

# ASX Announcement

17 December 2015

## 2016 Financial Year Update

Slater and Gordon Limited (“the Company”) confirms that Slater and Gordon Lawyers (Australia) and Slater Gordon Solutions (SGS), excluding noise induced hearing loss (NIHL), are continuing to trade in line with expectations. However, lower than expected trading results in segments of the business in the UK in November, coupled with the commencement of a review of the Company’s approach to financial forecasting by new Group Chief Financial Officer Bryce Houghton and independent advisors appointed by the Board, has resulted in 2016 financial year guidance being reconsidered.

Whilst the Company expects that the UK business will make a positive contribution to gross operating cash flow in December, cash timing differences and a poorer than expected case resolution profile will impact negatively on the gross operating cash flow result for the 6 months ending 31 December 2015. An update on the impact on the gross operating cash flow result for that period will be provided in January 2016.

As a result of the above, there is a significant risk that full year guidance will not be met and accordingly the Company withdraws its previous full year guidance pending the outcome of the review referred to above. The Company expects to update the market at the time of its half year results presentation.

As previously foreshadowed, year to date settlements have been slower than anticipated in Slater and Gordon Lawyers (UK) and the Slater Gordon Solutions (SGS) noise induced hearing loss (NIHL) portfolio. The withdrawal of guidance reflects the fact that whilst cases remain available for settlement in the second half, having regard to year to date performance, there is a risk that full year resolutions will not meet prior expectations.

Group Managing Director Andrew Grech said, “We have previously advised the market that the performance of our UK operations during the first half has not been in line with our expectations. It is now clear to us that the slower rate of case resolutions in the first half has had a larger impact than previously thought, and that this may well flow through to a reduced profit for the full year. For this reason we have withdrawn our full year guidance and we are conducting a review of our forecasting methods so that we can provide the market with greater clarity moving forward.”

“While the first half as a whole has been difficult, the performance of the UK business has been improving during the course of the last few months and is expected to contribute positively to cash flow in December and during the remainder of the financial year. The trajectory of the UK business provides confidence that we will trade through this period to be in a stronger position by the end of this financial year.”

The Company’s financiers have been kept informed of its position at all times. Slater and Gordon has more than A\$100 million headroom within its banking facilities and this headroom is expected to increase as the financial year progresses.

Having regard for recent events, including the impact of those events on the Company’s share price, the Company will test its goodwill values for impairment of the UK business at the half year ending 31 December 2015. The impairment review will take into account matters including the risks associated with the proposed changes to the law by the UK Government which may not be enacted either in their current form or at all. If the Company assesses that it is appropriate to impair goodwill related to the UK business, any impairment will not impact cash flow from operations but will impact statutory profit.

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