SLATER & GORDON (UK) LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

K J Fowlie
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The Directors present their strategic report for the year ended 30 June 2016.

The consolidated entity consists of Slater & Gordon (UK) 1 Limited ("the Company") and its controlled entities (jointly referred to as "the Group"). This financial report has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Group's principal activities during the year are the provision of legal services in both the Personal Injury ('PI') and General Law ('GL') fields, medical services, a range of services relating to motor insurance claims and other ancillary services.

The key financial and other performance indicators performance during the year was as follows:

	2016	2015 Restated	Change
	£'000	£'000	%
Revenue	316,756	136,417	132.2
Loss before tax	(403,369)	(276,984)	45.6
Goodwill impairment	328,415	282,966	16.1
(Loss)/Profit before goodwill impairment and tax	(74,954)	5,982	(1,353.0)
Equity shareholders' funds	(123,274)	188,620	(165.4)
	Ratio	Ratio	%
Current assets as % of current liabilities ('quick ratio')	1.48	1.24	19.4

Fee & service revenue for the year increased by 132.2% mainly due to the acquisition of the Professional Services Division of Quindell (rebranded Slater & Gordon Solutions ("SGS")). The remaining change is attributable to the acquisitions of Walker Smith Way and Leo Abse Cohen and movements in fees across both PI and GL; these acquisitions occurred in the second half of 2015.

At the finalisation of the Slater and Gordon Limited group's (the "Global Group") half year accounts for the period ended 31 December 2016, the group undertook a review of the goodwill held and ascertained that the goodwill arising on acquisition required impairment to the value of £nil, due to continued underperformance against both forecasts and annual budget based on a fair value less costs of disposal methodology. As £283.0million of the goodwill arising on acquisition had been impaired in the year to 30 June 2015 the remaining goodwill and brand names of £328 4million was impaired in the year to 30 June 2016.

It is not clear what the impact of the UK's decision to withdraw from the European Union will be on either the announced proposals or the UK economy, although the outcome of the referendum itself is not likely to have any material adverse impact on the performance of the UK operations

The UK Government's consultation paper regarding whiplash reforms was published in November 2016 and the initial response was published in February 2017. On 23 February, the Government introduced legislation into the UK parliament to give effect to its legislative change proposal. This legislation was subsequently withdrawn in advance of the June 2017 General Election although is scheduled to be reintroduced in an amended form early in the new parliament. Slater & Gordon has actively participated in the consultation process and, in concert with other market participants, has suggested alternative solutions which address community concerns in a balanced way. The Group believes that the proposed changes, if implemented, will bring about a reduction in the rights of people in the UK to access fair compensation through the legal system and continues actively to engage with policy makers and the insurance sector to ensure that any changes to the law are in the best interests of the injured people it represents Until these changes are legislated for, there will be no impact on the business. Given goodwill in respect of the SGS business has been fully impaired during the year; the uncertainty from the impact of this proposed legislation is already reflected in the financial statements.

The Group's "quick ratio" (current assets as a percentage of current liabilities) has improved year on year principally due to the reduction in the level of payables occasioned by the elimination of intercompany debt to share capital following the debt forgiveness granted by the Australian parent company covered in Note 17: Contributed Equity.

For the going concern assessment, refer to Note 1: Statement of Significant Accounting Policies for further information

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

The Group uses interest rate hedges to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements.

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. Full details are shown in Note 31: Financial Risk Management.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the Group. The Group also manages liquidity risk by ensuring that adequate borrowing facilities are maintained.

Pricing risk is the risk that the Group has from exposure to derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The impacts are covered in Note 31. Financial Risk Management

By order of the board

K J Fowlie
Director

28 September 2017

The Directors present their report, together with the financial report of the consolidated entity consisting of Slater & Gordon (UK) 1 Limited ("the Company") and its controlled entities (jointly referred to as "the Group"), for the financial year ended 30 June 2016. This financial report has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

- K J Fowlie
- S B Prew (appointed 29 June 2017)
- C D Evans (resigned 27 March 2016)
- A A Grech (resigned 29 June 2017)

The Australian parent company, Slater and Gordon Limited, maintains liability insurance for its UK directors and officers.

Slater & Gordon (UK) 1 Limited is the immediate holding company of Slater & Gordon (UK) LLP whose principal activity is providing legal advice. The Company derives its income from the provision of business services to Slater & Gordon (UK) LLP together with profit distributions from Slater & Gordon (UK) LLP.

Slater & Gordon (UK) 1 Limited is also the holding company for the Slater Gordon Solutions group of companies acquired in May 2015. The principal activities of this group are to provide legal, medical, motor insurance claim and complementary services.

The Company considers its immediate and ultimate Parent Company to be Slater and Gordon Limited a company incorporated in Australia. Slater and Gordon Limited is the smallest and largest group for which consolidated accounts including Slater & Gordon (UK) 1 Limited are produced. The consolidated accounts of Slater and Gordon Limited are available from 485 La Trobe Street, Melbourne, Victoria, Australia, the registered address of Slater and Gordon Limited.

Through its subsidiaries, the Company aims to deliver high quality legal and ancillary services for individuals, membership organisations, affinity groups and other strategic commercial partners in their personal, employment and business affairs. The Company is committed to becoming one of the largest and most trusted providers of personal legal services in the United Kingdom. This will be achieved through the successful integration of past acquisitions, building awareness of the Slater & Gordon Lawyers brand and building strategic relationships.

The consolidated results for the year ended 30 June 2016 are set out on page 10. No dividend has been proposed by the Company. The Directors do not feel that there are any relevant key performance indicators that need to be disclosed in addition to the financial information included in the financial statements.

The Company has entered into an interest rate swap to reduce the impact of any adverse movement in interest rates on the loans borrowed from the Parent Company's banks. The fair value of the swap arrangement at the balance sheet date was £612,508 (2015:£176,382).

During the period the Company made no political donations (2015:£nil)

The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities

Ernst & Young LLP are deemed to be reappointed as Auditors under section 487(2) of the Companies Act 2006.

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and for the Company in accordance with Financial Reporting Standard 101 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 101"). In these financial statements, the Company has adopted FRS 101 for the first time.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss for that period.

In the case of the FRS101 parent company financial statements, the Directors are required to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the Company

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In the case of the IFRS financial statements, IAS 1 requires that the Directors prepare Group financial statements for each financial year, which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that year.

In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently,

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures, when compliance with specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and

- state that the Group has complied with IFRSs, as adopted by the European Union subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements have been prepared on a going concern basis.

The Company and its subsidiaries are members of the Slater & Gordon Consolidated Group (the "Global Group") whose ultimate parent entity is Slater and Gordon Limited, a company incorporated in Australia.

At 30 June 2016, the Group had net liabilities of £123.3 million and cash of £37.3 million. The Group has prepared cash flow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group. If the assumptions are not realised, the Group may need to seek additional cash funding from other sources. The directors consider that achievement of the forecasts is likely; however, the risk of not achieving the forecast cash receipts represents a material uncertainty which casts significant doubt on the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. One option is to seek additional funding from the parent company. The Company has received confirmation from its parent entity that it will support the Company to meet its liabilities as and when they fall due, but only to the extent that funds are not otherwise available to the Company to meet such liabilities, and for a period of at least 12 months from the date of signing of this financial report or until the recapitalisation is completed following which the UK Group will be separated from the parent company as described below.

On 17 March 2017, the Global Group was notified that in excess of 94% of its Syndicated Facility Agreement ("SFA") debt had traded from its original syndicate of par lenders to secondary debt buyers (the "New Senior Lenders"). The Company is party to the SFA and has given a cross-guarantee, along with other members of the Global Group, and is also party to a debenture supporting the cross-guarantee and granting security over all of its assets, in relation to all liabilities outstanding under the SFA in favour of the lenders.

On 31 March 2017, the Global Group agreed various amendments to the SFA with its New Senior Lenders. Among these amendments was the capitalisation into the loans of A$31.4 million of interest payments otherwise due for payment on 28 June 2017. To support the Global Group's ongoing liquidity requirements, in May 2017 the Global Group entered into a A$40 million working capital facility with the New Senior Lenders. The facility will provide the Global Group with working capital headroom as it continues to execute its plan to restore its financial performance.

During the year ended 30 June 2017, the parent company announced two shareholder class action proceedings had been filed against the parent company. The parent company also received notification of one other potential class action proceeding by former and existing shareholders. On 11 July 2017 the parent company announced it had reached an in principle conditional agreement to settle the class action proceeding brought on behalf of Mr Matthew Hall through a mediation process facilitated by the Federal Court of Australia. The agreement will resolve any and all potential shareholder claims against the parent company and its directors and officers. The settlement of all other shareholder claims will be effected by a shareholder creditors' scheme of arrangement ("Shareholder Creditor Scheme"). The settlement is subject to completion of formal legal documentation and will also require approval by the Federal Court of the settlement terms. It is also subject to shareholder and lender approval via vote at a meeting to be held in November 2017.

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

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

The terms of the recapitalisation agreement also provide the Global Group with additional liquidity support for its continued operation prior to and post the implementation of the recapitalisation in the form of an increase of A$50 million to the Global Group's A$40 million working capital facility which will be available prior to the recapitalisation.

The recapitalisation is expected to be completed in early December 2017 and is subject to a number of conditions precedent which are outside of the control of the directors. These include shareholder approval of the recapitalisation and the settlement of the shareholder class action. If the settlement and Schemes are not approved as expected, there is a possibility that the New Senior Lenders could call the debt in full.

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

On implementation of the creditors' scheme of arrangement to give effect to the recapitalisation, all UK operations and UK subsidiaries will be separated from the Australian group and transferred to a new UK holding company ("UK HoldCo"). UK HoldCo will be wholly owned by the New Senior Lenders. Subsequently, existing shareholders of the Global Group will cease to have any interest in the Global Group's UK operations or UK subsidiaries. As a result of this, the increase to the working capital facility referred to above will be separated into a A$25 million denominated facility for the Australian business and a A$25 million GBP denominated facility for the UK business. The Group will continue to rely on the New Senior Lenders, its future shareholders, for financial support should the Group require further funding due to, for example, failure to achieve revenue forecasts or underlying budget assumptions.

The above matters present material uncertainties which may cast significant doubt on the Global Group's and Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

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

- the Global Group will continue to receive the support of its lenders;
- the conditions precedent to the recapitalisation agreement will be satisfied;
- the conditions precedent to drawing down on the remainder of the working capital facility will be satisfied;
- The recapitalisation agreement will be approved by shareholders; and as such
- The preparation of the financial statements for the year ended 30 June 2016 on a going concern basis is appropriate

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

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

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that: to the best of each director's knowledge and belief, there is no Information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

K J Fowlie
Director

28 September 2017

We have audited the consolidated financial statements of Slater & Gordon (UK) 1 Ltd. for the year ended 30 June 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet and the related notes 1 to 35 for the Group accounts, and notes 1 to 16 for the Company accounts. The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 to 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2016 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of Matter - Going Concern

In forming our opinion which is not modified, we have also considered the adequacy of the disclosures made in note 1(a) to the Group financial statements and note 2(b) to the Parent Company financial statements concerning the Group's and Parent Company's ability to continue as a going concern. The conditions described in note 1(a) to the Group financial statements and note 2(b) to the Parent Company financial statements indicate the existence of material uncertainties which may cast significant doubt about the Group and Parent Company's ability to continue as a going concern. The Group and Parent Company financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst + Young LLP

Kevin Harkin (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Dated. 02 OCT 2017

Revenue and other income			
Fee revenue – rendering of services	3	212,429	127,347
Net movement in work in progress	3	(10,114)	(1,782)
Services revenue	3	114,441	10,852
Subtotal revenue		316,756	136,417
Gain from bargain purchase	3	-	11,819
Other income	3	7,169	2,591
Total revenue and other income		**323,925**	**150,827**
Less expenses			
Salaries and employee benefit expense	5	134,117	66,125
Payments to former owners	5	2,629	2,996
Share based payment expense to former owners	5	3,394	3,916
Cost of sales	5	83,011	8,832
Rental expense		11,681	5,769
Advertising and marketing expense		56,343	19,651
Administration and office expense		35,980	13,568
Consultant fees		7,806	1,787
Finance costs	5	22,617	5,607
Bad and doubtful debts	5	22,880	2,645
Depreciation and amortisation expense	5	3,978	2,244
Goodwill and intangible impairment		328,415	282,966
Costs associated with acquisitions		184	5,525
Other expenses	5	14,259	6,180
Loss before income tax		**(403,369)**	**(276,984)**
Income tax credit/(expense)	6	327	(1,959)
Loss for the year after income tax		**(403,042)**	**(278,943)**
Other comprehensive expense, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		(437)	(31)
Total items that may be reclassified subsequently to profit or loss		**(437)**	**(31)**
Other comprehensive expense for the year, net of tax		**(437)**	**(31)**
Total comprehensive loss for the year, net of tax		**(403,479)**	**(278,974)**
Loss for the year attributed to:			
Owners of the Company	19	(402,897)	(279,011)
Non-controlling interests	20	(145)	68
		(403,042)	**(278,943)**
Total comprehensive loss for the year attributed to:			
Owners of the Company		(403,334)	(279,042)
Non-controlling interests	20	(145)	68
		(403,479)	**(278,974)**

The accompanying notes on pages 15 to 58 form an integral part of these financial statements Certain amounts shown here do not correspond to the 30 June 2015 full year financial statements and reflect adjustments made for IFRS 15 – Revenue from Contracts with Customers See Note 1 (s)

Current assets			
Cash	7	37,324	39,159
Receivables	8	226,022	233,659
Work in progress	9	127,058	123,536
Current tax assets		4,462	12,371
Other current assets	10	11,366	9,848
Total current assets		**406,232**	**418,573**
Non-current assets			
Property, plant and equipment	11	9,247	9,384
Receivables	8	42,419	32,923
Work in progress	9	54,357	67,994
Intangible assets	12	7,655	304,788
Deferred tax assets	6	5,196	18,190
Total non-current assets		**118,874**	**433,279**
Total assets		**525,106**	**851,852**
Current liabilities			
Payables	13	253,536	327,771
Short term borrowings	14	48	100
Current tax liabilities		5,821	1,102
Other current liabilities	15	4,162	5,352
Provisions	16	11,797	4,435
Total current liabilities		**275,364**	**338,760**
Non-current liabilities			
Long term borrowings	14	360,234	307,808
Deferred tax liabilities	6	76	10,404
Derivative financial instruments		613	176
Provisions	16	12,093	6,084
Total non-current liabilities		**373,016**	**324,472**
Total liabilities		**648,380**	**663,232**
Net (liabilities)/assets		**(123,274)**	**188,620**
Equity			
Contributed equity	17	538,871	448,170
Cash-flow hedge reserve	18	(613)	(176)
Retained accumulated losses	19	(661,571)	(259,558)
Total equity attributable to equity holders in the Company		**(123,313)**	**188,436**
Non-controlling interest	20	39	184
Total equity		**(123,274)**	**188,620**

The accompanying notes on pages 15 to 58 form an integral part of these financial statements

Certain amounts shown here do not correspond to the 30 June 2015 full year financial statements and reflect adjustments made for IFRS 15 – Revenue from Contracts with Customers. See Note 1(s)

The financial statements were approved by the board of directors and authorised for issue on 28 September 2017

They were signed on its behalf by

R J Fowlie
Director

Company number 07895497

Balance as at 1 July 2015 Restated		(448,170)	-	259,558	176	(188,436)	(184)	(188,620)
Net loss after tax for the year		-	-	402,897	-	402,897	145	403,042
Acquisition timing adjustment		-	-	(884)	-	(884)	-	(884)
Total other comprehensive expense for the year	18	-	-	-	437	437	-	437
Total comprehensive loss for the year		-	-	402,013	437	402,450	145	402,595
Transactions with owners in their capacity as owners								
Non Share equity	17	-	(90,701)	-	-	(90,701)	-	(90,701)
Total transactions with owners in their capacity as owners		-	(90,701)	-	-	(90,701)	-	(90,701)
Balance as at 30 June 2016		(448,170)	(90,701)	661,571	613	123,313	(39)	123,274

Balance as at 1 July 2014 Reported (Unaudited)		-	-	(23,199)	145	(23,054)	(130)	(23,184)
IFRS 15 restatement	1(s)	-	-	2,862	-	2,862	14	2,876
Balance as at 1 July 2014 Restated		-	-	(20,337)	145	(20,192)	(116)	(20,308)
Net Loss/(Profit) after tax for the year restated	1(s)	-	-	279 011	-	279,011	(68)	278,943
Acquisition timing adjustment		-	-	884	-	884	-	884
Total other comprehensive expense for the year	18	-	-	-	31	31	-	31
Total comprehensive loss/(income) for the year restated		-	-	279,895	31	279,926	(68)	279,858
Transactions with owners in their capacity as owners								
Share issuance	17	(448,170)	-	-	-	(448,170)	-	(448,170)
Total transactions with owners in their capacity as owners		(448,170)	-	-	-	(448,170)	-	(448,170)
Balance as at 30 June 2015 Restated		(448,170)	-	259,558	176	(188,436)	(184)	(188,620)

The accompanying notes on pages 15 to 58 form an integral part of these financial statements

Certain amounts shown here do not correspond to the 30 June 2015 full year financial statements and reflect adjustments made for IFRS 15 – Revenue from Contracts with Customers. See Note 1(s)

Cash flow from operating activities			
Receipts from customers		376,961	138,056
Payments to suppliers and employees		(419,084)	(129,228)
Payments to former owners		(3,800)	(1,374)
Interest received	3	132	145
Borrowing costs		(13,939)	(1,960)
Income tax received/(paid)		15,840	(1,438)
Net cash (used in)/provided by operating activities	**21**	**(43,890)**	**4,201**
Cash flow from investing activities			
Payment for software development		(1,743)	(4 845)
Payment for plant and equipment		(1,998)	(5,886)
Costs associated with acquisition of businesses		(184)	(5,525)
Receipts / (payments) for acquisition of businesses, net of cash in subsidiaries		1,202	(653,849)
Receipts from disposal of businesses		87	-
Payment for deferred consideration of prior period acquisitions		(3,061)	(5,783)
Net cash used in investing activities		**(5,697)**	**(675,888)**
Cash flow from financing activities			
Proceeds from share issue	17	-	448,170
Repayment to related parties		(1,189)	(248)
Proceeds from borrowings		59,969	265,960
Repayment of borrowings		(7,595)	(6,079)
Transactions with parent		(3,433)	(4,328)
Net cash provided by financing activities		**47,752**	**703,475**
Net (decrease)/increase in cash held		(1,835)	31,788
Cash at beginning of financial year		39,159	7 371
Cash at end of financial year	**7**	**37,324**	**39,159**

The accompanying notes on pages 15 to 58 form an integral part of these financial statements

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 & Gordon (UK) 1 Limited is a company limited by shares, incorporated and domiciled in the United Kingdom. The consolidated financial statements comprise the Company and its controlled entities referred to in Note 28, 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 International Financial Reporting Standards (IFRS) as adopted by the European Union, Interpretations and other applicable authoritative pronouncements of the International Accounting Standards Board (IASB) and the Companies Act 2006 in the United Kingdom.

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

The consolidated financial statements are presented in pounds sterling (GBP) and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

Compliance with IFRS

The consolidated financial statements of Slater & Gordon (UK) 1 Limited comply with the International Financial Reporting Standards ("IFRS") as adopted by the European Union 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. By publishing the Parent Company financial statements here together with the Group financial statements the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

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 that are significant to the financial report are disclosed in Note 2.

Going Concern

The financial statements have been prepared on a going concern basis.

The Company and its subsidiaries are members of the Slater & Gordon Consolidated Group (the "Global Group") whose ultimate parent entity is Slater and Gordon Limited, a company incorporated in Australia.

At 30 June 2016, the Group had net liabilities of £123.3 million and cash of £37 3 million. The Group has prepared cash flow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group. If the assumptions are not realised, the Group may need to seek additional cash funding from other sources. The directors consider that achievement of the forecasts is like y; however, the risk of not achieving the forecast cash receipts represents a material uncertainty which casts significant doubt on the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. One option is to seek additional funding from the parent company The Company has received confirmation from its parent entity that it will support the Company to meet its liabilities as and when they fall due, but only to the extent that funds are not otherwise available to the Company to meet such liabilities, and for a period of at least 12 months from the date of signing of this financial report or until the recapitalisation is completed following which the UK Group will be separated from the parent company as described below.

On 17 March 2017, the Global Group was notified that in excess of 94% of its Syndicated Facility Agreement ("SFA") debt had traded from its original syndicate of par lenders to secondary debt buyers (the "New Senior Lenders"). The Company is party to the SFA and has given a cross-guarantee, along with other members of the Global Group, and is also party to a debenture supporting the cross-guarantee and granting security over all of its assets, in relation to all liabilities outstanding under the SFA in favour of the lenders.

On 31 March 2017, the Global Group agreed various amendments to the SFA with its New Senior Lenders. Among these amendments was the capitalisation into the loans of A$31.4 million of interest payments otherwise due for payment on 28 June 2017. To support the Global Group's ongoing liquidity requirements, in May 2017 the Global Group entered into a A$40 million working capital facility with the New Senior Lenders. The facility will provide the Global Group with working capital headroom as it continues to execute its plan to restore its financial performance.

(a) **Basis of preparation of the financial report (Continued)**

Going Concern (Continued)

During the year ended 30 June 2017, the parent company announced two shareholder class action proceedings had been filed against the parent company. The parent company also received notification of one other potential class action proceeding by former and existing shareholders. On 11 July 2017 the parent company announced it had reached an in principle conditional agreement to settle the class action proceeding brought on behalf of Mr Matthew Hall through a mediation process facilitated by the Federal Court of Australia. The agreement will resolve any and all potential shareholder claims against the parent company and its directors and officers. The settlement of all other shareholder claims will be effected by a shareholder creditors' scheme of arrangement ("Shareholder Creditor Scheme"). The settlement is subject to completion of formal legal documentation and will also require approval by the Federal Court of the settlement terms. It is also subject to shareholder and lender approval via vote at a meeting to be held in November 2017.

During the year ended 30 June 2017, the Global Group incurred a net loss after tax of A$546.8 million (including A$361.3 million of intangible asset impairment) and generated negative net cash flow from operating activities of A$39.1 million. At 30 June 2017 the Global Group's total liabilities exceed its total assets by A$248 8 million. The Global Group's Syndicated Facility Agreement ("SFA") banking facilities were fully drawn with borrowings of A$761.6 million as at 30 June 2017 Based on exchange rates as at 30 June 2017, A$450.2 million is repayable in May 2018 and A$311.4 million is repayable in March 2019. The Global Group will not have sufficient free cash flow to pay interest and repay the facilities in May 2018, or earlier; accordingly, the Global Group requires the ongoing support of its lenders to continue as a going concern

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

The terms of the recapitalisation agreement also provide the Global Group with additional liquidity support for its continued operation prior to and post the implementation of the recapitalisation in the form of an increase of A$50 million to the Global Group's A$40 million working capital facility which will be available prior to the recapitalisation.

The recapitalisation is expected to be completed in early December 2017 and is subject to a number of conditions precedent which are outside of the control of the directors. These include shareholder approval of the recapitalisation and the settlement of the shareholder class action If the settlement and Schemes are not approved as expected, there is a possibility that the New Senior Lenders could call the debt in full.

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

On implementation of the creditors' scheme of arrangement to give effect to the recapitalisation, all UK operations and UK subsidiaries will be separated from the Australian group and transferred to a new UK holding company ("UK HoldCo"). UK HoldCo will be wholly owned by the New Senior Lenders. Subsequently, existing shareholders of the Global Group will cease to have any interest in the Global Group's UK operations or UK subsidiaries. As a result of this, the increase to the working capital facility referred to above will be separated into a A$25 million denominated facility for the Australian business and a A$25 million GBP denominated facility for the UK business. The Group will continue to rely on the New Senior Lenders, its future shareholders, for financial support should the Group require further funding due to, for example, failure to achieve revenue forecasts or underlying budget assumptions.

The above matters present material uncertainties which may cast significant doubt on the Global Group's and Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

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

- the Global Group will continue to receive the support of its lenders;
- the conditions precedent to the recapitalisation agreement will be satisfied;
- the conditions precedent to drawing down on the remainder of the working capital facility will be satisfied;
- The recapitalisation agreement will be approved by shareholders; and as such
- The preparation of the financial statements for the year ended 30 June 2016 on a going concern basis is appropriate

(a) Basis of preparation of the financial report (Continued)

Going Concern (Continued)

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

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

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(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 intercompany 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.

(c) Revenue

Provision of Legal Services – Personal Injury Law Claims

The personal injury law practice operates on the basis of No Win – No Fee cond tional fee arrangements, whereby fees are earned only in the event of a successful outcome of a customer's claim. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Group in delivering these services. Management considers the methods used provide a faithful depiction of the transfer of goods or services.

The uncertainty around the fees receivable under a contract is generally only resolved when a matter is concluded In recognising revenue in the personal injury practice, where the Group has sufficient historical experience in similar contracts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue from the fees from contracts is estimated using the expected value method. The estimated amount of variable consideration is based on the expected fee for the nature of the legal service with reference to historical fee levels and relative rates of successful and unsuccessful outcomes. To determine the probability of success of a case, a level of judgement is required to be applied based on past experience and historical performance of similar matters.

Expected fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded.

Where historical averages are not predictive of the probability of outcomes for a given contract, or where the Group has limited historical experience with similar contracts, the expected amount of variable consideration is estimated using a most likely amount approach on a contract by contract basis. In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

(c) Revenue (Continued)

Provision of Legal Services – Personal Injury Law Claims (Continued)

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation. The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance.

Estimates of revenues (including interim billing), costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the personal injury revenue streams. This is because in personal injury matters, a substantial amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group.

A receivable in relation to these services is recognised on settlement of the client matter and when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company arranges for the disbursement activities on behalf of the client; however it does not control the output from those activities. The Company cannot influence the content of the medical reports or court filings, therefore no profit margin is recognised on the activities and the clients are charged the direct cost incurred by the Company. As such, the Company acts as an agent for disbursements, which are only recognised when it is assessed that a reimbursement will be received from the client or on his or her behalf. The disbursements are treated as a separate asset. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred.

The amount of any expected reimbursement is reduced by an allowance for non-recovery based on past experience.

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.

Accrued income is recorded once damages have been agreed with the defendants, prior to negotiation of the final costs.

The Group estimates fees for variable or conditional service fee arrangements using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success of each case. Variable consideration is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved (generally when a matter is concluded).

General Law Legal Services

The Group also earns revenue from provision of general legal services, incorporating project litigation. Revenue for general legal services is recognised over time in the accounting period when services are rendered.

Fee arrangements from general legal services include fixed fee arrangements, unconditional fee for service arrangements ("time and materials"), and variable or contingent fee arrangements (including No Win – No Fee arrangements for services including project litigation, and some consumer and commercial litigation).

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract by contract basis using a milestone based approach, which was explained above.

In fee for service contracts, revenue is recognised up to the amount of fees that the Group is entitled to invoice for services performed to date based on contracted rates.

Certain project litigation matters are undertaken on a partially funded basis. The Group has arrangements with third party funders to provide a portion of the fees receivable on a matter over time as services are performed. In such arrangements, the funded portion of fees is billed regularly over time and is not contingent on the successful outcome of the litigation. The remaining portion of fees is variable consideration which is conditional on the successful resolution of the litigation. The variable consideration is included in revenue as services are performed only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved.

(c) Revenue (Continued)

General Law Legal Services (Continued)

As in the case of personal injury claims, estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the general law services revenue streams. This has been determined on fee for service and fixed fee arrangements as the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. For No Win - No Fee arrangements this has been determined because a significant amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group.

A receivable in relation to these services is recognised when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Accrued income is recorded once damages have been agreed with the defendants, prior to negotiation of the final costs

Provision of Other Services – Slater Gordon Solutions

Legal Services

Revenue from Road Traffic Accidents ("RTA") and Employer Liability/Public Liability ("EL/PL") files is recognised over the life of the case based on prescribed milestones in a matter.

The legal services practice operates on the basis of No Win – No Fee conditional fee arrangements and applies the same accounting policies as personal injury claims described above In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

No revenue has been recognised for Noise Induced Hearing Loss ("NIHL") files that are in progress as at 30 June 2016 due to the low number of NIHL cases that have settled within Slater Gordon Solutions ("SGS") during the year and the inherent uncertainty over the consideration to be achieved in each successful matter

Vehicle Hire and Repair

Revenue from the provision of car repair is recognised at a point in time Revenue from the provision of car hire and cost recovery services are recognised over the time that the services are performed.

For car repair services, revenue is recognised upon completion of all repair work and upon the customer signing a "client satisfaction note" in taking back possession of the car. The amount of revenue recognised is the amount as agreed in writing between the parties prior to the service being provided in the repair contract.

For car hire and cost recovery services, the revenue is recognised over time, being the period between the commencement of the car hire and settlement of costs through the Third Party Insurer ("TPI"). The amount of revenue recognised is the amount as agreed in writing between the parties prior to the service being provided in the hire rental agreement.

Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded. A dilution rate is applied on the invoice to recognise the fact that there may be a settlement adjustment with the insurer if the insurer disputes any costs. This also takes into account the fact that some cases may not be 'no fault'.

A receivable in relation to these services is recognised when a bill has been issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For car hire and repair services provided for not at fault clients, the Group acts as a principal. Although the services are provided by third party suppliers, the Group has the primary responsibility to ensure that the services have been delivered to the clients. The Group cannot vary the prices set by the supplier, as it is governed by an industry framework and the Group collects the revenue from the customer and bears all credit risk.

Revenue resulting from car hire and repair services within SGS Motor Services are recognised on a gross basis.

Medical Reports and Rehabilitation Services

Revenue from the provision of medical appointments and rehabilitation services is recognised at a point in time.

For medical appointments, the revenue is recognised when the medical report is received from the medical expert. The amount of revenue recognised is based on the average fee per case calculated on a historic basis. This value remains in work in progress until the medical report is issued to the Instructing Party ('IP') at which point the sales invoice is raised.

(c) Revenue (Continued)

Medical Reports and Rehabilitation Services (Continued)

For rehabilitation services, the revenue is recognised when the course of treatment is completed and the final assessment or discharge report is issued to the IP. The amount of revenue recognised is based on the average fee per case calculated on a historic basis. This value remains in work in progress until the final assessment or discharge report is issued to the IP at which point the sales invoice is raised.

A receivable in relation to these services is recognised when a bill has been issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract Costs

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred.

(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. It includes any amounts held in Escrow. 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.

Under the SRA Accounts Rules 2011 the Group is required to have a separate bank account to hold and receive client money. This must be under the name of the relevant entity and the name of the account must also include the word 'client'. All client money must be held in a client account. Client monies do not appear in the financial statements

(e) Receivables

Collectability of trade debtors is reviewed at each reporting period. Management considers whether further impairment of debtors is required based on the ageing profile and uses calculated historical rates of recovery to determine the required impairment. Debts that are known to be uncollectable are written off when identified.

Disbursements are only recognised when it is assessed that a reimbursement will be received from the client or on his or her behalf. The disbursements are treated as a separate asset. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred.

The amount of any expected reimbursement is reduced by an allowance for non-recovery based on past experience.

Accrued income represents the revenue recognised in accordance with the group revenue recognition policy to the extent it has not been invoiced. It is recorded once damages have been agreed with the defendants, prior to negotiation of the final costs.

(f) Property, plant and equipment

Property, plant and equipment are 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.

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:

Fixtures, Fittings and Equipment	**5.00 – 66.67%**	Straight Line and Diminishing Value
Low value asset pool	**18.75 – 37.50%**	Diminishing value

(f) Property, plant and equipment (Continued)

Depreciation (Continued)

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.

(g) 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.**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.

Refer to note 1 (c) above for further details.

Contracts for legal services are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations under these contracts has not been disclosed.

The Group allocates work in progress between current and non-current classifications based on a historical analysis of the Group's work in progress balances and velocity rates to determine expected timing of settlements.

(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.

(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

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, 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 losses. 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.

(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.

Value Added Tax ("VAT")

Revenue, expenses and assets are recognised net of the amount of VAT, except where the VAT incurred is not recoverable from the 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 VAT.

The net amount of VAT recoverable from, or payable to, the 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 VAT component of investing and financing activities, which are disclosed as operating cash flows. Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the relevant taxation authority.

(m) **Provisions**

Provisions for liabilities are recognised in respect of obligations resulting from past events for which it is probable that the Group will be required to transfer economic benefits in settlement where the amount and/or timing of the settlement is uncertain. The provisions are stated at the best estimate of the amount required to settle the obligation at the balance sheet date.

The onerous lease balance is the remaining expenditure from properties that no longer derive economic benefit in the future. Provisions for onerous leases are stated at the net present value of the amounts payable under the contracts.

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.

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflow.

(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.

(n) Employee Benefits (Continued)

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 pension 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 as 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 Australian 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 25. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Australian 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 in Note 25.
- 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 IFRS 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 25 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 in 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, 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.

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.

(q) Financial instruments (Continued)

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) Foreign currency translations and balances

The financial statements are produced using the functional currency. The functional currency is Pounds Sterling (GBP).

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 foreign operations

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.

(s) 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.

The Group has elected to early adopt IFRS 15 *Revenue from Contracts with Customers* as issued in May 2014, which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2018. The initial application date for the Group is 1 July 2015. The Group elected to apply the standard on a full retrospective basis as permitted by IFRS 15 whereby the cumulative effect of retrospective application is recognised by adjusting opening retained profits or other relevant components of equity for the earliest comparative period presented (which for the Group is the comparative period beginning on 1 July 2014). See below for further details on the key impacts arising from the adoption of the new standard.

Estimating variable consideration

Prior to the adoption of IFRS 15, in previous reporting periods, variable consideration expected to be received from services (including services provided on a No Win – No Fee basis) was estimated based on historical average fees and success outcomes.

Under IFRS 15, where consideration in respect of a contract is variable, revenue can only be recognised to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract will not be subject to a significant reversal when the uncertainty associated with the variable consideration is subsequently resolved (this is referred to as the "constraint" requirements). As a result, the Group has applied the new constraint requirements in estimating the amount of variable consideration included in the transaction price compared to the amount of variable consideration previously included.

Stage of completion

As a result of more detailed requirements under IFRS 15 with respect to measuring the stage of completion of a performance obligation, the Group has conducted a review of its methodology for measuring progress towards completion of relevant performance obligations.

In summary, as a result of early adopting IFRS 15 on a full retrospective basis, the following adjustments were made to the amounts recognised in the statement of financial position and statement of profit or loss and other comprehensive income at 1 July 2014 and at the end of the comparative period (30 June 2015):

(s) **Adoption of new and amended accounting standards (Continued)**

Stage of completion (Continued)

	IAS 18 carrying amount 1 Jul 2014 (Unaudited)	Prior Period Remeasurement	Current Period Remeasurement	IFRS 15 carrying amount 1 Jul 2014 (Unaudited)
Statement of Financial Position	£'000	£'000	£'000	£'000
Work in progress (current and non-current)	100,985	-	(3,595)	97,390
Deferred tax liabilities	(6,773)	-	719	(6,054)
Retained profits	(23,199)	-	2,862	(20,337)
Non-controlling interests	(130)	-	14	(116)

Statement of Profit or Loss and Other Comprehensive Income	**30 Jun 2015 As Reported £'000**	**£'000**	**£'000**	**30 Jun 2015 As Restated £'000**
Net movement in work in progress	15,587	-	(17,369)	(1,782)
Gain from bargain purchase	11,709	-	110	11,819
Goodwill Impairment	(269,062)	-	(13,904)	(282,966)
Income tax expense	(5,390)	-	3,431	(1,959)

Statement of Financial Position	**30 Jun 2015 As Reported £'000**	**£'000**	**£'000**	**30 Jun 2015 As Restated £'000**
Work in progress (current and non-current)	222,617	(3,595)	(27,492)	191,530
Payables	(323,240)	-	(4,531)	(327,771)
Deferred tax liabilities	(13,623)	719	2,500	(10,404)
Accumulated losses	228,146	2,862	28,550	259,558
Non-controlling interests	(265)	14	67	(184)

Remeasured amounts relate solely to the application of IFRS 15 and do not reflect other adjustments.

FRS 9 introduces 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 IFRS 9 are to be measured at fair value

Chapter 6 Hedge Accounting supersedes the general hedge accounting requirements in IAS 39 *Financial Instruments: Recognition and Measurement*. 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 IAS 39 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 IAS 39),
- 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 regarding an entity's hedge accounting have also been added to IFRS 7 *Financial Instruments Disclosures*.

Impairment of assets is now based on expected losses in IFRS 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 for annual reporting periods beginning on or after 1 January 2018.
- IFRS 9 is expected to be applied when it becomes effective

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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are outlined in detail within the specific note to which they relate. Noted below are the significant accounting judgements and key sources of estimation uncertainty applied in the current reporting year:

(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. UK – Personal Injury Law ("SGL PI")
2. UK - General Law ("SGL GL")
3. Slater Gordon Solutions ("SGS")

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 12.

(b) Work in progress ("WIP")

Revenue Recognition – Identifying the Performance Obligation

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Group in delivering these services. Management considers the methods used provide a faithful depiction of the transfer of goods or services.

The Group has some contractual arrangements outside of personal injury matters that include multiple performance obligations. In these transactions, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. In most cases, the price for each separate performance obligation is identified in the contract and in most cases, these prices are considered to be reflective of the stand-alone selling price of each performance obligation.

The Group notes that it is not practicable to determine and track on a case-by-case basis the elements of a transaction that should be attributed to pre- and post-acquisition performance, given the nature of the estimates of variable consideration, and the methodology adopted (based around actual historical average fees and estimates of success rates on a cohort-by-cohort rather than case-by-case basis).

Revenue Recognition – Estimating the Transaction Price Variable Consideration – No Win – No Fee Arrangements

The Group provides various services on the basis of No Win – No Fee conditional fee arrangements The uncertainty around the fees ultimately receivable under these types of contracts is generally only resolved when a matter is concluded

Where the Group has sufficient historical experience in similar contracts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue is estimated using the expected value method. Fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded.

To determine the probability of success of a case using the expected value method, a level of judgement is required to be applied based on past experience and historical performance of similar matters. The estimated amount of variable consideration is based on the expected fee for the nature of the legal service provided with reference to internal historical fee levels and relative rates of successful and unsuccessful outcomes.

Where historical averages are not predictive of the probability of outcomes for a given contract, or where the Group has limited historical experience with similar contracts, the expected amount of variable consideration is estimated using a most likely amount approach on a contract by contract basis In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

Recognising Revenue Measuring the Stage of Completion

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation. The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance.

(b) **Work in progress ("WIP") (Continued)**

Recognising Revenue: Measuring the Stage of Completion (Continued)

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 in the UK and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences to the extent that 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.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

- Note 25 – Share-based payment arrangements
- Note 30 – Business combinations
- Note 31 – Financial risk management
- Note 32 – 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 30.

(g) **Principal versus 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 are 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 the end of the reporting period. Estimates of the provision are 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 16.

Rendering of services		212,429	127,347
Net movement in WIP		(10,114)	(1,782)
		202,315	**125,565**
Services revenue			
Ancillary Revenue		83,893	8,085
Commission Revenue		7,263	583
Services - Non Legal		23,285	2,184
Total services revenue		**114,441**	**10,852**
Gain from bargain purchase	30	**-**	**11,819**
Other income			
Interest		132	145
Other		7,037	2,446
		7,169	**2,591**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment results are regularly reviewed by the Chief Executive Officer, to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has two operating segments which represent its two reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit is managed separately. The following summary describes each of the Group's reportable segments:

- **Slater & Gordon Legal ("SGL")** – conducting a range of personal injury and general law legal services in the United Kingdom.
- **Slater Gordon Solutions ("SGS")** – represents the business assets/entities acquired 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 and liabilities are allocated based on where the assets are located.

Revenue			
Fee and services revenue	112,527	214,343	326,870
Movement in WIP	(10,586)	472	(10,114)
Revenue from contracts with customers	101,941	214,815	316,756
Other income			7,169
Total revenue and other income			323,925
Result			
Loss before tax and net finance and goodwill impairment expense	(32,504)	(19,833)	(52,337)
Net finance expense			(22,617)
Goodwill impairment expense			(328,415)
Loss before income tax			(403,369)
Income tax credit			327
Loss after income tax			(403,042)
Total segment assets	282,531	242,575	525,106
Total segment liabilities	(105,047)	(183,099)	(288,146)
Net segmental assets	**177,484**	59,476	**236,960**
Non segmental liabilities			(360,234)
Net liabilities per statement of financial position			**(123,274)**

Finance costs expense			
Interest on bank overdraft and loans		22,385	4,998
Interest on deferred consideration payable to vendor on acquisitions		212	561
Interest on obligations under hire purchases		20	48
		22,617	**5,607**
Depreciation and amortisation of non-current assets			
Property, plant and equipment	**11(a)**	1,754	891
Software development	**12(b)**	1,727	394
Trademarks	**12(c)**	497	959
		3,978	**2,244**
Cost of sales			
Ancillary revenue		71,989	7,681
Commission revenue		2	1
Rendering of services – non-legal		11,020	1,150
		83,011	**8,832**
Bad and doubtful debts			
Bad and doubtful debts		22,804	2,644
Bad and doubtful debts – Services		76	1
		22,880	**2,645**
Other Expenses			
Management Fees		2,153	2,827
Staff related		7,215	1,922
Facility		972	1,342
Sundry		3,919	89
		14,259	**6,180**
Salaries and employee benefit expense			
Staff costs		131,180	64,522
Share based payments expense		(10)	356
Directors' emoluments		322	38
Post-employment benefits		2,625	1,209
		134,117	**66,125**
Payments to former owners			
Share based payment expense to former owners		3,394	3,916
Payments to former owners		2,629	2,996
		6,023	**6,912**

Income tax expense		
Current tax	(1,123)	1,917
Deferred tax	(9,635)	416
Adjustment for current tax relating to prior periods	(2,404)	(374)
Adjustment for deferred tax relating to prior periods	(2,165)	-
Derecognition of deferred tax asset	15,000	-
	(327)	1,959
The prima facie tax payable on profit before tax differs from the income tax expense as follows:	**(403,369)**	**(276,984)**
At the statutory income tax rate of 20% (2015 20.75%)	(80,674)	(57,474)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Expenses not deductible for tax purposes	60,590	55,652
Non-taxable income	(82)	(2,430)
Other non-allowable items	-	3,361
	(20,166)	(891)
Adjustments in respect of prior periods	(4,569)	(373)
Derecognition of deferred tax asset	15,000	-
Difference in overseas tax rate	(1,141)	(113)
Deferred tax assets not recognised	10,549	3,759
Other	-	(423)
Income tax expense	(327)	1,959

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate down to 17% was announced in the 2016 Budget and substantively enacted on 6 September 2016 (to be effective from 1 April 2020).

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.

	2016 £'000	2015 Restated £'000
Tax losses	232,570	76,000
	232,570	76,000

Deferred tax relates to the following:	**2016 £'000**	**2015 Restated £'000**
Property, plant and equipment	319	123
Maltese refundable tax credit	4,236	6,347
Other short-term timing differences	410	90
Revenue losses carried forward	580	16,380
Deductible goodwill	-	4,020
Work in progress	(425)	(14,218)
Intangibles	-	(4 956)
Net deferred tax assets	**5,120**	**7,786**
Reflected in the statement of financial position as follows:		
Deferred tax assets	5,196	18,190
Deferred tax liabilities	(76)	(10,404)
Net deferred tax assets	**5,120**	**7,786**

Cash at bank	21(a)	37,324	39,159

As at 30 June 2016 cash includes an amount of £4,000 in respect of cash held in escrow (2015.£1,612). The bank facilities are fully drawn at 30 June 2016. (2015 unused bank facilities of £73,955)

Current		
Trade debtors	97,895	127,968
Impairment of trade debtors	(52,462)	(37,587)
Accrued income	23,153	18,480
	68,586	108,861
Disbursements	184,420	119,387
Allowance for non-recovery	(37,139)	2,906
	147,281	122,293
Other receivables	4,577	1,599
Intercompany Debtors	5,578	906
	226,022	233,659
Non-current		
Disbursements	53,682	37,621
Allowance for non-recovery	(11,263)	(4,698)
	42,419	32,923
Balance at end of the year	268,441	266,582

Current		
Non-personal injury	7,839	4,526
Personal injury	119,219	119,010
	127,058	123,536
Non-current		
Personal injury	54,357	67,994
	54,357	67,994

Current		
Prepayments	7,256	6,445
Other current assets	4,110	3,403
	11 366	9,848

Fixtures & fittings at cost		23,018	22,688
Less accumulated depreciation		(13,918)	(13,451)
	11(a)	9,100	9,237
Land and buildings at cost		147	147
Less accumulated depreciation		-	-
	11(b)	147	147
Total plant and equipment		9,247	9,384

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) Fixtures & fittings		
Balance at the beginning of the year	9,237	2,913
Additions	1,998	5,830
Additions through acquisition of entities	-	2 437
Reclassification to Land and buildings and software development	-	(1,044)
Depreciation expense	(1,754)	(891)
Disposals	(381)	(8)
Carrying amount at end of year	9,100	9,237
(b) Land and buildings		
Balance at the beginning of the year	147	-
Additions through acquisition of entities	-	76
Reclassification from fixtures & fittings	-	71
Carrying amount at end of year	147	147

Goodwill – at cost		555,309	555,309
Revision to fair value accounting		31,790	-
Accumulated impairment		(587,099)	(282,966)
Net carrying amount	**12(a)**	-	272,343
Software development – at cost		16,689	14,946
Accumulated amortisation		(9,034)	(7,280)
Net carrying amount	**12(b)**	7,655	7,666
Trademarks– at cost		2,278	2,278
Accumulated amortisation		(2,278)	(1,752)
Net carrying amount	**12(c)**	-	526
Brand names – at cost		24,253	24,253
Accumulated impairment		(24,253)	-
Net carrying amount	**12(d)**	-	24,253
Total intangible assets		7,655	304,788

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:

(a) Goodwill		
Opening net book amount	272,343	28,842
Additions in respect of business combinations	31,790	526,467
Impairment	(304,133)	(282,966)
Closing net book value	-	272,343
(b) Software development		
Opening net book amount	7,666	354
Additions	1,743	4,845
Additions in respect of business combinations	-	1,888
Reclassification from fixtures and fittings	-	973
Disposals	(27)	-
Amortisation expense	(1,727)	(394)
Closing net book value	7,655	7,666
(c) Trademarks		
Opening net book amount	526	1,485
Additions in respect of business combinations	-	-
Amortisation expense	(497)	(959)
Impairment	(29)	-
Closing net book value	-	526
(d) Brand names		
Opening net book amount	24,253	953
Additions in respect of business combinations	-	23,300
Impairment	(24,253)	-
Closing net book value	-	24,253

In Goodwill, the 2015 restated additions include £13,904 of the impact of adoption of IFRS 15.

Goodwill and indefinite life intangibles acquired through business combinations have been allocated to individual cash generating units ("CGUs") in the UK business for the purposes of impairment testing being the Personal Injury Law and General Law division ("SGL") 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 IAS 36 *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.

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

The Group performed its annual impairment test as at 30 June 2016 and a reassessment at 31 December 2016 as a result of lower than budgeted results in the period following the year end. 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 additional 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 additional 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.

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 premium 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 UK PIL, UK GL and SGS 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's parent has observable market data to allow an appropriate assessment of its cost of capital as a listed company on the Australian Stock Exchange.

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.

A 5.00% (2015: 5.00%) nominal growth rate has been applied to the FY16 forecast for the penods FY17 to FY20 with a long term nominal growth rate adopted of 2.50%.

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

The post-tax discount rate applied to cash flow projections is 9.25% (2015: 9.25%).

The Personal Injury Law business has underperformed against budget and previous forecasts and the impairment test performed at 31 December 2016, based on a fair value less costs of disposal methodology, indicated full impairment which has been recorded in these financial statements.

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% (2015:8.00%) 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 2.50%.

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

The post-tax discount rate applied to cash flow projections is 9.25% (2015: 9.25%).

The General Law business has underperformed against budget and previous forecasts and the impairment test performed at 31 December 2016, based on a fair value less costs of disposal methodology, indicated full impairment which has been recorded in these financial statements.

Slater Gordon Solutions

The recoverable amount of Slater & Gordon Solutions ("SGS") CGU as at 30 June 2016 has been determined based on a value in use calculation using approved forecasts covering a period of 5 years. Cash flows beyond 5 years were subject to a long term nominal growth rate of 2 5% with reference to forecast inflation rates, population and industry growth rates.

The post-tax discount rate applied to cash flow projections is 9.25%.

The SGS business has underperformed against budget and previous forecasts and the impairment test performed at 31 December 2016, based on a fair value less costs of disposal methodology, indicated full impairment which has been recorded in these financial statements.

Current		
Unsecured liabilities		
Trade creditors and accruals	84 505	100,182
Legal creditors	166,225	147,225
Intercompany creditors	2,806	74 205
Vendor liabilities – acquisitions	-	6,159
	253,536	327,771

Current		
Secured		
Cash advances – bills of exchange	-	-
Finance lease liability	48	100
	48	**100**
Non-current		
Secured		
Cash advances – bills of exchange	360,234	307.760
Finance lease liability	-	48
	360,234	**307,808**

The Group leases certain of its fixed assets under finance leases The lease terms are now under one year (2015: 1 to 2 years remaining). 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 3.64% to 7.43% (2015: 3.20% to 7.43%) per annum

Within one year	49	(1)	48	104	(4)	100
One year or later and not later than five years		-	-	49	(1)	48
Greater than five years	-	-	-	-	-	-
	49	(1)	48	153	(5)	148

Current		
Unsecured		
LLP member capital contributions	4,162	5,352
	4,162	**5,352**

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if Slater & Gordon (UK) LLP has an unconditional right to refuse payments to members If Slater & Gordon (UK) LLP does not have such an unconditional right, such amounts are classified as liabilities.

Current					
Balance as at 1 July 2014 (unaudited)	-	**2,061**	-	-	**2,061**
Charged	-	965	1,502	1,114	3,581
Utilised	-	(1,473)	(301)	-	(1,774)
Business combination	-	-	-	567	567
Balance as at 30 June 2015 restated	-	**1,553**	**1,201**	**1,681**	**4,435**
Transfer from non-current	-	-	1,201	-	1,201
Charged	3,583	4,533	1,111	2,061	11,288
Utilised	-	(3,600)	(1,201)	(326)	(5,127)
Balance as at 30 June 2016	**3,583**	**2,486**	**2,312**	**3,416**	**11,797**
Non-current					
Balance as at 1 July 2014 (unaudited)		**881**	-	-	**881**
Charged		1,421	1,939	-	**3,360**
Utilised		1,843	-	-	**1,843**
Balance as at 30 June 2015 restated		**4,145**	**1,939**	-	**6,084**
Transfer to current		-	(1,201)	-	**(1,201)**
Charged		4,854	1,377	1,200	**7,431**
Utilised		(221)	-	-	**(221)**
Balance as at 30 June 2016		**8,778**	**2,115**	**1,200**	**12,093**

The Commissions Provision relates to potential VAT, interest and penalties on commissions received.

Ordinary shares fully paid	448,170	448,170	448,170	448,170
Balance at end of the year	**448,170**	**448,170**	**448,170**	**448,170**

Balance at the beginning of the year	**448,170**	**448,170**	-	-
Issued during the year				
Shares issued at par and fully paid	-	-	448,170	448,170
Non Share Equity	-	90,701	-	-
Balance at end of the year	**448,170**	**538,871**	**448,170**	**448,170**

The Non Share Equity relates to share options issued by Slater and Gordon Limited, the Australian parent company for £0.2m and the release of the Company's obligations in respect of Australian Dollar intercompany debt, (A$23.2m), UK Sterling intercompany debt (£73.3m) and Sterling intercompany debt (£4 6m) by Slater and Gordon Limited.

Cash flow hedge reserve	613	176
	613	**176**

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:

Cash flow hedge reserve

Balance at the beginning of the year	176	145
Loss recognised on interest rate hedges, net of tax	437	31
Balance at the end of the year	**613**	**176**

The cash flow hedge 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

Retained profits/Accumulated losses

Balance at the beginning of year	(259 558)	20,337
Acquisition timing adjustment	884	(884)
Net loss attributable to ordinary equity holders	(402,897)	(279,011)
Accumulated losses at end of year	**(661,571)**	**(259,558)**

Interest in:		
Reserves	184	116
Retained profits	(145)	68
Balance at end of year	**39**	**184**

Non-controlling interests

Balance at the beginning of the year	184	116
Non-controlling interest share in net (loss)/ profit after tax	(145)	68
Balance at the end of the year	**39**	**184**

(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·

Cash on hand	7	37,324	39,159
		37,324	**39,159**

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

Loss before income tax		(403,369)	(276,984)
Income tax credit/(expense)		327	(1,959)
Loss after income tax		(403,042)	(278,943)
Non-cash flows in profit from ordinary activities			
Depreciation & Amortisation	5	3,978	2,244
Loss on Asset disposal	11,12	408	-
Goodwill and intangible impairment	12	328,415	282,966
Revision to fair value accounting	12,15	(31,790)	-
Share Based Payments Expense	5	3,384	4,272
Accrual for payments to former owners	5	2,629	2,996
Costs associated with acquisition		184	5,525
Notional Interest on Deferred Consideration	5	212	561
Gain on bargain purchase		-	(11,819)
Changes in assets and liabilities			
Receivables		(1,859)	(21,037)
Other Current Assets		(1,518)	(1,308)
Plant and Equipment		-	10
Work in progress		10,115	(2,369)
Payables		15,445	19,878
Income tax payable		12,628	(5,990)
Deferred taxes		3,550	5,962
Provisions		13,371	1,253
Cash flows from operations		**(43,890)**	**4,201**

Future minimum amounts payable under non-cancellable operating leases as at 30 June are, as follows:

Operating lease and non-cancellable contracts

Non-cancellable operating leases and commitments (including rental of office space) contracted but not capitalised in the consolidated financial statements:

Within one year	7,417	7,285
One year or later and not later than five years	20,576	21,216
Greater than five years	22,664	28,402
	50,657	**56,903**

Bank guarantees in respect of rental properties and acquisitions	4,630	7 675

The Company is party to a multi-currency (AUD/GBP) syndicated facility agreement ("SFA") dated 29 May 2015 pursuant to which its ultimate parent company, Slater and Gordon Limited, is a borrower. Pursuant to the terms of the SFA, the Company has given a cross-guarantee (along with other Group Companies) in relation to all liabilities outstanding under the SFA in favour of the Finance Parties (as defined under the SFA). The Company is also party to a debenture dated 29 May 2015 (the "Debenture") pursuant to which the Company (together with other Group Companies) covenants with Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties (as defined in the Debenture)) that it will on demand pay all liabilities outstanding under the SFA (and associated finance documents) when they are due and payable and grants security over all of its assets in favour of Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties).

Compensation by Category

Short-term employment benefits	1 527	1 577
Post-employment benefits	14	26
Other benefits	6	39
	1,547	**1,642**

The Key Management Personnel includes Directors and senior managers within the group. In 2016 there was one director paid in the UK and their Short term employment benefits totalled £319. That director participated in a defined contribution pension scheme and the contributions in 2016 were £3

Headcount by type

Operations	3,217	1,417
Administration	447	283
Total	**3,664**	**1,700**

The headcount in 2015 only included SGS from date of acquisition, May 29 2015 against a full year for 2016

Slater and Gordon Limited introduced a broad based 'share save' offer to all employees and an Employee Equity Incentive Plan ("EIP") which was approved by the shareholders of Slater and Gordon Limited at the 2014 Annual General Meeting ("AGM")

Employee equity incentive plan ("EIP")

The plan incorporates a tax-approved scheme to employees in the UK. The Plan gives the Group's employees the opportunity to acquire shares in Slater and Gordon Limited. 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, Slater and Gordon Limited'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 Slater and Gordon Limited 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 Slater and Gordon Limited'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 Slater and Gordon Limited'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.

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

< 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·

Group Executives in the UK (12 December 2014)	44 000	2 4799	50% subject to TSR Outperformance hurdle and 50% subject to CAGR EPS hurdle	3 years
Regional Executives in the UK (12 December 2014)	152,000	6 1997	50% subject to TSR Outperformance hurdle and 50% subject to CAGR EPS hurdle	3 years

*All performance rights include 3 years' service condition from grant date

Number of rights granted:

31 October 2014	44,000	-	-	-	44,000	-
12 December 2014	152,000	-	-	-	152,000	-

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

Share based payment arrangements to former owners.

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

These arrangements are treated as a share-based payment transaction with the former owners. The transaction is measured at the fair value of the equity instruments granted and then recognised as an expense over the vesting period as agreed per each contract. The relevant expense is disclosed in the statement of comprehensive income

Amounts received or due and receivable by network firms of Ernst & Young LLP:		
Audit of the financial report of the Group and review of statutory accounts	1,128	161
Other assurance services	24	2
Total auditor's remuneration	**1,152**	**163**

Slater & Gordon (UK) 1 Limited is taking advantage of the exemption granted by each underlying subsidiary entity, not to disclose transactions with wholly owned group companies which are related parties.

At 30 June 2016, £175,270 (2015· £243,715) is owed to the corporate member Slater & Gordon (UK) 1 Limited for loans and share of profit by Slater & Gordon (UK) LLP. At 30 June 2016, Slater & Gordon (UK) 1 Limited is owed by Slater and Gordon Limited £5,576 As at 30 June 2015, Slater & Gordon (UK) 1 Limited owed Slater and Gordon Limited £67,835.

*The following subsidiaries are exempt from audit requirements, and those taking the exemption, under section 479A of the Companies Act 2006 are marked " # ". Those subsidiaries requiring audit are marked " * "*

Controlled entities				
New Claims Direct Limited	United Kingdom	4432180	100	100
4 Legal Limited	United Kingdom	6466579	100	100
4 Legal Solutions Limited	United Kingdom	6492865	100	100
Slater & Gordon (UK) LLP *	United Kingdom	OC371153	100	100
Adroit Financial Planning Limited *	United Kingdom	7980535	100	100
Slater & Gordon Trust Corporation Limited	United Kingdom	8185633	100	100
Pannone Napier Limited	United Kingdom	8912957	100	100
Entities collectively referred to as Slater Gordon Solutions:				
iSaaS Technology Limited #	United Kingdom	7434692	100	100
Compass Costs Consultants Ltd	United Kingdom	4265483	100	100
Intelligent Claims Management Limited #	United Kingdom	5658734	100	100
Mobile Doctors Group Limited #	United Kingdom	5383361	100	100
~~Medici Legal Limited~~	United Kingdom	4266208	100	100
Mobile Doctors Solutions Limited	United Kingdom	4215291	100	100
Mobile Doctors Limited #	United Kingdom	2446392	100	100
MDL Medical Administration Ltd	United Kingdom	3688229	100	100
React & Recover Medical Group Limited	United Kingdom	7316438	100	100
Recover Healthcare Limited	United Kingdom	6836625	100	100
React Medical Reporting Limited	United Kingdom	06872536	100	100
React Medical Management Limited	United Kingdom	07315629	100	100
Medicalaw Limited	United Kingdom	03447569	100	100
Abstract Legal Holdings Limited	United Kingdom	05107527	100	100
Accident Advice Helpline Direct Limited	United Kingdom	05107417	100	100
Legal Facilities Management & Services Limited	United Kingdom	05340220	100	100
Fast Track PPI Limited	United Kingdom	08012611	100	100
Access to Compensation Limited	United Kingdom	05107366	100	100
Cab Claims Limited	United Kingdom	05126239	100	100
Liberty Protect Limited	United Kingdom	05657846	100	100
Claim4 Limited	United Kingdom	05123360	100	100
Accident Advice Helpline Limited #	United Kingdom	05121321	100	100
Accident Advice Insurance Management Group Limited	United Kingdom	05121320	100	100
Sentinel Alliance Limited	United Kingdom	05107418	100	100
Slater Gordon Solutions Legal Limited *	United Kingdom	07931918	100	100
SGS Business Process Services (UK) Limited *	United Kingdom	03851175	100	100
Overland Limited	Malta	C43412	100	100
Overland Health Limited	Malta	C49864	100	100
Overland Malta (Trading) Limited	Malta	C46589	100	100

Controlled entities(Continued)

Entities dissolved in September 2016				
Claim 103 Limited	United Kingdom	5066798	100	100
Accident Advice (IA) Limited	United Kingdom	5141227	100	100
ACH Access Legal Limited	United Kingdom	8101562	100	100
ACH Claims Limited	United Kingdom	8085736	100	100
ACH Media Solutions Limited	United Kingdom	08101607	100	100
ACH Medical Limited	United Kingdom	08085771	100	100
ACH Broker Services Ltd	United Kingdom	08403009	100	100
ACH Quote Me Cover Me Limited	United Kingdom	08101551	100	100
Colegate Vehicle Hire Limited	United Kingdom	01877766	100	100
Auto Indemnity (UK) Limited	United Kingdom	02121818	100	100
Entities sold in October 2016				
Crusader Group Holdings Limited	United Kingdom	05684182	100	100
Centurion Uninsured Loss Recovery Services Limited	United Kingdom	04272317	100	100
Crusader Uninsured Loss Recovery Service Limited	United Kingdom	02919599	100	100
Crusader Connect Limited	United Kingdom	06777462	100	100
Accident & Equity Limited	United Kingdom	05264519	100	100
Equi-Medical Reports Limited	United Kingdom	04830506	100	100
Equi Rehab Limited	United Kingdom	04872341	100	100
Crusader Assistance Group Holdings Limited	United Kingdom	06502635	100	100
Entities dissolved in February 2017				
Colegate Accident Assistance Limited	United Kingdom	03700693	100	100
Quindell ACH Limited	United Kingdom	08586650	100	100

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's aim is to keep the gearing ratio between 30% and 40% in future periods. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits

Interest bearing loans	14	360,282	307,908
Trade and other payables	13	87,311	180,546
Less: cash and short-term deposits	7	(37,324)	(39,159)
Net Debt		410,269	449,295
Equity		(123,274)	188,620
Capital and net debt		286,995	637,915
Gearing Ratio		(43.0%)	29 6%

Current Period Business Combinations

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

Prior Period Business Combinations

Acquisition of business – Slater Gordon Solutions (SGS))

On 29 May 2015 the Group acquired SGS from Quindell Plc. SGS was comprised of 52 legal entities at the date of acquisition incorporated in the UK and Malta.

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 was:

- 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.

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

Consideration			
Cash Investment	469,194	-	469,194
Repayment of cash consideration for SGS acquisition	-	(1,202)	(1,202)
Cash paid for liabilities acquired from previous owner	179,256	-	179,256
Net present value of total consideration	**648,450**	**(1,202)**	**647,248**

Assets			
- Cash and cash equivalents	2,569	-	2,569
- Trade and other receivables	157,132	(23,726)	133,406
- Work in progress	75,856	(14,782)	61,074
- Plant and equipment	2,449	-	2,449
- Intangible assets	25 225	(11)	25,214
- Current tax assets	12,153	7,052	19 205
- Deferred tax assets	18,190	4,660	22,850
- Other assets	3,893	(347)	3,546
Total assets acquired	297,467	(27,154)	270,313
Liabilities			
- Short-term borrowings	(5)	-	(5)
- Current tax liability	-	(7,052)	(7,052)
- Payables	(159 158)	(6,673)	(165 831)
- Provisions	(2,401)	(1,357)	(3,758)
- Deferred tax liability	-	(4,660)	(4,660)
Total liabilities acquired	(161,564)	(19,742)	(181,306)
Net assets acquired	135,903	(46,896)	89,007
Goodwill on acquisition	**512,547**	**45,694**	**558,241**

The initial accounting for the acquisition of SGS had previously been provisionally determined. The necessary fair valuation of consideration and net assets acquired has now been finalised and is reflected in the amounts detailed above. The respective changes to the reported provisional fair value of net assets acquired are:

- £14.8 million reduction in the fair value of work in progress;
- £24.0 million decrease in the fair value of trade and other receivables and other assets,
- Increase in current tax assets by £7.1million;
- Increase in the deferred tax asset by £4.7million to recognise the future tax benefit associated with the revised fair value of WIP in accordance with IFRS15, IFRS 3 restatements, and other fair value adjustments incorporating carry forward losses;
- Reduction in the fair value of trade payables and provisions by £8 1million;
- £7.1 million reduction to current tax liabilities; and
- £4.7 million reduction to deferred tax liabilities.

The impact of the above fair value adjustment is to increase the value of Goodwill on acquisition to £558.2million

The key item that gave rise to the goodwill above was the capacity of SGS to underpin strategic growth of the personal injuries practice within the UK market. However, during the current year ended 30 June 2016, an impairment expense of £290.0 million was recognised against this goodwill (2015:£268.2million).

Acquisition costs related to this acquisition of £175 (2015 £158) have been recognised as an expense in the year ended 30 June 2016 within the costs associated with acquisitions' line item in the statement of profit or loss .

It remains impractical for the Group to determine an estimate of the noise-induced hearing loss ("NIHL") claims asset and associated deferred consideration.

On 5 August 2015 the Serious Fraud Office in the United Kingdom advised that it had opened a criminal investigation into the business and accounting practices of Quindell Plc (now Watchstone Group plc)

The acquisition of SGS was structured as an acquisition of the various entities rather than 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 £50million (see Note 35)

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

Acquisition of other businesses in the UK

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

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 was:

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

The initial accounting for the acquisitions had previously been provisionally determined.

The necessary fair valuation of consideration and net assets acquired has now been finalised and is reflected in the amounts detailed below. For Flint Bishop LLP this revaluation has resulted in an increase in the work in progress of £894 and increase in deferred tax liability of £179 resulting in a decrease of the goodwill to nil. and a resulting gain from bargain purchase of £697. For Leo Abse Cohen this revaluation has resulted in a decrease in the work in progress of £767 and decrease in deferred tax liability of £153 resulting in a decrease in the gain from bargain purchase of £614.

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

Consideration			
Cash	6,949	-	6 949
Deferred cash consideration	813	-	813
Net present value of total consideration	**7,762**	**-**	**7,762**
Net assets acquired			
Assets			
- Trade and other receivables	287	-	287
- Work in progress	19,248	127	19,375
Other	443	-	443
Total assets acquired	19.978	127	20,105
Liabilities			
- Payables	(2,349)	-	(2,349)
- Provisions	(595)	-	(595)
- Deferred tax	(1,858)	(25)	(1,883)
Total liabilities acquired	(4,802)	(25)	(4 827)
Net assets acquired	15,176	102	15,278
Gain on bargain purchase	**7,414**	**102**	**7,516**

Acquisition-related costs for these acquisitions amounting to £229 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 income.

There were several acquisitions during 2014 for which acquisition accounting was finalised during 2015. In the year ended 30 June 2015 Gain on bargain purchase of £183 was recognised in the Pannone acquisition.

All gains on bargain purchase from the restatement of work in progress arising from the adoption of IFRS15 are recognised in the 2015 Statement of Comprehensive Income

Acquisition of business – Walker Smith Way Limited

On 30 April 2015, Slater and Gordon Limited acquired the business of Walker Smith Way Limited, a personal injury and consumer law practice operating throughout Northern England and Wales. The business and assets of Walker Smith Way Limited (WSW) were transferred to Slater & Gordon (UK) LLP.

The strategic rationale for this business acquisition was:

- 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 acquisitions had previously been provisionally determined.

The necessary fair valuation of consideration and net assets acquired has now been finalised and was reflected in the amounts detailed below. This revaluation has resulted in an increase in the work in progress of £4,531 and increase in deferred tax liability of £906 resulting in an increase in the Intercompany payable to Slater and Gordon Limited of £4,531

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

Consideration			
Cash	303	-	303
Equity issued (665,006 shares at £3 76 per share)	2,500	-	2,500
Net present value of total consideration	**2,803**	-	**2,803**
Net assets acquired			
Assets			
- Cash and cash equivalents	1,133	-	1,133
- Trade and other receivables	3,881	-	3 881
- Work in progress	8,308	4,531	12 839
- Plant and equipment	35	-	35
Total assets acquired	13,357	4 531	17,888
Liabilities			
- Creditors	(5,253)	(3,625)	(8,878)
Provisions	(151)	-	(151)
- Deferred tax liabilities	(1,030)	(906)	(1,936)
Total liabilities acquired	(6,434)	(4,531)	(10,965)
Net assets acquired	6,923	-	6,923
Gain on Bargain Purchase	**4,120**	-	**4,120**

Acquisition-related costs for this acquisition amounting to £9 (2015· £115) 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.

Carrying amount of Goodwill allocated to CGUs:

At 30 June, the carrying value of goodwill associated with the above business acquisitions was as follows·

Goodwill	243,485	-	24,194	-	4,664	-	272,343	-
	243,485	-	24,194	-	4 664	-	272,343	-

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:

Financial assets			
Cash and cash equivalents	7	37,324	39,159
Loans and receivables	8	78,741	111,366
Disbursements	8	189,700	155,216
		305,765	305,741
Financial liabilities			
Payables	13	87,311	180,546
Borrowings	14	360,282	307,908
		447,593	488,454

i) **Credit risk**

Credit risk arises from the financial assets of the Group. The main exposure to credit risk in the Group is represented by receivables (debtors and disbursements) owing to the Group. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements

The credit risk associated with cash and cash equivalents is considered as minimal as the cash and cash equivalents are held with reputable financial institutions in the UK.

There is also credit risk associated with unrendered disbursements and trade receivables. Once client matters are billed, a significant portion of receivables related to the personal injuries business are considered low risk. This is because these receivables are collected directly from settlements paid by insurers into trust funds held on behalf of the Group's clients. For the non-personal injury law business, the Group is exposed to the credit risk associated with the client's ability to meet their obligations under the fee and retainer agreement. The Group minimises the concentration of this credit risk by undertaking transactions with a large number of clients.

Credit risk – Slater Gordon Solutions

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. The Group does not hold any collateral over these balances nor has the legal right of offset with any amounts owed by the Group to the receivables counterparty

i) Credit risk (Continued)

Management of credit risk

The Group actively manages its credit risk by:

- assessing the capability of a client to meet its obligations under the fee and retainer agreement;
- periodically reviewing the reasons for bad debt write-offs in order to improve the future decision making process;
- maintaining an adequate provision against the future recovery of debtors and disbursements;
- including in practitioner's Key Performance Indicators ("KPI's") measurements in respect of debtor levels, recovery and investment in disbursements;
- providing ongoing training to staff in the management of their personal and practice group debtor portfolios; and
- where necessary, pursuing the recovery of debts owed to the Group through external mercantile agents and the courts.

Due to the nature of the "No Win No Fee" arrangements applicable to the majority of the legal matters managed by the Group an increase in the required processing time between initiation and settlement and an increase in the ageing of receivables, particularly disbursements, does not always increase the associated credit risk.

Management performs periodic assessment of the recoverability of receivables, and provisions are calculated based on historical write-offs of the receivables as well as any known circumstances relating to the matters in progress.

ii) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. Refer to the statement of cash flows and Note 21 Cash Flow Information, for further information on the historical cash flows. Further information in relation to bank facilities available and utilised are outlined below

KPIs are set for practitioners relating to budgeted fee events, which are closely monitored by senior management.

Total banking facilities		
Bank overdrafts	-	3,436
Cash advance facility	360,234	418,849
Other sundry facilities	-	13 513
Total credit facilities	360,234	435 798
Amount utilised	(360,234)	(350,816)
Unused bank facilities	-	84,982

ii) **Liquidity risk (Continued)**

The table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

Non-derivative financial liabilities				
Payables	87,311	-	87,311	87,311
Borrowings	48	360,234	360,282	360,282
Other current liabilities	4,162	-	4,162	4,162
Financial liability maturities	91,521	360,234	451,755	451,755

Non-derivative financial liabilities				
Payables	180,546	-	180,546	180,546
Borrowings	100	307,808	307,908	307,908
Other current liabilities	5,352	-	5,352	5,352
Financial liability maturities	185,998	307,808	493,806	493,806

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.

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 IFRS 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.

iv) Interest rate risk

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.

(i) Financial assets								
Cash	37,324	39,159	-	-	-	-	37,324	39,159
Trade debtors	68,586	108,861	-	-	-	-	68,586	108,861
Disbursements	189,700	155,216	-	-	-	-	189,700	155,216
Other receivables	10,155	2,505	-	-	-	-	10,155	2,505
Total financial assets	305,765	305,741	-	-	-	-	305,765	305,741
(ii) Financial liabilities								
Trade creditors and accruals	87,311	174,387	-	-	-	-	87,311	174,387
Legal creditors	166,225	147,225	-	-	-	-	166,225	147,225
Vendor liabilities – acquisitions	-	6,159	-	-	-	-	-	6,159
Provisions	23,890	10,519	-	-	-	-	23,890	10,519
Other current liabilities	-	-	4,162	5,352	-	-	4,162	5,352
Hire purchase liability	-	-	-	-	48	148	48	148
Cash advances	-	-	335,234	282,760	25,000	25,000	360,234	307,760
Total financial liabilities	277,426	338,290	339,396	288,112	25,048	25,148	641,870	651,550

0 to 2 years	1.43	1.18	10,000	10,000
2 to 5 years	1 54	1 50	15,000	15,000
			25,000	25,000

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:

Floating rate instruments:		
Unhedged cash advances/bills of exchange	335,234	282,760
	335,234	282,760

iv) **Interest rate risk (Continued)**

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:

+/- 100 basis points:		
Impact on profit after tax	-	-
Impact on equity	542	750

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 currency is 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.

i) **Fair value hierarchy**

Refer to Note 2 (e) for discussion on the fair value hierarchy.

Financial liabilities				
Derivative financial instruments – interest rate swaps	-	613	-	613
	-	613	-	613
Financial liabilities				
Derivative financial instruments – interest rate swaps	-	176	-	176
	-	176	-	176

Financial assets				
Trade and other receivables	-	-	268,441	268,441
Total	-	-	268,441	268,441
Financial liabilities				
Trade Creditors*	-	-	87,311	87,311
Legal Creditors	-	-	166,225	166,225
Borrowings	-	360,234	-	360,234
Finance Lease Liability	-	48	-	48
Total	-	360,282	253,536	613,818

Financial assets				
Trade and other receivables	-	-	266,582	266,582
Total	-	-	266,582	266,582
Financial liabilities				
Trade Creditors*	-	-	174,387	174,387
Legal Creditors	-	-	147 225	147,225
Vendor Liabilities – acquisitions	-	-	6 159	6,159
Borrowings	-	307,760	-	307,760
Finance Lease Liability	-	148	-	148
Total	-	307,908	327,771	635,679

**Accrued expenses that are not financial liabilities are excluded*

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 parent company of Slater & Gordon (UK) 1 Limited is Slater and Gordon Limited, a company incorporated in Australia Slater and Gordon Limited is both the largest and smallest group for which consolidated accounts including Slater & Gordon (UK) 1 Limited are prepared. The consolidated accounts of Slater and Gordon Limited are available from 485 La Trobe Street, Melbourne, Victoria, Australia.

The Crusader business, part of the Motor business in SGS, was sold to a purchasing group led by its management team effective 1 October 2016. The company has subsequently entered into a preferred supplier arrangement with Crusader which will ensure the continuation of the services that it provides to the business (providing first contact client support for SGS Motor, who then arrange credit hire and repair services, and introducing personal injury clients into the Legal businesses)

On 17 March 2017, the parent company was notified that in excess of 94% of its Syndicated Facility Agreement ("SFA") debt had traded from its original syndicate of par lenders to secondary debt buyers (the "New Senior Lenders"). The Company is party to the SFA and has given a cross-guarantee, along with other members of the Global Group, and is also party to a debenture supporting the cross-guarantee and granting security over all of its assets, in relation to all liabilities outstanding under the SFA in favour of the lenders.

On 31 March 2017, the Global Group agreed various amendments to the SFA with its New Senior Lenders. Among these amendments was the capitalisation into the loans of A$31.4 million of interest payments otherwise due for payment on 28 June 2017. To support the Global Group's ongoing liquidity requirements, in May 2017 the Global Group entered into a A$40 million working capital facility with the New Senior Lenders. The facility will provide the Global Group with working capital headroom as it continues to execute its plan to restore its financial performance.

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

The terms of the recapitalisation agreement also provide the Global Group with additional liquidity support for its continued operation prior to and post the implementation of the recapitalisation in the form of an increase of A$50 million to the Global Group's A$40 million working capital facility which will be available prior to the recapitalisation. The recapitalisation is expected to be completed in early December 2017.

On implementation of the creditors' scheme of arrangement to give effect to the recapitalisation, all UK operations and UK subsidiaries will be separated from the Australian group and transferred to a new UK holding company ("UK HoldCo"). UK HoldCo will be wholly owned by the New Senior Lenders. Subsequently, existing shareholders of the Global Group will cease to have any interest in the Global Group's UK operations or UK subsidiaries As a result of this, the increase to the working capital facility referred to above will be separated into a A$25 million denominated facility for the Australian business and a A$25 million GBP denominated facility for the UK business.

Pursuant to its acquisition of the Slater Gordon Solutions business from Quindell Plc on 29 May 2015 (see note 30), the Group notified Watchstone Group plc (formerly Quindell Plc) ("Watchstone") on 19 September 2016, that it intended to file a claim against Watchstone arising from the acquisition. The claim, for approximately £600 million, is based upon serious allegations against Watchstone, including fraud, concerning the acquisition. Proceedings pursuing the claim were issued and served on Watchstone on 13 June 2017.

Fixed assets			
Intangible assets	4	-	154
Investments	5	41,072	267,277
		41,072	**267,431**
Current assets			
Debtors due in less than one year	6	3,377	290
Cash at bank and in hand	7	9,004	4,427
		12,381	4,717
Non-current assets			
Debtors due in more than one year	6	**226,535**	**437,106**
Creditors: amounts falling due within one year	8	**(4,408)**	**(3,716)**
NET CURRENT ASSETS		**7,973**	**1,001**
TOTAL ASSETS LESS CURRENT LIABILITIES		**275,580**	**705,538**
Creditors: amounts falling due after more than one year	9	**(377,000)**	**(375,595)**
Provisions for liabilities	10	**-**	**(17,251)**
Net (Liabilities)/Assets		**(101,420)**	**312,692**
Capital and reserves			
Called up share capital	13	448,170	448,170
Non share equity	13	90,701	-
Profit and loss account	13	(639,678)	(135,302)
Cashflow hedge reserve		(613)	(176)
Total Equity		**(101,420)**	**312,692**

The accompanying notes on pages 61 to 68 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 28 September 2017.

They were signed on its behalf by

K J Fowlie

Director

Company number: 07895497

Balance as at 1 July 2015	**(448,170)**	**-**	**135,302**	**176**	**(312,692)**
Net loss after tax for the year	-	-	504,376	-	504,376
Total other comprehensive expense for the year	-	-	-	437	437
Total comprehensive loss for the year	**-**	**-**	**504,376**	**437**	**504,813**
Transactions with owners in their capacity as owners					
Non Share equity	-	(90,701)	-	-	**(90,701)**
Total transactions with owners in their capacity as owners	**-**	**(90,701)**	**-**	**-**	**(90,701)**
Balance as at 30 June 2016	**(448,170)**	**(90,701)**	**639,678**	**613**	**101,420**

Balance as at 1 July 2014	-	-	97	-	97
Restated	-	-	**(41,994)**	**145**	**(41,849)**
Balance as at 1 July 2014	-	-	**(41,897)**	**145**	**(41,752)**
Net loss after tax for the year	-	-	177,199	-	177,199
Total other comprehensive expense for the year	-	-	-	31	31
Total comprehensive loss for the year	**-**	**-**	**177,199**	**31**	**177,230**
Transactions with owners in their capacity as owners					
Share Issuance	(448,170)	-	-	-	**(448,170)**
Total transactions with owners in their capacity as owners	**(448,170)**	**-**	**-**	**-**	**(448,170)**
Balance as at 30 June 2015	**(448,170)**	**-**	**135,302**	**176**	**(312,692)**

The accompanying notes on pages 61 to 68 form part of these financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council.

The Company's financial statements are presented in Pounds Sterling, its functional currency, generally rounded to the nearest thousand.

The principal accounting policies adopted by the Company are set out in Note 2

The financial statements have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value.

a) Basis of preparation of financial statements

The Parent Company financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the 'Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 July 2015. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see Note 16.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an Income Statement or a Statement of Comprehensive Income for the Company alone.

A summary of the Company's significant accounting policies is set out below.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet for the purposes of the transition to FRS 101.

b) Going concern

The financial statements have been prepared on a going concern basis.

The Company and its subsidiaries are members of the Slater & Gordon Consolidated Group (the "Global Group") whose ultimate parent entity is Slater and Gordon Limited, a company incorporated in Australia.

At 30 June 2016, the Company had net liabilities of £101.4 million and cash of £9.0 million. The UK Group, headed by Slater & Gordon (UK) 1 Limited, has prepared cash flow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the UK Group. If the assumptions are not realised, the UK Group may need to seek additional cash funding from other sources. The directors consider that achievement of the forecasts is likely; however, the risk of not achieving the forecast cash receipts represents a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. One option is to seek additional funding from the parent company. The Company has received confirmation from its parent entity that it will support the Company to meet its liabilities as and when they fall due, but only to the extent that funds are not otherwise available to the Company to meet such liabilities, and for a period of at least 12 months from the date of signing of this financial report or until the recapitalisation is completed following which the UK Group will be separated from the parent company as described below.

b) Going concern (Continued)

On 17 March 2017, the Global Group was notified that in excess of 94% of its Syndicated Facility Agreement ("SFA") debt had traded from its original syndicate of par lenders to secondary debt buyers (the "New Senior Lenders"). The Company is party to the SFA and has given a cross-guarantee, a ong with other members of the Global Group, and is also party to a debenture supporting the cross-guarantee and granting security over all of its assets, in relation to all liabilities outstanding under the SFA in favour of the lenders.

On 31 March 2017, the Global Group agreed various amendments to the SFA with its New Senior Lenders Among these amendments was the capitalisation into the loans of A$31 4 million of interest payments otherwise due for payment on 28 June 2017. To support the Global Group's ongoing liquidity requirements, in May 2017 the Global Group entered into a A$40 million working capital facility with the New Senior Lenders. The facility will provide the Global Group with working capital headroom as it continues to execute its plan to restore its financ al performance.

During the year ended 30 June 2017, the parent company announced two shareholder class action proceedings had been filed against the parent company. The parent company also received notification of one other potential class action proceeding by former and existing shareholders On 11 July 2017 the parent company announced it had reached an in principle conditional agreement to settle the class action proceeding brought on behalf of Mr Matthew Hall through a mediation process facilitated by the Federal Court of Australia. The agreement will resolve any and all potential shareholder claims against the parent company and its directors and officers. The settlement of all other shareholder claims will be effected by a shareholder creditors' scheme of arrangement ("Shareholder Creditor Scheme"). The settlement is subject to completion of formal legal documentation and will also require approval by the Federal Court of the settlement terms. It is a'so subject to shareholder and lender approval via vote at a meeting to be held in November 2017.

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

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

The terms of the recapitalisation agreement also provide the Global Group with additional liquidity support for its continued operation prior to and post the implementation of the recapitalisation in the form of an increase of A$50 million to the Global Group's A$40 million working capital facility which will be available prior to the recapitalisation.

The recapitalisation is expected to be completed in early December 2017 and is subject to a number of conditions precedent which are outside of the control of the directors. These include shareholder approval of the recapitalisation and the settlement of the shareholder class action. If the settlement and Schemes are not approved as expected, there is a possibility that the New Senior Lenders could call the debt in full.

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

On implementation of the creditors' scheme of arrangement to give effect to the recapitalisation, all UK operations and UK subsidiaries will be separated from the Australian group and transferred to a new UK holding company ("UK HoldCo"). UK HoldCo will be wholly owned by the New Senior Lenders. Subsequently, existing shareholders of the Global Group will cease to have any interest in the Global Group's UK operations or UK subsidiaries. As a result of this, the increase to the working capital facility referred to above will be separated into a A$25 million denominated facility for the Australian business and a A$25 million GBP denominated facility for the UK business. The Group will continue to rely on the New Senior Lenders, its future shareholders, for financial support should the Group require further funding due to, for example, failure to achieve revenue forecasts or underlying budget assumptions.

The above matters present material uncertainties which may cast significant doubt on the Global Group's and Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

b) **Going concern (Continued)**

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

- the Global Group will continue to receive the support of its lenders;
- the conditions precedent to the recapitalisation agreement will be satisfied;
- the conditions precedent to drawing down on the remainder of the working capital facility will be satisfied;
- The recapitalisation agreement will be approved by shareholders; and as such
- The preparation of the financial statements for the year ended 30 June 2016 on a going concern basis is appropriate.

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

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

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

c) **Turnover**

Management fees are recognised on a receivable basis net of VAT. The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

d) **Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

e) **Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

f) **Pensions**

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period they are payable.

g) **Deferred taxation**

Deferred taxation is provided at appropriate rates on all timing differences using the liability method. Deferred tax assets are only recognised where the likelihood of recovery is certain.

h) **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

The auditor's remuneration for audit services to the Company and certain subsidiaries is £0.4m (2015: auditor's remuneration was borne by other companies in the group).

At 1 July	167	167
Additions	-	-
At 30 June	167	167
Amortisation		
At 1 July	13	13
Charge for the year	154	-
At 30 June	167	13
Net Book Value	-	154

The goodwill relating to the transfer of staff from the Russell Jones & Walker partnership has been fully written off in the year.

At 1 July	267,277	3,587
Acquisition during the period	-	468,141
Impairment	(226,205)	(204,451)
Cost at 30 June	41,072	267,277

The current impairment reflects the write off of the investment in New Claims Direct Limited and a further write down in the investment in the Slater Gordon Solutions group of companies that were acquired from Quindell plc in 2015

The Company has a beneficial interest in the profits of Slater & Gordon (UK) LLP The profit share is recognised when the Company has an unconditional right to payment.

For a full listing of subsidiary companies see 'Note 28' Group entities' in the group accounts above

Other debtors	447	290
Corporation Tax refund	2,124	-
Prepayments and accrued income	806	-
Due in less than one year:	3,377	290
Due in greater than one year:		
Prepayments and accrued income	959	-
Amounts due from group companies		
Gross	396,069	437,106
Provision	170,493)	-
Net	225,576	437,106
Due in greater than one year:	226,535	437,106

The amounts due from group companies are repayable on demand and do not attract any interest.

An amount due from Slater & Gordon (UK) LLP of £175 3m at 30 June 2016 has had an allowance provided of £25.3m to align the receivable with the net assets of that subsidiary company.

An amount due from the SGS Group of companies of £215 2m at 30 June 2016 has had an allowance provided of £145.2m to align the receivable with the net assets of the relevant subsidiary companies.

The cash balance of £9.0m (2015:£4.4m) includes £4.0m restricted cash held under escrow (2015:£4.0m)

	£	
Trade Creditors	230	222
Corporation tax	-	970
Other taxation and social security costs	1,851	1,299
Other creditors	2,237	1,225
	4,408	**3,716**

Bank loans at average rate of 2.88% (2015. 2.27%)	362,000	307,760
Amounts due to group companies	15,000	67,835
	377,000	**375,595**

The bank loan of £362m is part of the Slater & Gordon Group loan facility.

The company's borrowings are repayable as follows		
On demand or within one year	-	-
Between one and two years	204,500	-
Between two and five years	157,500	307,760
After five years	-	-

The bank loans are part of a syndicated facility (see Note 14).

Interest charged on these loans during the year totalled £9.9m (2015 - £4 9m)

The company has entered into an interest rate swap to reduce the impact of any adverse movement in interest rates on the loans borrowed from the parent company's banks. The fair value of the swap arrangement at the balance sheet date was £0 6m (2015 - £0.2m).

Deferred Tax

Opening balance	(17 251)	(10,496)
P & L current year	17,251	(6,755)
	-	**(17,251)**

Refer to Note 16 – Explanation of Transition to FRS 101 for further discussion of the impact of the transition on the deferred tax liability balance

Headcount	1 403	1 495

The company is taking advantage of the exemption granted under Financial Reporting Standard 101, Paragraph 8(k), "Related Party Transactions", not to disclose transactions with wholly owned group companies, which are related parties

Disclosures related to directors' remuneration are made within Note 23 of the consolidated accounts.

At 30 June 2016, £175,270 (2015 £243,715) is owed to the corporate member Slater & Gordon (UK) 1 Limited for loans and share of profit by Slater & Gordon (UK) LLP. At 30 June 2016 Slater & Gordon (UK) 1 Limited is owed by Slater and Gordon Limited £5,576. As at 30 June 2015, Slater & Gordon (UK) 1 Limited owed Slater and Gordon Limited £67,835.

Allotted, called up and fully paid		
448,170,021 Ordinary shares of £1	448,170	448,170
Non Share Equity	90,701	-
Balance at 30 June 2016	538,871	448,170

The Non Share Equity relates to share options issued by Slater and Gordon Limited, the Australian parent company for £0 2m and the release of the Company's obligations in respect of Australian Dollar intercompany debt, (A$23.2m), UK Sterling intercompany debt (£73 3m) and Sterling intercompany debt (£4.6m) by Slater and Gordon Limited

Balance at 1 July 2015	(135,302)	41,897
Loss for the period	(504,376)	(177,199)
Balance at 30 June 2016	(639,678)	(135,302)

The Company is a part of a group VAT election and is therefore jointly and severally liable for the VAT liability of other group entities. The group liability at 30 June 2016 is £nil (30 June 2015 - £6.0m).

The Company is party to a multi-currency (AUD/GBP) syndicated facility agreement ("SFA") dated 29 May 2015 pursuant to which its ultimate parent company, Slater and Gordon Limited, is a borrower. Pursuant to the terms of the SFA, the Company has given a cross-guarantee (along with other Group Companies) in relation to all liabilities outstanding under the SFA in favour of the Finance Parties (as defined under the SFA). The Company is also party to a debenture dated 29 May 2015 (the "Debenture") pursuant to which the Company (together with other Group Companies) covenants with Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties (as defined in the Debenture)) that it will on demand pay all liabilities outstanding under the SFA (and associated finance documents) when they are due and payable and grants security over all of its assets in favour of Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties).

On 17 March 2017, the parent company was notified that in excess of 94% of its Syndicated Facility Agreement ("SFA") debt had traded from its original syndicate of par lenders to secondary debt buyers (the "New Senior Lenders"). The Company is party to the SFA and has given a cross-guarantee, along with other members of the Global Group, and is also party to a debenture supporting the cross-guarantee and granting security over all of its assets, in relation to all liabilities outstanding under the SFA in favour of the lenders

On 31 March 2017, the Global Group agreed various amendments to the SFA with its New Senior Lenders Among these amendments was the capitalisation into the loans of A$31.4 million of interest payments otherwise due for payment on 28 June 2017. To support the Global Group's ongoing liquidity requirements, in May 2017 the Global Group entered into a A$40 million working capital facility with the New Senior Lenders. The facility will provide the Global Group with working capital headroom as it continues to execute its plan to restore its financial performance.

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

The terms of the recapitalisation agreement also provide the Global Group with additional liquidity support for its continued operation prior to and post the implementation of the recapitalisation in the form of an increase of A$50 million to the Global Group's A$40 million working capital facility which will be available prior to the recapitalisation The recapitalisation is expected to be completed in early December 2017.

On implementation of the creditors' scheme of arrangement to give effect to the recapitalisation, all UK operations and UK subsidiaries will be separated from the Australian group and transferred to a new UK holding company ("UK HoldCo"). UK HoldCo will be wholly owned by the New Senior Lenders Subsequently, existing shareholders of the Global Group will cease to have any interest in the Global Group's UK operations or UK subsidiaries As a result of this, the increase to the working capital facility referred to above will be separated into a A$25 million denominated facility for the Australian business and a A$25 million GBP denominated facility for the UK business.

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 1 July 2014.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Fixed assets							
Intangible assets	(d)	132	22	154	143	11	154
Investments		267,277	-	267,277	3,587	-	3,587
		267,409	**22**	**267,431**	**3,730**	**11**	**3,741**
Current assets							
Debtors due in less than one year		290	-	290	121	-	121
Cash at bank and in hand		4,427	-	4,427	104	-	104
		4,717	**-**	**4,717**	**225**	**-**	**225**
Non-current assets							
Debtors due in more than one year	**(b)&(e)**	**350,454**	**86,652**	**437,106**	**113,201**	**52,479**	**165,680**
Creditors							
Creditors: amounts due within one year	**(a)**	**(3,540)**	**(176)**	**(3,716)**	**(7,097)**	**(145)**	**(7,242)**
Net Current Assets		**1,177**	**(176)**	**1,001**	**(6,872)**	**(145)**	**(7,017)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**619,040**	**86,498**	**705,538**	**110,059**	**52,345**	**162,404**
Creditors: amounts falling due after more than one year		**(375,595)**	**-**	**(375,595)**	**(110,156)**	**-**	**(110,156)**
Provisions for Liabilities	**(c)&(e)**	**-**	**(17,251)**	**(17,251)**	**-**	**(10,496)**	**(10,496)**
Net Assets		**243,445**	**69,247**	**312,692**	**(97)**	**41,849**	**41,752**
Capital and reserves							
Called up share capital		448,170	-	448,170	-	-	-
Profit and loss account	**(b),(c)&(d)**	(204,725)	69,423	(135,302)	(97)	41,994	41,897
Cashflow hedge	**(a)**	-	(176)	(176)	-	(145)	(145)
Shareholders' funds		**243,445**	**69,247**	**312,692**	**(97)**	**41,849**	**41,752**

(a) The recognition of the cash flow hedge.

(b) The restatement of Slater & Gordon (UK) LLP under FRS102, which was adopted by Slater & Gordon (UK) LLP in the current year gives rise to a restatement in profit due to the revised WIP valuation, which adjusts the company's receivable from group companies.

(c) Deferred Tax on Gain on (b).

(d) Write back of goodwill amortisation.

(e) Reclassification from creditors of deferred tax (2015 only).