VCR shares at the issue date and the present value discounted over the vesting period. The benefit is expensed with reference to the effective interest rate method over the vesting period. The share based payments expense has been disclosed in Note 5.

Note 28: Auditor's Remuneration

	Note	2015 $	2014 $
Amounts received or due and receivable by Pitcher Partners:			
An audit of the financial report of the Group and review of statutory accounts		276,623	247,198
The half year review of the financial report of the Group		106,500	97,788
Other assurance services		39,227	12,130
Due diligence investigations		177,860	15,900
IT review		-	5,427
		600,210	378,443
Amounts received or due and receivable by network firms of Pitcher Partners:			
An audit of the financial report of the Group and review of statutory accounts		302,434	228,355
Other assurance services		4,245	-
		306,679	228,355
Other auditors – Ernst & Young LLP:			
An audit of the financial reports of the subsidiaries of the Company and review of statutory accounts		1,614,080	-
Due diligence investigations		1,475,791	-
		3,089,871	-
Total auditor's remuneration		**3,996,760**	**606,798**

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 29: Related Party Disclosures

The following provides the total amount of transactions that were entered into with related parties for the relevant financial year:

As outlined in the replacement Prospectus ("the Prospectus") dated 13 April 2007 the South Australian practice is operated by Andrew Grech as a sole practitioner trading as Slater & Gordon Lawyers under a Service and Licence Agreement between Andrew Grech and the Company. During the 3 months ended 30 September 2014, the service and licence fee totalled $531,532 (2014: $1,184,937).

Legislation in South Australia changed with effect from 1 July 2014 to allow for incorporated legal practices to operate in South Australia. As a consequence, the Adelaide practice was transferred from Andrew Grech trading as Slater & Gordon Lawyers to the Company for the value of the practice's net assets at 30 September 2014. The net asset value was fully offset by amounts owed to the Company pursuant to the service and license agreement.

As disclosed in Note 1, this entity is included in the consolidated group in accordance with AASB 10 *Consolidated Financial Statements.*

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

Outstanding receivables, if any, between related parties are disclosed in Note 9. Outstanding payables, if any, are disclosed in Note 15.

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 30: Group Entities

	Country of incorporation	2015 Ownership Interest (%)	2014 Ownership Interest (%)
Controlled entities			
Trilby Misso Lawyers Limited	Australia	100	100
Slater & Gordon Lawyers NSW Pty Limited	Australia	100	100
Conveyancing Works (Qld) Pty Limited	Australia	100	100
Schultz Toomey O'Brien Pty Ltd	Australia	100	-
All States Legal Co Pty Ltd	Australia	100	-
SG NSW Pty Ltd	Australia	100	-
Walker Smith Way Limited	United Kingdom	100	-
WSW Limited	United Kingdom	100	-
Slater & Gordon (UK) 1 Limited	United Kingdom	100	100
New Claims Direct Limited	United Kingdom	100	100
4 Legal Limited	United Kingdom	100	100
4 Legal Solutions Limited	United Kingdom	100	100
Slater & Gordon (UK) LLP	United Kingdom	100	100
Adroit Financial Planning Limited	United Kingdom	100	100
Pannone Trust Corporation Limited	United Kingdom	100	100
Entities collectively referred to as Slater Gordon Solutions:			
iSaaS Technology Limited	United Kingdom	100	-
Compass Costs Consultants Ltd	United Kingdom	100	-
Intelligent Claims Management Limited	United Kingdom	100	-
Mobile Doctors Group Limited	United Kingdom	100	-
Medici Legal Limited	United Kingdom	100	-
Mobile Doctors Solutions Limited	United Kingdom	100	-
Mobile Doctors Limited	United Kingdom	100	-
MDL Medical Administration Ltd	United Kingdom	100	-
React & Recover Medical Group Limited	United Kingdom	100	-
Recover Healthcare Limited	United Kingdom	100	-
React Medical Reporting Limited	United Kingdom	100	-
React Medical Management Limited	United Kingdom	100	-
Medicalaw Limited	United Kingdom	100	-
Abstract Legal Holdings Limited	United Kingdom	100	-
Accident Advice Helpline Direct Limited	United Kingdom	100	-
Legal Facilities Management & Services Limited	United Kingdom	100	-
Fast Track PPI Limited	United Kingdom	100	-
Access to Compensation Limited	United Kingdom	100	-
Cab Claims Limited	United Kingdom	100	-
Liberty Protect Limited	United Kingdom	100	-
Claim4 Limited	United Kingdom	100	-
Accident Advice Helpline Limited	United Kingdom	100	-
Claim 103 Limited	United Kingdom	100	-
Accident Advice Insurance Management Group Limited	United Kingdom	100	-
Sentinel Alliance Limited	United Kingdom	100	-
Accident Advice (IA) Limited	United Kingdom	100	-
Quindell Legal Services Limited	United Kingdom	100	-
Quindell ACH Limited	United Kingdom	100	-
ACH Group Management Limited	United Kingdom	100	-
ACH Access Legal Limited	United Kingdom	100	-
ACH Claims Limited	United Kingdom	100	-
ACH Media Solutions Limited	United Kingdom	100	-
ACH Medical Limited	United Kingdom	100	-
ACH Broker Services Ltd	United Kingdom	100	-
ACH Quote Me Cover Me Limited	United Kingdom	100	-

Notes to the Financial Statements

For the Year Ended 30 June 2015

Note 30: Group Entities (continued)

	Country of incorporation	2015 Ownership Interest (%)	2014 Ownership Interest (%)
Controlled entities (continued)			
Entities collectively referred to as Slater Gordon Solutions (continued):			
Crusader Assistance Group Holdings Limited	United Kingdom	100	-
Accident & Equity Limited	United Kingdom	100	-
Crusader Group Holdings Limited	United Kingdom	100	-
Centurion Uninsured Loss Recovery Services Limited	United Kingdom	100	-
Equi-Medical Reports Limited	United Kingdom	100	-
Equi Rehab Limited	United Kingdom	100	-
Crusader Uninsured Loss Recovery Service Limited	United Kingdom	100	-
Crusader Connect Limited	United Kingdom	100	-
Quindell Business Process Services (UK) Limited	United Kingdom	100	-
Colegate Vehicle Hire Limited	United Kingdom	100	-
Colegate Accident Assistance Ltd	United Kingdom	100	-
Auto Indemnity (UK) Limited	United Kingdom	100	-
Overland Limited	Malta	100	-
Overland Health Limited	Malta	100	-
Overland Malta (Trading) Limited	Malta	100	-
Overland Legal Limited*	Malta	75	-
Property Home Buyers Limited*	Malta	60	-

**Entities under voluntary liquidation since November 2014.*

Note 31: Business Combinations

2015:

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

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

The strategic rationale for this business acquisition is:

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

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

	$'000
Consideration	
Cash	10,000
Net present value of total consideration	**10,000**

Net assets acquired	**Fair Value**
	$'000
Assets	
- Trade and other receivables	3,899
- Work in progress	39,209
- Plant and equipment	993
- Intangible assets	57
- Deferred taxation	770
- Other assets	1,802
Total assets acquired	46,730
Liabilities	
- Bank overdraft	(151)
- Payables	(3,683)
- Provisions	(511)
- Borrowings	(318)
Total liabilities acquired	(4,663)
Net assets acquired	42,067
Gain from bargain purchase	**(32,067)**

The initial accounting for the acquisition of Nowicki Carbone has only been provisionally determined at the end of the reporting period.

Since the acquisition date, Nowicki Carbone has contributed profit after tax of $9,981,000 in the period ended 30 June 2015, which is included in the consolidated profit. As at the date of reporting, it is not practical to disclose the revenue and profit after tax of the combined entity as if the acquisition took place on 1 July 2014 as the Group does not have access to audited financial information for the period prior to the date of acquisition prepared on the same Group accounting policies.

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

Note 31: Business Combinations (continued)

Acquisition of other businesses in Australia

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

Acquisition Date	*Business*	*Location*	*Business Type*
31 July 2014	Fiocco Lawyers	Perth, WA	Personal Injury Law and Consumer Legal Services
5 September 2014	Biddle Lawyers	Victoria Point, QLD	Consumer Legal Services
12 September 2014	Cox West Lawyers	Penrith, NSW	Personal Injury Law and Consumer Legal Services
31 October 2014	Schultz Toomey O'Brien	Sunshine Coast, QLD	Personal Injury Law and Consumer Legal Services
28 November 2014	Bannister Law	Sydney, NSW	Personal Injury Law

The strategic rationale for these business acquisitions is:

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

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

Consideration	**$'000**
Cash	19,165
Equity issued (342,961 shares at $5.54 per share)	1,900
Fair value of deferred consideration (cash)	4,653
Net present value of total consideration	**25,718**

Net assets acquired	**Fair Value $'000**
Assets	
- Trade and other receivables	3,642
- Work in progress	17,263
- Plant and equipment	1,473
- Intangibles	2,764
- Deferred taxation	527
- Other assets	523
Total assets acquired	26,192
Liabilities	
- Bank overdraft	(53)
- Payables	(951)
- Provisions	(637)
- Borrowings	(1,194)
Total liabilities acquired	(2,835)
Net assets acquired	23,357
Goodwill on acquisition	**2,361**

There were 342,961 shares issued as part of the consideration. The issue price of $5.54 is based on the volume weighted average price of ordinary shares on the 130 business days immediately preceding the completion date.

The profit and loss results of the acquired businesses are not set out. It is not practicable to disclose the profit and loss results of the acquired businesses as they have been integrated into the existing operations and reporting structure of the Group.

It is also not practical to disclose the revenue and profit after tax of the combined entities as if these acquisitions took place on 1 July 2014 as the Group does not have access to audited financial information for the period prior to the dates of acquisition prepared on the same Group accounting policies.

Note 31: Business Combinations (continued)

Acquisition of other businesses in Australia (continued)

Acquisition-related costs for these acquisitions amounting to $235, 000 have been excluded from the total consideration and have been recognised as an expense in the period ended 30 June 2015, within the 'costs associated with acquisitions' line item in the statement of profit or loss.

Acquisition of business – Slater Gordon Solutions (provisionally accounted)

On 29 May 2015 the Group acquired SGS from Quindell Plc. SGS is comprised of 52 legal entities incorporated in the UK and Malta as outlined in Note 30.

The principal activities of SGS are:

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

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

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

IV. Services complementary to these claims processes, including:

   a. A medical reporting service for claimant lawyers;

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

   c. A costing service for lawyers and law firms.

The strategic rationale for this business acquisition is:

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

Note 31: Business Combinations (continued)

Acquisition of business – Slater Gordon Solutions (provisionally accounted) (continued)

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

Consideration	**$'000**
Cash	1,294,695
Net present value of total consideration	**1,294,695**

Net assets acquired	**Fair Value**
	$'000
Assets	
- Cash and cash equivalents	5,129
- Trade and other receivables	358,956
- Work in progress	153,349
- Plant and equipment	4,890
- Intangible assets	71,299
- Current tax assets	29,041
- Deferred tax assets	44,720
- Other assets	8,010
Total assets acquired	675,394
Liabilities	
- Short-term borrowings	(10)
- Current tax liability	(14,080)
- Payables	(348,182)
- Provisions	(4,794)
- Deferred tax liabilities	(13,357)
Total liabilities acquired	(380,423)
Net assets acquired	294,971
Goodwill on acquisition	**999,724**

The initial accounting for the acquisition of SGS has only been provisionally determined at the end of the reporting period.

The key item that gave rise to the goodwill above is the capacity of SGS to underpin strategic growth of the personal injuries practice within the UK market.

Since the acquisition date, SGS has contributed total revenue of $37,181,000 and loss after tax of $4,626,000 in the year ended 30 June 2015, which is included within the consolidated profit. As at the date of reporting, it is not practical to disclose the revenue and profit after tax of the combined entities as if the acquisition took place on 1 July 2014 as the Group does not have access to audited financial information for the period prior to the date of acquisition prepared on the same Group accounting policies.

Acquisition-related costs for this acquisition amounting to $20,776,000 have been recognised as an expense in the year ended 30 June 2015, within the 'costs associated with acquisitions' line item in the statement of profit or loss.

The acquisition of SGS has been provisionally accounted for at year end. Given the proximity of the acquisition date to the reporting date, the values of the acquired assets and liabilities of SGS are considered provisional. It is also not practical for the Group to determine an estimate of the noise-induced hearing loss ("NIHL") claims asset and associated deferred consideration. These will be updated within 12 months post-acquisition in accordance with AASB 3 *Business Combinations*. The directors believe deferred consideration would be in the range of £25 million ($51 million) to £55 million ($113 million).

On 5 August 2015, Quindell Plc, the vendor of SGS, published qualified financial statements in which the current directors and auditors of Quindell Plc explained, inter alia, that relevant information relating to transactions entered into

Note 31: Business Combinations (continued)

Acquisition of business – Slater Gordon Solutions (provisionally accounted) (continued)

by the former directors that could impact on the accounting, intention, commercial purpose or value of certain transactions was not available to them.

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

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

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

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

Acquisition of other businesses in the UK (provisionally accounted)

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

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

The strategic rationale for these business acquisitions is:

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

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

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

Net assets acquired	**Fair Value** **$'000**
Assets	
- Trade and other receivables	7,477
- Work in progress	26,295
- Plant and equipment	3,153
- Other assets	850
Total assets acquired	37,775
Liabilities	
- Payables	(4,499)
- Provisions	(1,140)
Total liabilities acquired	(5,639)
Net assets acquired	32,136
Gain from bargain purchase	**(17,573)***

*The acquisition of Flint Bishop LLP resulted in goodwill of $30,000 and the acquisition of Leo Abse Cohen resulted in a gain from bargain purchase of $17,603,000.

Note 31: Business Combinations (continued)

Acquisition of other businesses in the UK (provisionally accounted) (continued)

The initial accounting for the acquisitions have only been provisionally determined at the end of the reporting period.

The profit and loss results of the acquired businesses are not set out. It is not practicable to disclose the profit and loss results of the acquired businesses as they have been integrated into the existing operations and reporting structure of the Group.

It is also not practical to disclose the revenue and profit after tax of the combined entities as if these acquisitions took place on 1 July 2014 as the Group does not have access to audited financial information for the period prior to the dates of acquisition prepared on the same Group accounting policies.

Acquisition-related costs for these acquisitions amounting to $458,000 have been recognised as an expense in the year ended 30 June 2015, within the 'costs associated with acquisitions' line item in the statement of profit or loss.

Acquisition of business – Walker Smith Way Limited (provisionally accounted)

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

The strategic rationale for this business acquisition is:

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

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

Consideration	**$'000**
Cash	5,204
Cash settled vendor debt	6,427
Fair value of deferred consideration (cash)	794
Net present value of total consideration	**12,425**

Net assets acquired	**Fair Value $'000**
Assets	
- Cash and cash equivalents	2,174
- Trade and other receivables	7,449
- Work in progress	20,188
- Plant and equipment	67
Total assets acquired	29,878
Liabilities	
- Payables	(4,313)
- Provisions	(1,328)
- Deferred tax liabilities	(2,825)
Total liabilities acquired	(8,466)
Net assets acquired	21,412
Gain from bargain purchase	**(8,987)**

The initial accounting for the acquisition of WSW has only been provisionally determined at the end of the reporting period.

The profit and loss result of the acquired business is not set out. It is not practicable to disclose the profit and loss results of the acquired businesses as it has been integrated into the existing operations and reporting structure of the Group.

It is also not practical to disclose the revenue and profit after tax of the combined entities as if these acquisitions took place on 1 July 2014 as the Group does not have access to audited financial information for the period prior to the date of acquisition prepared on the same Group accounting policies.

Notes to the Financial Statements
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Note 31: Business Combinations (continued)

Acquisition of business – Walker Smith Way Limited (provisionally accounted) (continued)

Acquisition-related costs for this acquisition amounting to $230,000 has been recognised as an expense in the year ended 30 June 2015, within the 'costs associated with acquisitions' line item in the statement of profit or loss.

2014:

Acquisition of business – Gibson & Gibson

On 1 August 2013, the Group acquired the business of Gibson & Gibson, a personal injuries law firm based in Perth, Western Australia, for a total consideration of $3,289,100. Included in this amount is final goodwill of $1,636,314.

Acquisition of business – Pannone Solicitors LLP ("Pannones") and related entities

Business combinations in the UK in 2014 have been restated for the effect of the application of the change in Group accounting policies discussed in Note 1.

On 14 February 2014, the Group acquired the business of Pannone, a law firm based in Manchester, UK. On the same day the Group also acquired two related entities, Adroit Financial Planning Limited ("Adroit") and Pannone Trust Corporation Limited ("Pannone Trust"). Adroit Financial Planning Limited is a financial planning business. Pannone Trust Corporation Limited is a dormant company, initially incorporated to act as the administrator of estates and other appointments having fiduciary responsibility associated with Adroit.

The strategic rationale for these business acquisitions is:

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

The initial accounting for the acquisition had previously been provisionally determined. The necessary fair valuation of consideration and net assets acquired have now been finalised and are reflected in the amounts detailed below.

The value of the assets and liabilities at the date of acquisition and converted using the acquisition date rate of exchange are as follows:

Consideration	**2014 $'000 Restated**
Cash	37,590
Equity issued (37,718 shares at $4.42 per share)	167
Fair value of deferred consideration (cash)	6,110
Net present value of total consideration	**43,867**

Net assets acquired	**Fair Value**
Assets	
- Cash and cash equivalents	518
- Trade and other receivables	31,889
- Work in progress	41,773
- Plant and equipment	83
- Intangible assets	1,110
- Other assets	1,573
Total assets acquired	76,946
Liabilities	
- Payables	(27,253)
- Provisions	(602)
Total liabilities acquired	(27,855)
Net assets acquired	49,091
Gain from bargain purchase	**(5,224)**

Note 31: Business Combinations (continued)

Acquisition of business – Pannone Solicitors LLP ("Pannones") and related entities (continued)

There were 37,718 shares issued as part of the consideration. The issue price of $4.42 is based on the average of the volume weighted average price of ordinary shares on each of the 20 business days immediately preceding the completion date.

In FY15 the Group entered into a variation deed with Pannones which reduces the deferred consideration payable for the acquisition. As a result the Group recognised a gain of $282,000 in the statement of profit or loss.

Acquisition of business – Fentons Solicitors LLP ("Fentons")

The value of assets and liabilities at the date of acquisition and converted using the acquisition date rate of exchange are as follows:

	2014 $'000 Restated
Consideration	
Cash	43,266
Net present value of total consideration	**43,266**
Net assets acquired	**Fair Value**
Assets	
- Cash and cash equivalents	7
- Trade and other receivables	43,768
- Work in progress	54,686
- Plant and equipment	1,518
- Other assets	120
Total assets acquired	100,099
Liabilities	
- Payables	(40,176)
- Provisions	(3,899)
Total liabilities acquired	(44,075)
Net assets acquired	56,024
Gain from bargain purchase	**(12,758)**

Acquisition of other businesses in the UK

The Group acquired the following other businesses in the UK in 2014:

Acquisition Date	*Company*	*Location*	*Business Type*	*Acquired*
16 August 2013	Taylor Vinters LLP	Cambridge, UK	Personal Injury Law	Personal Injuries business operations and assets
30 August 2013	Goodmans Law Limited	Liverpool, UK	Personal Injury Law	Business operations and assets
29 November 2013	John Pickering & Partners LLP	Halifax, UK	Personal Injury Law	Business operations and assets
4 December 2013	Chadwick Lawrence LLP	Yorkshire, UK	Personal Injury Law	Personal Injuries business operations and assets

Notes to the Financial Statements

For the Year Ended 30 June 2015

Note 31: Business Combinations (continued)

	2014 $'000 Restated
Consideration	
Cash	16,950
Equity issued (110,808 shares at $3.07 per share)	340
Fair value of deferred consideration (cash)	9,681
Net present value of total consideration	**26,971**

Net assets acquired	**Fair Value**
Assets	
- Trade and other receivables	9,665
- Work in progress	15,370
- Plant and equipment	9
- Other assets	65
Total assets acquired	25,109
Liabilities	
- Payables	(5,488)
- Provisions	(849)
Total liabilities acquired	(6,337)
Net assets acquired	18,772
Goodwill	**8,199***

*Split as follows

Taylor Vinters LLP	9,011
Goodmans Law Limited	(1,561)
John Pickering & Partners LLP	(219)
Chadwick Lawrence LLP	968

Note 32: Financial Risk Management

The Group is exposed to a variety of financial risks comprising:

i) Credit risk

ii) Liquidity risk

iii) Fair values

iv) Interest rate risk

v) Foreign exchange risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The categories of financial instruments are as follows:

	2015 $'000	2014 $'000 Restated
Financial assets		
Cash and cash equivalents	96,985	25,270
Loans and receivables	303,034	103,158
Disbursements	396,583	126,210
VCR Share Loans receivable	8,325	11,844
	804,927	266,482
Financial liabilities		
Payables	639,643	197,912
Borrowings	720,353	126,331
Other financial liabilities	10,985	10,103
Derivatives	1,621	1,020
	1,372,602	335,366

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main exposure to credit risk in the Group is represented by the receivables (debtors and disbursements) owing to the Group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period of recognised financial assets is the carrying amount of those assets, net of any provisions against those assets, as disclosed in the statement of financial position and notes to the financial statements.

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 policy holders' 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.

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. As at 30 June 2015, approximately 38% of trade receivables relate to the personal injury law business.

Note 32: Financial Risk Management (continued)

i) Credit risk (continued)

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.

At 30 June 2015, the maximum exposure to credit risk for trade and other receivables by segment was as follows:

	2015 $'000	2014 $'000
Australia	111,151	96,249
UK	213,947	133,119
SGS	374,519	-
	699,617	229,368

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.

Cash and cash equivalents

The Group held cash and cash equivalents of $96,985,000 at 30 June 2015 (30 June 2014: $25,270,000). The credit risk associated with cash and cash equivalents are considered as minimal as the cash and cash equivalents are held with reputable financial institutions in Australia and UK.

ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Management of liquidity risk

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 23: Cash Flow Information, for further information on the historical cash flows and the current borrowing facilities below.

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

Note 32: Financial Risk Management (continued)

ii) Liquidity risk (continued)

The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

	2015 $'000	2014 $'000
Total banking facilities		
Bank overdrafts	7,053	5,000
Cash advance facility	859,688	200,000
Other sundry facilities	27,736	15,640
Total credit facilities	894,477	220,640
Amount utilised	(720,049)	(125,657)
Unused bank facilities	174,428	94,983

Bank overdrafts

Bank overdraft facilities are arranged with Westpac and Royal Bank of Scotland (National Westminster Bank) with the general terms and conditions being set and agreed to annually. The current facilities are $5,000,000 and £1,000,000 respectively (2014: $5,000,000). Interest rates are variable and subject to adjustment.

Cash advance and equipment finance facility

The Group entered into a new multicurrency (AUD/GBP) syndicated bank facility in June 2015 with the following structure and maturity profile:

- a GBP 157,500,000 revolving loan facility. This facility expires in June 2018 and interest is charged on the loans at LIBOR plus an agreed margin;
- a GBP 157,500,000 revolving loan facility. This facility expires in June 2020 and interest is charged on the loans at LIBOR plus an agreed margin;
- a GBP 60,000,000 revolving loan facility, bank guarantee facility and/or letter of credit. This facility expires in June 2018 and interest is charged on the loans at LIBOR plus an agreed margin;
- an AUD 45,000,000 revolving loan facility. This facility expires in June 2018 and interest is charged on the loans at BBSY Bid plus an agreed margin; and
- an AUD 45,000,000 revolving loan facility. This facility expires in June 2020 and interest is charged on the loans at BBSY Bid plus an agreed margin.

The proceeds of the loan facilities have been used to settle existing finance debt, general corporate purposes, the SGS acquisitions and future acquisitions. The bank guarantee facility/letter of credit will be used to meet the day to day working capital requirements, corporate purposes and future acquisitions.

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 32: Financial Risk Management (continued)

ii) Liquidity risk (continued)

Maturity analysis

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

	< 12 Months $'000	1-5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2015				
Non-derivative financial liabilities				
Payables	636,523	3,120	639,643	639,643
Borrowings	3,753	716,600	720,353	720,353
Other current liabilities	10,985	-	10,985	10,985
Financial liability maturities	651,261	719,720	1,370,981	1,370,981

	< 12 Months $'000	1-5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2014 Restated				
Non-derivative financial liabilities				
Payables	190,527	7,385	197,912	197,912
Borrowings	9,077	117,254	126,331	126,331
Other current liabilities	10,103	-	10,103	10,103
Financial liability maturities	209,707	124,639	334,346	334,346

Refer to Note 32 (iv) for the maturity analysis of interest rate swaps.

iii) Fair values

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.

Management of fair value risk in interest rate swaps

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.

Note 32: Financial Risk Management (continued)

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group's exposure to interest rate risks 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:

Financial Instruments	Weighted average interest rate		Non-interest bearing		Variable interest rate		Fixed interest rate		Total	
	2015	2014	2015 $'000	2014 $'000 Restated	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000 Restated
(i) Financial assets										
Cash	0.09%	0.88%	-	-	96,985	25,270	-	-	96,985	25,270
Trade debtors	-	-	296,946	102,859	-	-	-	-	296,946	102,859
Disbursements	-	-	396,583	126,210	-	-	-	-	396,583	126,210
Other receivables	-	-	6,088	299	-	-	-	-	6,088	299
VCR share loans receivable	-	-	8,325	11,844	-	-	-	-	8,325	11,844
Total financial assets			707,942	241,212	96,985	25,270	-	-	804, 927	266,482
(ii) Financial liabilities										
Trade creditors and accruals	-	-	281,170	74,792	-	-	-	-	281,170	74,792
Legal creditors	-	-	336,588	101,554	-	-	-	-	336,588	101,554
Non-interest bearing vendor liabilities – acquisitions	-	-	21,885	21,566	-	-	-	-	21,885	21,566
Other current liabilities	4.45%	4.45%	-	-	10,985	10,103	-	-	10,985	10,103
Hire purchase liability	6.04%	7.42%	-	-	-	-	9,429	6,418	9,429	6,418
Bills of exchange – fixed rate	2.26%	2.49%	-	-	-	-	96,314	80,094	96,314	80,094
Bills of exchange – variable rate	2.17%	3.02%	-	-	614,610	39,819	-	-	614,610	39,819
Total financial liabilities			639,643	197,912	625,595	49,922	105,743	86,512	1,370,981	334,346

Interest rate swaps

Interest rate swap transactions are entered into by the Group to exchange variable and fixed interest payment obligations 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 14% (2014: 67%) of the Group's outstanding borrowings on the cash advance facility (excluding the working capital facility) at 30 June 2015. 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 into 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:

Note 32: Financial Risk Management (continued)

iv) Interest rate risk (continued)

Maturity of notional amounts	Effective average fixed interest rate payable		Notional principal value	
	2015	2014	2015	2014
			$'000	$'000
0 to 2 years	2.23%	4.18%	35,534	17,500
2 to 5 years	2.27%	2.02%	60,801	62,594
			96,335	80,094

The net effective variable interest rate borrowings (i.e. unhedged debt) expose the Group to interest rate risk which will impact future cash flows and interest charges and are indicated by the following interest rate financial liabilities:

	2015 $'000	2014 $'000
Floating rate instruments:		
Unhedged cash advances/bills of exchanges	614,610	39,819
	614,610	39,819

Interest rate swaps are measured at fair value with gains and losses taken to the cash flow hedge reserve until such time as the profit or loss associated with the hedged risk is recognised in the consolidated statement of comprehensive income. Given the matching of the hedge settlements with the payment of interest expense on the hedged borrowings, the balance in the reserve attributable to interest rate swaps is generally minimal.

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 is as follows:

	2015 $'000	2014 $'000
+/- 100 basis points:		
Impact on profit after tax	-	-
Impact on equity	3,098	2,371

v) Foreign exchange risk

The Group is exposed to currency risk on services income, expenses, receivables and borrowings that are denominated in a currency other than respective functional currencies of the group entities. The major functional currencies are the Australian Dollar (AUD) and Sterling (GBP).

In relation to recognised assets and liabilities denominated in a currency other than the entity's functional currency, the group hedges all foreign currency exposures via a natural hedge.

Foreign currency net investment translation risk relating to the acquisition of Slater Gordon Solutions is partially hedged through borrowings 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 translation of its foreign subsidiaries in the United Kingdom (UK). 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 as foreign currency translation reserve. Refer to Note 1(s).

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

Notes to the Financial Statements
For the Year Ended 30 June 2015

Note 33: Fair Value Measurements

i) Fair value hierarchy

Refer to Note 2 (d) for discussion on the fair value hierarchy.

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

30 June 2014 Restated Recurring Fair Value Measurements	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivative financial instruments – interest rate swaps	-	1,020	-	1,020
Contingent consideration	-	-	12,633	12,633
	-	1,020	12,633	13,653

30 June 2015 Financial instruments not measured at fair value	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Trade and other receivables	-	-	303,034	303,034
	-	-	303,034	303,034
Financial liabilities				
Trade Creditors*	-	-	98,558	98,558
Legal Creditors	-	-	336,588	336,588
Vendor Liabilities – acquisitions	-	-	21,886	21,886
Borrowings	-	710,924	-	710,924
Finance Lease Liability		9,429	-	9,429
	-	720,353	457,032	1,177,385

30 June 2014 Restated Financial instruments not measured at fair value	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Trade and other receivables	-	-	103,158	103,158
	-	-	103,158	103,158
Financial liabilities				
Trade Creditors*	-	-	11,914	11,914
Legal Creditors	-	-	101,554	101,554
Vendor Liabilities – acquisitions	-		21,566	21,566
Borrowings	-	119,913	-	119,913
Finance Lease Liability		6,418	-	6,418
	-	126,331	135,034	261,365

**Accrued expenses that are not financial liabilities are excluded*

Note 33: Fair Value Measurements (continued)

ii) Valuation techniques and inputs used in Level 2 and 3 fair value measurements

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

The fair value of contingent consideration payable in a business combination is measured with reference to current fee and performance forecasts which can be used to estimate future cash flows. The key inputs into this valuation are the estimated future cash flows and the average discount rate of 9.2% used to determine the present value the future cash flows.

iii) Reconciliation of recurring Level 3 fair value movements

	2015 $'000	2014 $'000 Restated
Contingent Consideration		
Opening balance	7,927	7,976
Acquisitions	4,185	6,794
Payments	(1,865)	(4,947)
Adjustment to contingent consideration	(4,983)	(2,668)
Interest	378	930
Exchange differences	447	(158)
Closing balance	6,089	7,927

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

iv) Sensitivity analysis for recurring Level 3 fair value measurements

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 34: Prior Period Error

The Group has identified two errors in the method used to report receipts from customers and payments to suppliers and employees by the UK business during the current reporting period:

- From the initial date of acquisition of Russell Jones and Walker LLP in the year ended 30 June 2012 until the period ended 31 December 2013, the UK business reported receipts from customers on a 'gross' rather than a 'net' basis in accordance with Group Reporting Policy. This effect was wholly offset by the same amount being added to the calculation of total payments to suppliers and employees. The amounts represented customer disbursements and related Value Added Tax (VAT). Net cash derived from operating activities in all periods was unaffected and remains as reported.

- In the 30 June 2014 and 31 December 2014 financial statements UK VAT is duplicated in receipts from customers. This effect was wholly offset by the same amount being included in total payments to suppliers and employees. The cause of this was an arithmetic error in the consolidation spread sheet model operated in the Company's UK business at that time. Net cash derived from operating activities in all periods was unaffected and remains as reported.

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Previous	**Year ended 30 June 2012 $'000**	**Year ended 30 June 2013 $'000**	**Year ended 30 June 2014 $'000**
Cash flow from operating activities			
Receipts from customers	202,929	324,279	442,609
Payments to suppliers and employees	(182,110)	(285,148)	(375,225)
Interest received	357	281	401
Borrowing costs	(5,374)	(6,158)	(5,344)
Income tax (paid)/refunded	157	(537)	(8,006)
Net cash provided by operating activities	**15,959**	**32,717**	**54,435**
Restated	**Year ended 30 June 2012 $'000**	**Year ended 30 June 2013 $'000**	**Year ended 30 June 2014 $'000**
Cash flow from operating activities			
Receipts from customers	199,813	288,719	410,142
Payments to suppliers and employees	(178,994)	(249,588)	(342,758)
Interest received	357	281	401
Borrowing costs	(5,374)	(6,158)	(5,344)
Income tax (paid)/refunded	157	(537)	(8,006)
Net cash provided by operating activities	**15,959**	**32,717**	**54,435**
Difference in net cash provided by operating activities	**-**	**-**	**-**

The error does not have an impact on the Company's retained earnings, profit or loss previously reported earnings per share nor the cash and cash equivalent balances in the prior periods.

Note 35: Subsequent Events

Subsequent to the end of the financial year, all unvested VCR shares at 30 June 2015 have either vested and converted into ordinary shares (subject to disposal restrictions) or have been approved for redemption. Other than the aforementioned, there have not been any matters or circumstances that have significantly affected, or may significantly affect, the results reported in the financial statements.

Note 36: Deed of Cross Guarantee

Slater and Gordon Limited, Trilby Misso Lawyers Limited and Slater & Gordon Lawyers NSW Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

A consolidated statement of comprehensive income and statement of financial position, comprising the Company and controlled entities subject to the deed, after eliminating all transactions between parties to the deed of cross guarantee is set out as follows:

Note 36: Deed of Cross Guarantee (continued)

	2015 $'000	2014 $'000 Restated
Statement of Comprehensive Income		
Revenue	270,958	226,778
Finance costs	(6,172)	(5,138)
Other expenses	(217,273)	(171,820)
Profit before income tax expense	**47,513**	**49,820**
Income tax expense	(14,201)	(16,408)
Profit for the year	**33,312**	**33,412**
Changes in fair value of cash flow hedges and foreign currency translation, net of tax	11,303	4,758
Total comprehensive income for the year	**44,615**	**38,170**
Statement of Financial Position		
Current assets		
Cash and cash equivalents	12,923	11,620
Receivables	198,129	192,813
Work in progress	177,535	174,150
Other current assets	7,598	5,323
Total current assets	**396,185**	**383,906**
Non-current assets		
Plant and equipment	10,657	7,611
Receivables	11,947	13,095
Work in progress	131,993	108,685
Intangible assets	57,788	58,702
Investment in subsidiary	945,640	7,678
Other non-current assets	15,179	11,844
Deferred tax assets	28,932	14,783
Total non-current assets	**1,202,136**	**222,398**
Total assets	**1,598,321**	**606,304**
Current liabilities		
Payables	71,333	62,777
Short term borrowings	2,510	1,351
Current tax liabilities	4,564	854
Provisions	26,757	16,137
Total current liabilities	**105,164**	**81,119**
Non-current liabilities		
Payables	3,123	2,765
Long term borrowings	84,647	44,298
Deferred tax liabilities	115,108	102,152
Derivative financial instruments	1,257	759
Provision	2,921	3,034
Total non-current liabilities	**207,056**	**153,008**
Total liabilities	**312,220**	**234,127**
Net assets	**1,286,101**	**372,177**
Equity		
Contributed equity	1,098,345	217,049
Reserves	26,261	9,326
Retained profits	161,495	145,802
Total equity	**1,286,101**	**372,177**

Note 37: Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2015 the parent entity of the Group was Slater and Gordon Limited.

	2015 $'000	2014 $'000 Restated
Results of parent entity		
Profit for the year	65,128	36,054
Other comprehensive income	11,303	4,758
Total comprehensive income for the year	76,431	40,812

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

	2015 $'000	2014 $'000 Restated
Financial position for the parent entity at year end		
Current assets	374,540	332,308
Non-current assets	1,226,906	236,398
Total assets	1,601,446	568,706
Current liabilities	101,888	75,551
Non-current liabilities	201,369	140,644
Total liabilities	303,257	216,195
Total equity of the parent company comprising of		
Contributed equity	1,098,345	217,049
Reserves	26,261	9,382
Retained profits	173,583	126,080
Total Equity	1,298,189	352,511

Other commitments and contingencies

The Company has agreements with third party disbursement funders, ASK Funding Limited and Equal Access Funding Proprietary Limited ("the existing Funders"), to provide financial guarantees to the funders with respect to disbursement funding borrowings to the Group's clients. The nature of this agreement is that the funders will fund disbursements in respect of individual matters and will be reimbursed out of any settlement proceeds on the matter. The Group has provided a financial guarantee for the repayment of the clients' obligations to the funders.

Since 30 June 2014, the Company ended its arrangement with ASK Funding and settled all disbursements previously funded by ASK Funding and recognised them as part of the receivables balance at 30 June 2015. The total amount funded by the funders (existing and assumed) to the Company's clients at 30 June 2015 is $13,603,000 (30 June 2014: $10,591,000). The maximum exposure of the Company at 30 June 2015 is $13,603,000 (30 June 2014: $10,591,000) if the disbursements on client matters are not recovered from any other party.

	2015 $'000	2014 $'000
Operating lease commitments		
Non-cancellable operating leases (including rental of office space) contracted but not capitalised in the parent financial statements.		
Within one year	12,636	11,986
One year or later and not later than five years	30,140	31,775
Greater than five years	6,712	6,342
	49,488	50,103

Slater and Gordon Limited
Directors' Declaration

The directors declare that the financial statements and notes set out on pages 66 to 135 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 2015 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 36 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

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

John Skippen
Chair
Melbourne
29 September 2015

Andrew Grech
Group Managing Director

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SLATER AND GORDON LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Slater and Gordon Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SLATER AND GORDON LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

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

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 63 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

A R FITZPATRICK
Partner

29 September 2015

PITCHER PARTNERS
Melbourne

Additional ASX Information

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 14 September 2015.

a). Distribution of shareholders and option holders.

Holding		Number of Ordinary Shareholders	VCR Shares	Performance Rights
1	- 1,000	5,267	-	-
1,001	- 5,000	9,354	1	16
5,001	- 10,000	2,926	-	19
10,001	- 100,000	2,220	19	19
100,001	- Over	166	-	-
		19,933	20	54

There are 275 shareholders holding less than a marketable parcel (i.e. less than $500 per parcel of shares).

b). Twenty largest shareholders

	Shareholder	Number of Shares held	% Held
1	National Nominees Limited	50,996,052	14.54
2	HSBC Custody Nominees (Australia) Limited	49,347,216	14.07
3	J P Morgan Nominees Australia Limited	47,091,870	13.43
4	Citicorp Nominees Pty Limited	11,051,410	3.15
5	BNP Paribas Noms Pty Ltd (DRP)	10,930,978	3.12
6	Mr Andrew Grech	6,383,238	1.82
7	Mr Ken Fowlie	5,096,221	1.45
8	Mr Hayden Stephens	4,255,115	1.21
9	Ms Cath Evans	3,981,433	1.14
10	Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	3,875,618	1.11
11	HSBC Custody Nominees (Australia) Limited - A/C 3	3,203,242	0.91
12	UBS Nominees Pty Ltd	3,037,159	0.87
13	Merrill Lynch (Australia) Nominees Pty Limited	2,232,958	0.64
14	Wildflower Investments Pty Ltd (Evans Family S/F A/C)	2,060,545	0.59
15	HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	1,752,472	0.50
16	Deansgate 123 LLP	1,516,015	0.43
17	AMP Life Limited	1,507,386	0.43
18	Bond Street Custodians Limited (Cockej - F01832 A/C)	1,390,267	0.40
19	Joeman Holdings Pty Ltd	1,240,170	0.35
20	Custodial Services Limited (Beneficiaries Holding A/C)	1,233,844	0.35
		212,183,209	60.51

c). Substantial shareholders

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

Shareholder	Ordinary Shares Number	% *
National Australia Bank Limited and its Associated Companies	24,345,327	6.94
UBS Group AG and its related bodies corporate	25,936,975	7.40

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

d). Voting rights

All issued ordinary shares carry one vote per share.

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

Corporate Directory

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

Company Secretaries
Wayne Brown
Kirsten Morrison

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
Pitcher Partners
Level 19
15 William 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

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