



CELEBRATING **75** YEARS



SLATER & GORDON LIMITED
ANNUAL REPORT 2009 2010



**Slater &
Gordon**
Lawyers

This year Slater & Gordon celebrates its 75th anniversary - 75 years of fighting for the rights of clients and delivering results. Over this time Slater & Gordon has become one of the best known names in the Australian legal market with a rapidly growing presence in most states and territories.

2009
2010

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THE YEAR IN BRIEF

FINANCIAL HIGHLIGHTS

- > NPAT up 16% to \$19.8 million
- > EPS up 13%
- > Total dividend of 5.0 cents per share for full year
- > 26% compound annual revenue growth since 2007 listing

BUSINESS HIGHLIGHTS

- > Acquisition of Trilby Misso Lawyers, Queensland's leading personal injuries firm
- > Completion of acquisitions of Kenyons Lawyers, based in Melbourne's northern suburbs, Long Howland (Gunnedah, NSW), McGlades Lawyers (Ballarat, Vic), Stewart & Noble Lawyers (Wangaratta, Vic) and Adams Leyland Lawyers (Albury and Dubbo, NSW)
- > Federal Court Vioxx class action judgement in favour of lead plaintiff
- > Development and delivery of the innovative Storm Financial resolution scheme with the Commonwealth Bank of Australia – providing an accelerated process to achieve fair and equitable outcomes for former Storm clients.

CELEBRATING **75** YEARS



RESULTS SUMMARY

	2010 \$000's	2009 \$000's	Change
Total Income	124,730	103,023	+21.1%
Earnings Before Interest and Tax	30,000	25,060	+19.7%
Net Profit After Tax	19,800	17,047	+16.1%
Basic EPS (cents)	17.9	15.9	+12.6%
Diluted EPS (cents)	16.7	14.8	+12.8%
Total Dividend per share (cents)	5.0	4.25	+17.6%



2009 2010

SLATER & GORDON



CHAIR'S REPORT

Dear shareholder

Once again on behalf of the board of Slater & Gordon Limited, it is my pleasure to present the Annual Report for the 2010 financial year.

This financial year, the third since we listed as a public company, has been another successful one with strong increases in profit, earnings per share and cash flow. It has also been a special year for us as we celebrate the 75th anniversary of Slater & Gordon which was founded in the depression years to fight for social justice for those who could not access it. I am pleased to say we are still doing that today.

At the end of FY10 we announced the acquisition of leading Queensland personal injury litigation firm Trilby Misso. This is by far our largest acquisition and one which rapidly advances the delivery of a key goal of leading the consolidation of the Queensland personal injuries market. The Trilby Misso business brings us a strong revenue base and an experienced and skilled team to work with us to continue to grow our Queensland business.

In its annual review of our business strategy, the board confirmed its commitment to the direction we have been following since the company was listed in May 2007. Our intention then as now is to continue to lead the consolidation of the national personal injuries litigation market, to extend the geographical reach of the business, to expand the range of services we offer clients and to continue to build the Slater & Gordon brand. As our managing director Andrew Grech details in his report, we have continued to advance on all fronts of our strategy.

In past years I have expressed the board's intention to ultimately have a majority of non executive directors on the board, consistent with best practice corporate governance principles. This year we have achieved that with the appointment of John Skippen to our board. He brings considerable public company, retail and financial experience to Slater & Gordon. Most notably John had been the long serving Finance Director of Harvey Norman.

Regrettably, we farewelled a highly valued member when Peter Gordon resigned as a director and deputy chair during the year to avoid any potential conflict of interest with his role as the principal of Gordon Legal. His contribution to building Slater & Gordon has been extraordinary over the 30 years he has been with the firm. While he is greatly missed from the board, Slater & Gordon is still benefitting from Peter's expertise through his ongoing consultancy agreement with the Company.

In conclusion, I would like to express the thanks of the board to all of Slater & Gordon's 950 employees Australia wide for their hard work for our clients. Their commitment to and care of our clients is the cornerstone of our success.

Yours sincerely,



Anna Booth
Chair



Dear shareholder

I am pleased to report that it has been another very strong year for Slater & Gordon Limited.

It is the third year since we listed on the ASX and our focus has been to strengthen and build our business in line with the strategy we outlined at that time. Each year we have acquired complementary firms; we have developed our capacity, capability and particularly our people; and we have built our brand. We have also continued to deliver strong profit growth.

In FY10 our efforts in building our national business culminated in the \$57 million acquisition of Queensland's leading personal injury firm, Trilby Misso, in June – a tangible demonstration of our determination to lead the consolidation of the national personal injuries litigation market. We are now the clear market leaders in Queensland, and we are establishing a strong foundation in New South Wales for future growth. The Trilby Misso acquisition, which was completed in August, is forecast to be 9% earnings accretive in FY11.

This has been an outstanding year for our business on virtually all fronts. We have seen great outcomes for our clients, not just in the high profile cases such as Storm Financial, but in the many thousands of cases we handled for everyday Australians who came to us for help. Our financial metrics are all strong with good profit and EPS growth and cash flow gains and we have made excellent progress in the delivery of our strategy.

In a historical context, 2010 is also a milestone year for Slater & Gordon. We are celebrating our 75th anniversary. As our Chair has said, the firm was founded to provide social justice for those who could not access it and that core value still guides us today.

HIGHLIGHTS

- 
- > Continued double digit organic growth
 - > Announced acquisition of Trilby Misso Lawyers, Queensland's leading personal injuries firm
 - > Completed acquisitions of Kenyons Lawyers, based in Melbourne's northern suburbs, Long Howland (Gunnedah, NSW), McGlades Lawyers (Ballarat, Vic), Stewart & Noble Lawyers (Wangaratta, Vic) and Adams Leyland Lawyers (Albury, Dubbo and Gilgandra, NSW)
 - > Opened new offices in Joondalup (WA), Frankston (Vic), Ipswich and Townsville (Qld)
 - > Federal Court Vioxx class action judgement in favour of lead plaintiff
 - > Developed and delivered innovative Storm Financial resolution scheme
 - > Further growth in national brand recognition
 - > Launched online Will service
 - > Over 50,000 inquiries received by our Legal Helpline
 - > Celebrated 75th anniversary of Slater & Gordon.

THE YEAR IN REVIEW

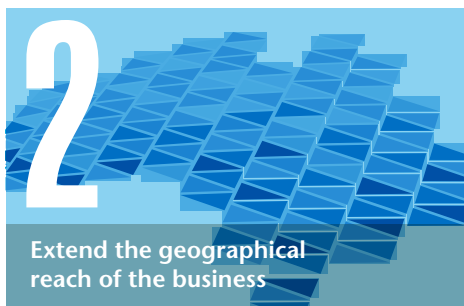
As I said earlier, we are focused firmly on implementing our strategy as originally set out in 2007 and refined annually since that time. I am pleased to report good progress in FY10 against each of the key elements of the strategy.



Lead the consolidation of the personal injury litigation market

Our determination to lead the consolidation of the national personal injury litigation market is evident in our acquisition of Queensland's leading personal injuries firm, Trilby Misso. This acquisition now makes us the clear market leader in Queensland. We were also delighted to complete the acquisitions of five high quality firms, all predominantly personal injury practices, in Kenyons Lawyers (Melbourne), Long Howland (Gunnedah, NSW), McGlades Lawyers (Ballarat, Vic), Stewart & Noble Lawyers (Wangaratta, Vic) and Adams Leyland Lawyers (Albury, Dubbo and Gilgandra, NSW).

We have a strong pipeline of further acquisition opportunities which we will continue to explore in FY11.



Extend the geographical reach of the business

We have continued to extend the reach of the Slater & Gordon office network with a focus on high population density regional and suburban areas. The acquisitions detailed on page 6 have added six new offices to our extensive national network. We also opened new offices in Joondalup (WA), Frankston (Vic), Ipswich and Townsville (Qld). We now have 40 offices nationally, the most of any law firm in the country.



Expand the range of services we offer our clients

As a result of acquisition and recruitment we now have substantial expertise in private client legal services including wills, probate, estate planning, conveyancing and family law. These practices have grown steadily in both revenue and profit terms from low bases and represent a considerable opportunity for further growth. Our market share in each of these areas is typically less than 1%. This year we introduced an online will service which delivers via our website an affordable will.



Build the Slater & Gordon brand as a driver of new business

We now receive well over 50,000 new enquiries a year from across Australia as a result of TV advertising, marketing campaigns and the media coverage generated from high profile legal matters in which we are involved on behalf of our clients.

In March 2009 we launched a national advertising campaign, which appeared across most capital cities and regional centres where we operate.

The 'No Challenge Too Great' campaign incorporates television advertisements with a number of variations, including a 30 second brand advertisement and various practice specific versions, each customised for the local market that they appear in. Print, radio, online and billboard advertising has also been incorporated in the 2010 campaign.

The initial results of the campaign became apparent immediately with an initial increase of around 20% on total enquiries.



Build our position in major litigation cases

This year saw our large scale litigation project work continue to grow strongly and continue to deliver excellent outcomes for our clients. The major projects included:

- > Development and delivery of the innovative Storm Financial resolution scheme with the Commonwealth Bank of Australia – providing an accelerated process to achieve fair and equitable outcomes for former Storm clients.
- > The Vioxx class action, in which we are representing a large number of clients who suffered heart attacks and strokes after using the drug. Judgment was made in the Federal Court in favour of the lead plaintiff.
- > The Brookland Greens (Cranbourne, Victoria) land contamination matter on which mediation is continuing.

OUTLOOK

Double digit organic growth is expected to continue and potential acquisitions will continue to be explored.

The Trilby Misso acquisition is expected to add revenue of approximately \$30 million and be earnings per share accretive by around 9% in FY 2011. The full year effect of the other acquisitions completed in FY 2010 is expected to add over \$12 million of revenue in FY 2011.

Additional resources will be applied to accelerate penetration into the Sydney personal injuries market and to pursue the growth opportunities identified in some of the non-personal injuries practices. Areas of particular interest include Family Law, online wills and other online products, where the strength of the Slater & Gordon brand will be leveraged to substantially increase the company's currently low share (1% or less) of the national market.

The Vioxx class action decision has been appealed by the defendant, with the appeal unlikely to be determined before the end of the financial year. Mediation on the Brookland Greens (Cranbourne, Victoria) land contamination matter is continuing. Other new major litigation projects will continue to be aggressively pursued with many funded by third parties or clients.

The target full year EBIT margin is 26% on revenue of approximately \$160 million.

Slater & Gordon has delivered 26% compound annual revenue growth over the past three years and in the process has built a much stronger business with promising opportunities for greater growth. The objective is to continue to generate revenue and profit growth of at least that level and conceivably more over the next several years.

In conclusion I would like to thank our many clients for allowing us to work on their behalf. I would also like to thank our staff for their dedication and effort to provide the best possible legal service to those clients.

Yours sincerely,



Andrew Grech
Managing Director



SLATER & GORDON
OVERVIEW

BUSINESS OVERVIEW

Slater & Gordon employs 950 people in 40 offices spread across cities and towns of Australia, close to the clients it supports. The company now has offices in every state and territory except the Northern Territory.

Personal injury litigation represents around 75% of the company's revenue, with most of that work performed on a No Win - No Fee™ basis where legal fees are paid on the successful conclusion of the client's matter. Slater & Gordon has specialist legal teams in the areas of asbestos litigation, motor vehicle accidents, workers compensation, medical law, public liability, Comcare and military compensation and total and permanent disability insurance claims.



CELEBRATING **75** YEARS

'35

William Slater and Hugh Gordon founded Slater & Gordon as a law firm in Melbourne to service the needs of unions and their members, particularly in the area of workers compensation.

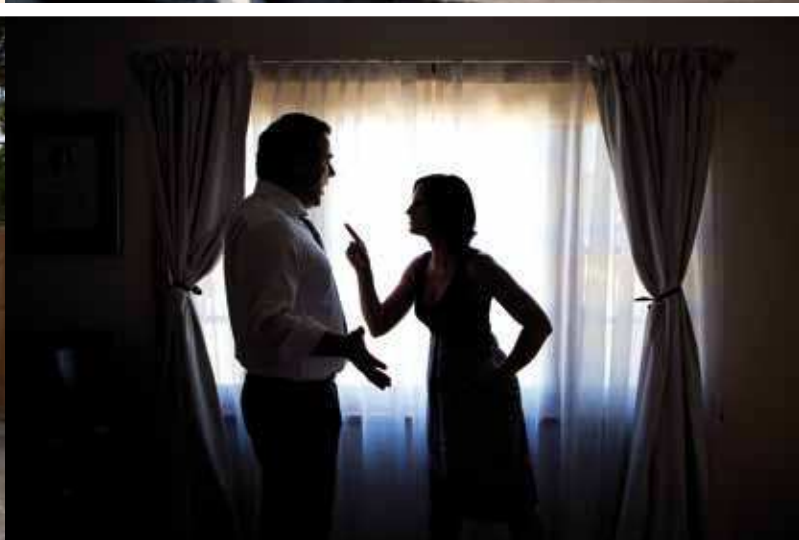
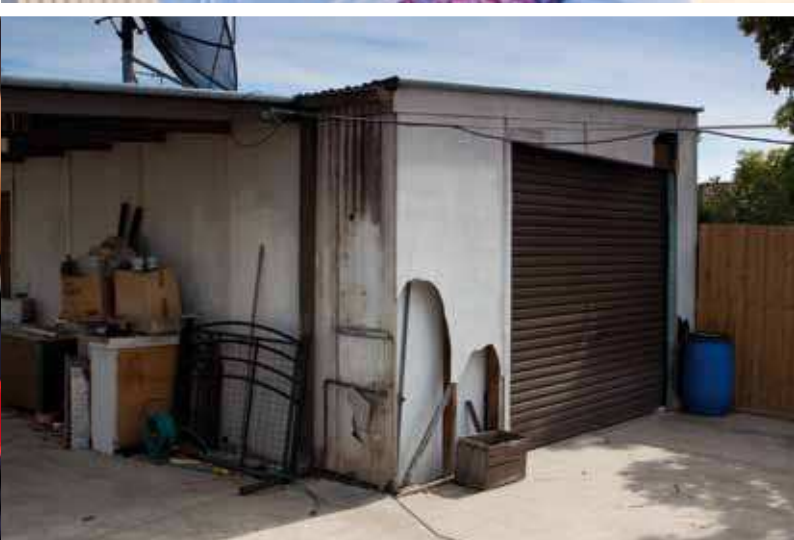


The acquisition of Queensland personal injury litigation firm Trilby Misso Lawyers will further boost Slater & Gordon's leadership position in this market.

Most other areas of the company's practice operate on a fee for service basis. Slater & Gordon has a long standing industrial and employment law practice and, more recently, has diversified and built its capability in other non-personal injury practices. These include commercial litigation, commercial advisory and transactions, family law and wills, probate and estate litigation.

For many years now Slater & Gordon has been involved in identifying and conducting large class or group legal actions on behalf of its clients. The benefits to the company of these often groundbreaking projects are the potential for strong returns and strengthening of the company's public profile or brand. The leading edge nature of major litigation is also instrumental in Slater & Gordon's ability to attract and retain staff.

Major litigation matters can be self funded or more typically funded by specialist litigation funders. Funded work is conducted by the commercial litigation practice on a fee for service basis. Self funded major litigation work is a small percentage of the total Slater & Gordon cost base.



'60-70s

Opened branch offices in Morwell in Victoria's Latrobe Valley and in the Melbourne suburb of Carlton.



TRILBY MISSO LAWYERS

In June 2010, Slater & Gordon announced the acquisition of leading Queensland personal injury litigation firm Trilby Misso Lawyers for \$57 million and also a \$40 million capital raising to fund the cash component of the acquisition.

The acquisition brings together two of the best known names in the Queensland personal injury litigation sector. In the 2010 brand awareness survey commissioned by Slater & Gordon, Trilby Misso enjoyed 81% (prompted and unprompted) awareness in Brisbane while Slater & Gordon recorded 76% in that market.

Trilby Misso will continue to operate as a standalone business focused, as before, largely on motor vehicle claims and workers compensation. Chief Executive Graeme McFadyen will continue to lead the highly qualified and experienced Trilby Misso management team.

Established in 1956 Trilby Misso now employs 150 people across its five offices in south east Queensland supported by an extensive referral network across the state.

Trilby Misso has won accolades for its values, culture and client service with the winning of the Telstra Queensland Medium Business Award in 2009, accreditation as one of the six best employers in Australia and New Zealand by the Hewitt Best Employers Accreditation Program and by being included in BRW's Best Places to Work in 2010.



'84 Conducted the first successful asbestos related cancer claim in Australia.

Opened a major branch office in the Melbourne suburb of Footscray.

authorities were warned 37 years ago of the horrific... of asbestos mining at Wittenoom... produce "the rocket" and coal bed methane... authorities were told in 1946... Australia who gave the warning...

'85

Opened an office in Perth to service the needs of victims of the blue asbestos mine in Wittenoom, WA.





ONLINE WILL SERVICE LAUNCHED

With research indicating that half of the Australian population may not have valid wills, Slater & Gordon launched an online will service in March 2010.

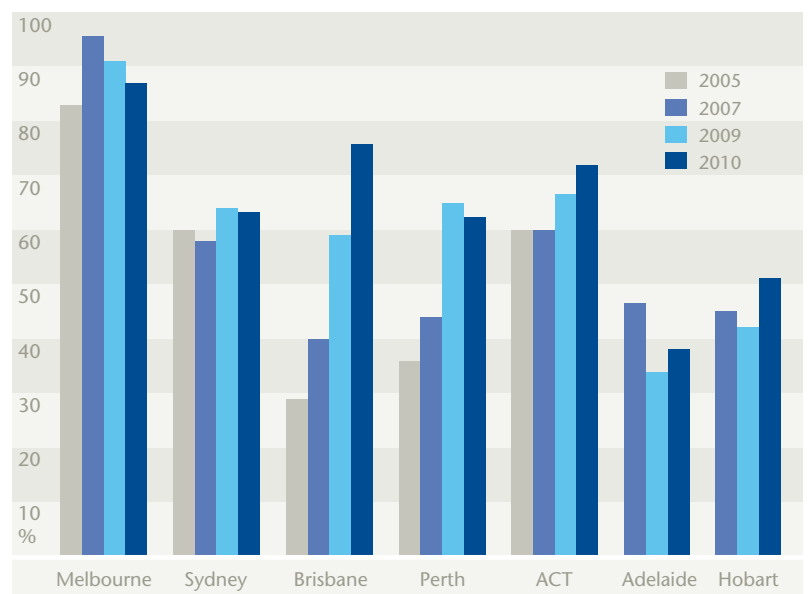
The online will service provides a fast and convenient way to draft a legal Will at an affordable cost and offers free storage of the Will once it is completed. The system, however, will not allow clients with complex estates to complete an online Will and will recommend that the client seek personal legal advice from an estate planning professional.

Slater & Gordon is looking at other services it can provide online without compromising the quality of its legal services.

BRAND AWARENESS

The continued lift in brand recognition is a key indicator of the impact of our national growth strategy. Slater & Gordon has always enjoyed huge brand awareness in Victoria, but in recent years our recognition in other states and territories has grown considerably.

We have the highest brand awareness in our sector in all capital cities except Adelaide where we are a close second. Equally importantly, we also have strong awareness in all the regional centres in which we operate.



'86

Opened the first Sydney office principally to conduct the Dalkon Shield IUD litigation.

'88

Won the Wittenoom asbestos case.

...AND GROWING

We have continued to extend the reach of the Slater & Gordon office network with a focus on high population density regional and suburban areas. We announced the acquisition the Trilby Misso Lawyers, Queensland's leading personal injuries firm and completed acquisitions of Kenyons Lawyers, based in Melbourne's northern suburbs, Long Howland (Gunnedah, NSW), McGlades Lawyers (Ballarat, Vic), Stewart & Noble Lawyers (Wangaratta, Vic) and Adams Leyland Lawyers (Albury, Dubbo and Gilgandra, NSW). This added six new offices to our extensive national network. We also opened new offices in Joondalup (WA), Frankston (Vic), Ipswich and Townsville (Qld). We now have 40 offices nationally, the most of any law firm in the country.



'89

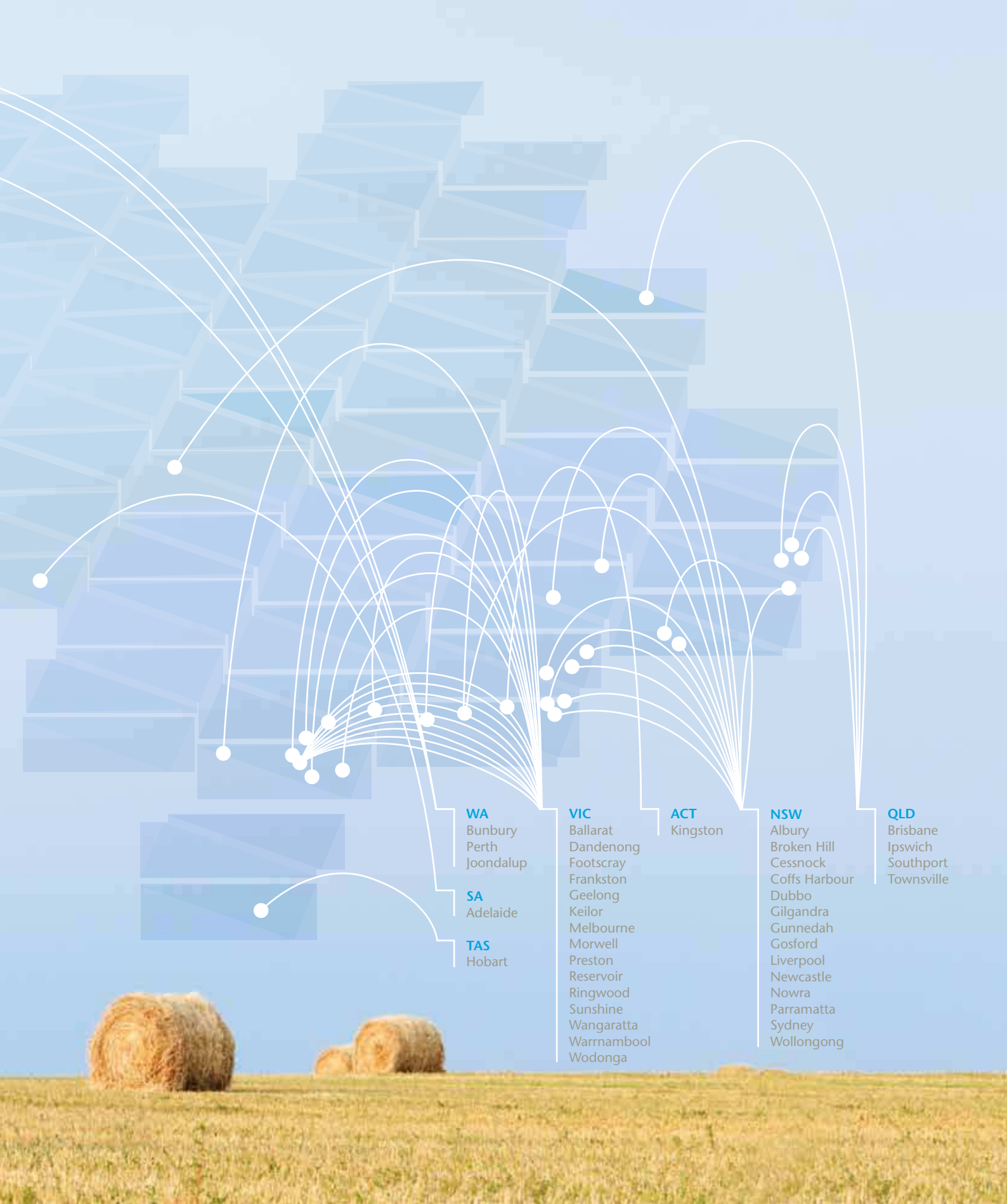
Conducted the first group settlement in Australia for 200 Wittenoom asbestos victims.

Asbestos
win
'historic'

'90

Conducted one of the first successful HIV AIDS common law claims in the world.





WA
Bunbury
Perth
Joondalup

SA
Adelaide

TAS
Hobart

VIC
Ballarat
Dandenong
Footscray
Frankston
Geelong
Keilor
Melbourne
Morwell
Preston
Reservoir
Ringwood
Sunshine
Wangaratta
Warrnambool
Wodonga

ACT
Kingston

NSW
Albury
Broken Hill
Cessnock
Coffs Harbour
Dubbo
Gungahlin
Gunnedah
Gosford
Liverpool
Newcastle
Nowra
Parramatta
Sydney
Wollongong

QLD
Brisbane
Ipswich
Southport
Townsville

'94

Introduced the No Win - No Fee™ initiative in Australia, giving the firm a competitive edge and firmly establishing Slater & Gordon as a consumer brand.

new firm's move to shake up legal system
**NO WIN,
NO PAY**

'97

Conducted the Kraft peanut butter contamination case, one of the first Federal Court class action settlements.

SOCIAL RESPONSIBILITY



SLATER & GORDON IN THE COMMUNITY

Over its 75 year history Slater & Gordon has been a passionate supporter of causes and initiatives that benefit our client base and local communities.

Today that support includes extensive pro bono legal help, grants for medical research, financial help for disadvantaged members of the community, sponsorship of local sporting clubs, contributions to community arts projects and staff participation in community fund raising events.

Care for the environment is very much part of the Slater & Gordon culture and staff are implementing initiatives aimed at improving environmental performance in their workplaces.

PRO BONO WORK

Each year Slater & Gordon undertakes thousands of hours of pro bono work and, over the past few years, the company has set out to strengthen and streamline the way it handles this work. In 2008 Slater & Gordon launched its Pro Bono and Public Interest policy to encourage staff to perform pro bono and public interest work for which the company receives no financial benefit. In FY10 Slater & Gordon created a Pro Bono and Public Interest Committee to manage the administration and development of the company's considerable pro bono practice in accordance with this policy. The committee has worked on improving the reporting systems relating to the performance of pro bono work, and on developing relationships with local community legal centres in need of assistance and support.

Slater & Gordon lawyers worked pro bono with the former deputy Chair Peter Gordon in the early stages of the process that resulted in an outstanding \$50 million settlement with Diageo on behalf of thalidomide victims. Pro bono work was also performed for a range of community groups, individuals and small businesses during the year. In all cases, the claims did not meet the company's No Win-No Fee™ criteria, and acting pro bono accorded with Slater & Gordon's strong commitment to providing access to justice.

PHILANTHROPY

Slater & Gordon's major philanthropic vehicles for supporting causes closely linked to the work the company does are The Slater & Gordon Fund and The Asbestos Research Fund. A Staff Giving Program was launched during the year to enable Slater & Gordon employees to contribute directly to these Funds, with their contributions matched by the company.

The Asbestos Research Fund is a sub-fund of the Melbourne Community Foundation. The Fund was founded in 2004 with an initial commitment by the company to donate \$500,000 to medical research into asbestos related diseases. Through further contributions from the company and its clients, the total available from the Fund for research into the insidious diseases has risen to a total of over \$1 million.



Asbestos Research Fund

'99 Won the historic Crimmins case in the High Court, clearing the way for hundreds of waterside workers and their families to be compensated for asbestos disease.

'01 Became an incorporated legal practice.



ENVIRONMENTAL FOOTPRINT

Slater & Gordon and its staff are committed to reducing their environmental footprint in their workplace. This starts with the office and green rating of a building being an important determinant when choosing new office accommodation around the country. Through Slater & Gordon's national environment committee, various staff driven initiatives to save energy and reduce consumption are being implemented. All computers at the Melbourne office now power down after 10 minutes if they have not been used, toners from printers are recycled nationally, a commuter club for city offices is being explored as a way of reducing the use of cars, and there are plans to increase use of video conferencing nationally to reduce travel. For consumable products, the focus is on reducing usage, using Australian products where possible and on maximising recycling.

SOCIAL WORK SERVICES

The Social Work Services team, established in 2009 has had an active and rewarding twelve months. Initially established as a program to complement the legal services provided to clients, the focus was to facilitate further support for the emotional and social issues experienced when faced with injury or illness. This service has now expanded to the development of an extensive Legal Education Program for clinical social workers. Recently the Victorian, New South Wales and Queensland programs have received accreditation from the Australia Association of Social Workers (AASW), which means that social workers attending a session can receive CPE points. This is a first for any law firm in Australia, and an endorsement of our ability to deliver quality education to professionals in the health sector.

MOTHER'S DAY CLASSIC

In 2010 Slater & Gordon was the National Gold Sponsor of the Mother's Day Classic, a fun run/walk which raises funds for breast cancer research.

The first Mother's Day Classic was held in 1998 with 3,000 runners across Melbourne and Sydney. It now attracts over 80,000 participants at 18 locations across Australia and has raised in excess of \$5 million since inception to fund projects into breast cancer research. Funding includes project grants, postdoctoral fellowships (encouraging promising young researchers to develop their knowledge and skills within Australia) and scholarships.

403 Slater & Gordon employees and family members participated in the national event this year, including 201 in Melbourne, where they were the second largest corporate team.

Slater & Gordon has agreed to support this event until at least 2011.

'04

Launched the Slater & Gordon Asbestos Research Fund with an initial commitment of \$500,000.

'05

Completed the acquisition of Geoffrey Edwards & Co (Sydney and Newcastle, NSW).



SLATER & GORDON
**CORPORATE
GOVERNANCE
STATEMENT**



The Board of the Company recognises that a genuine commitment to sound principles of corporate governance is fundamental to the sustainability of the Company and its performance.

ACCESSING SLATER & GORDON'S CORPORATE GOVERNANCE POLICIES

The Board has adopted a number of corporate governance policies that are referred to throughout this Statement. These corporate governance policies are available on the Company's website at www.slatergordon.com.au.

- > Select "Investors" from the menu.
- > Select "Governance" from the drop-down menu.
- > Select the relevant policy.



'06

Completed the acquisition of Maurice May & Co (Sydney and Wollongong), Reid & Reid (Newcastle), Gary Robb & Associates (ACT) and Paul J Keady & Associates (Broken Hill).

'07

Became the first law firm to be listed on the Australian Stock Exchange and by all accounts the first in the world to be listed.

BOARD RESPONSIBILITY

The Board has the following responsibilities:

- > reviewing and approving the strategic direction of the Company, management's implementation of strategy and the allocation of appropriate resources to achieve strategic objectives;
- > selection, monitoring and evaluation of the Managing Director and overseeing and monitoring the performance and appointment of other senior management and officers;
- > selecting future directors and assessing the Board and individual director performance;
- > monitoring the Company's financial and business performance and financial reporting;
- > approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- > overseeing risk management policies, practice and performance;
- > implementing high level policy framework and ratifying specific policies within that framework;
- > overseeing compliance and governance policies and practices and ensuring the Company's business is conducted legally, ethically and responsibly; and
- > reporting to shareholders.

The responsibilities of the Board are set out in further detail in the Director's Protocol, published at www.slatergordon.com.au.

BOARD COMPOSITION

The Company's constitution specifies a minimum of three directors (and must include at least one Legal Practitioner Director), or such other number as the directors may determine. The Board has supplemented this requirement in the Directors' Protocol which specifies that the Board shall comprise at least five directors. The Board currently consists of four non-executive directors and two executive directors who are also legal practitioners.

The Nomination and Remuneration committee of the Board ensures that the Board consists of an appropriate number of directors and that the directors have an appropriate mix of skills and experience to meet the Board's responsibilities and objectives. Through its processes for the selection and appointment of new directors, the Board has aimed to achieve a balance of complementary skills covering the following competencies identified as core to the Company's business: financial management, strategic planning, mergers and acquisitions, people management and legal practice.

The Board has also been conscious to draw members with experience in executive and non-executive roles in a diverse range of industries including: government, health, industrial relations, financial services, funds management, legal and retail.

The Board has also recently set diversity targets for the Board which are detailed below.

A profile of each of the Directors and a table reporting Directors' attendance at Board meetings is provided in the Directors' Report.

BOARD INDEPENDENCE

Directors are considered to be independent if they are a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with, or reasonably be seen to materially interfere with, the independent exercise of their judgment.

The Board considers the independence of relationships on a case by case basis, but as a general policy guide to materiality, would consider a threshold of 5% of net profit after tax of the Company to be relevant in determining materiality.

Directors are considered independent if they:

- > Have not been employed in an executive capacity by the Company for the last three years;
- > Do not have relationships as professional advisers or significant contracts with the Company (nor had any for the last three years) which resulted in a material payment or financial benefits being paid to them by the Company;
- > Have not served on the Board for a period which could or could reasonably be perceived to materially interfere with his or her ability to act in the best interests of the Company;
- > Are not a substantial shareholder of S&G or an associate or officer of a substantial shareholder of the Company; and
- > Have no interest or relationship which might materially interfere with their ability to act in the best interests of the Company.

It is the Board's view its non-executive directors, Anna Booth, Ian Court, Erica Lane and John Skippen, are independent.

The independence of directors is assessed at each Board meeting. Directors are required to disclose the full extent and nature of their interests as and when they change and to comply with the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Directors' Protocol.

The Board currently consists of a majority of independent directors.

The Board has also adopted a number of additional measures to ensure that independent judgment is achieved and maintained in its decision-making processes, including:

- > the Chair is an independent director;
- > the Chair of each Board committee is an independent director;

'08

Completed the acquisition of D'Arcys Solicitors (Brisbane, Qld), McClellands (Sydney, Parramatta and Wollongong, NSW and ACT), Edwin Abdo and Associates (Bunbury, WA), Nagle & McGuire (Nowra, NSW), Crane Butcher McKinnon (Coffs Harbour, NSW), Blessington

Judd (Sydney, NSW) and Secombs (Footscray, Vic). Also acquired some of the practices of Quinn and Scattini (Brisbane, Qld) and opened new offices in Gosford (NSW), Southport (QLD) and Melbourne suburbs of Sunshine and Reservoir.

- > the Audit, Compliance and Risk Management committee and the Nomination & Remuneration committee are composed of independent directors only;
- > directors are entitled to seek independent professional advice at the Company's expense with prior notification to the Chair;
- > independent directors confer without management at regularly scheduled sessions, prior to every Board meeting; and
- > directors having a conflict of interest must absent themselves from discussion on a matter unless the Board decides otherwise.

CHAIR OF THE BOARD

The Chair of the Board is an independent director. The Chair is selected by the Board from the non-executive directors.

BOARD COMMITTEES

The Board uses the following committees to support it in matters which require more intensive review. Each committee has a written charter, approved by the Board, defining its duties, reporting procedures and authority. Committees report back to the Board at each Board meeting. Copies of the committee charters are available on the Company's website at www.slatergordon.com.au.

1. Nomination and Remuneration Committee

The Nomination and Remuneration committee has delegated responsibility from the Board for:

- > evaluating the performance of the Board and the directors against agreed performance standards;
- > developing the selection and appointment process for directors and recommending the appointment or removal of directors;
- > making recommendations on Board composition, including diversity objectives and succession planning;
- > developing induction and continuing education programs for directors;
- > recommending the structure and quantum of director remuneration;
- > recommending the structure and quantum of remuneration packages for the Managing Director and other senior executives;
- > reviewing and making recommendations on succession planning for the Managing Director and other senior executives;
- > reviewing and making recommendations on the Company's recruitment, development and retention policies;

- > overseeing the implementation of the Employee Ownership Plan (EOP) and recommending employees for participation in the plan;
- > reviewing and making recommendations on other forms of employee incentives; and
- > making recommendations on superannuation arrangements.

The current members of the Nomination and Remuneration committee are Anna Booth (independent director – chair), and Erica Lane (independent director). Given the relatively small size of the Board, the Board considers that a committee of two independent directors is the right composition to discharge the responsibilities delegated to the committee and to achieve efficiencies from the delegation. The Managing Director and General Manager Human Resources routinely attend each meeting of the committee to report directly to the committee, however no senior executive is involved in Board or committee decisions on their own remuneration package. A profile of the members of the Nomination and Remuneration committee and a table reporting attendance at Nomination and Remuneration committee meetings is provided in the Directors' Report.

2. Audit, Compliance and Risk Management Committee

The Audit, Compliance and Risk Management committee provides assistance to the Board in fulfilling its responsibilities in relation to the Company's:

- > legal compliance;
- > implementation of effective legal professional management systems required by an incorporated legal practice;
- > financial reporting;
- > internal control structure;
- > external audit functions;
- > trust accounting audit functions; and
- > risk management.

In discharging its role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The current members of the Audit, Compliance and Risk Management committee are Ian Court (independent director – chair), Erica Lane (independent director) and John Skippen (independent director). A profile of the members of the Audit, Compliance and Risk Management committee and a table reporting attendance at Audit, Compliance and Risk Management committee meetings is provided in the Directors' Report.

'08 The family of asbestos victim Tim Lacone donated \$200,000 of the record \$2.75 million settlement to the Slater & Gordon Asbestos Research Fund. Slater & Gordon, through its community fund, donated a further \$300,000 making a total of over \$1 million available for research into asbestos related diseases since the Fund's inception.

'09 Completed the acquisition of Carter Capner (Brisbane, Qld), John Micallef & Co (Keilor, Vic), Long Howland Lawyers (Gunnedah, NSW), Kenyons Lawyers (based in Melbourne's northern suburbs), McGlades Lawyers (Ballarat, Vic) and opened a new office in Hobart (Tas).

NOMINATION AND APPOINTMENT OF NEW DIRECTORS

The Board's Nomination and Remuneration committee has responsibility for reviewing the membership of the Board on an annual basis to ensure the appropriate skill mix of the Board as a whole. The committee assesses the current mix of skills and experience on the Board, and identifies those areas where it believes the Board could benefit from new skills and experience. It also looks at the independence and diversity of the current Board. The committee takes into account the independence, diversity, skills, expertise, experience and fit of the nominee. This may be done with the assistance of external consultants.

More information is provided in the Board Composition Policy and the summary of the Diversity Policy published on the website at www.slatergordon.com.au.

REMOVAL AND ROTATION OF DIRECTORS

The Company's constitution specifies that one third of the Board, excluding the Managing Director, must retire from office and stand for re-election at each Annual General Meeting. Further, each director, excluding the Managing Director, must stand for re-election at least every three years. Directors may be appointed by the Board during the year. Directors appointed by the Board are required to submit themselves for re-election at the next Annual General Meeting.

REVIEW OF BOARD AND KEY EXECUTIVE PERFORMANCE

The Board reviews its overall performance and the performance of the committees annually. The objective of the evaluation is to contribute to the ongoing development of the Board, the committees, individual directors and the overall corporate governance framework. Further detail about the processes adopted for Board evaluation is provided in the Directors' Protocol at www.slatergordon.com.au

In late 2009 the Board engaged the Boardroom Consulting Group to facilitate an independent evaluation process. Based on questionnaires and facilitated interviews with directors, the Boardroom Consulting Group provided each director and the Board as a whole with an analysis of strengths and weaknesses, overall performance and a process and agenda for continuing reflection and improvement.

During the reporting period, each of the committees also conducted an annual performance evaluation based on a questionnaire developed by the Chair of each committee and the Company Secretary and implemented improvements arising out of this process.

In the past, the Company has followed a practice of conducting the Board evaluation process in the second half of each calendar year. Going forward, the Board has decided to move the performance evaluation process to the beginning of the calendar year which will better align the process with the Board's annual retreat, held early each calendar year. The next annual performance reviews of the Board and committees are scheduled for early 2011. The Board intends to continue to alternate between a process of internal review with an external independent review every 2 to 3 years.

Senior executives participate in the annual performance review process which applies to all Slater & Gordon employees. This process involves the establishment of performance objectives and measurements on an annual basis, and review of achievement of the same. The process also involves assessment of remuneration tied to the Company achieving its stated financial and other goals.

The performance of the Managing Director is reviewed annually by the Nomination and Remuneration committee. The Managing Director is assessed on achievement of Company goals and budgets applicable to the year in review. The committee also reviews the remuneration of the Managing Director on an annual basis. The findings are reported to, and approved by, the Board. As with senior executives, the process also involves assessment of remuneration tied to the Company achieving its financial goals. Further details regarding executive and non executive remuneration are provided in the Remuneration Report.

During the reporting period, an annual performance review of senior executives and the Managing Director was conducted in accordance with the performance review process described above.

SUCCESSION PLANNING

The Board plans succession of its own members in conjunction with the Nomination and Remuneration committee. The Board retains overall responsibility for succession planning of the Managing Director, via the Nomination and Remuneration committee. The Nomination and Remuneration committee and Managing Director are responsible for the succession planning of other senior executives.

RELATIONSHIP WITH MANAGEMENT

Ultimate responsibility for the management and control of the Company is vested in the directors, who may then delegate their powers to management.

The functions and authority delegated by the Board to management are set out in the Senior Executives Protocol published on the Company's website at www.slatergordon.com.au.

'10

Announced the acquisition of leading Queensland personal injury firm, Trilby Misso Lawyers, and completed acquisitions of Stewart & Noble Lawyers (Wangaratta, Vic) and Adams Leyland Lawyers (Albury, Dubbo and Gilgandra, NSW).



'10

Opened new offices in Joondalup (WA), Frankston (Vic), Ipswich and Townsville (Qld)



INDEPENDENT ADVICE

Directors and Board committee members have the right to seek independent professional advice in connection with their duties and responsibilities, at the Company's expense. Prior notification to the chair is required. Directors also have access to any employees, Company advisers, records and information they may require to carry out their duties.

CONFLICTS OF INTEREST

Directors are required to disclose to the Board any matters in which they may have a personal interest or a potential conflict of interest with the Company.

All directors have entered into written undertakings to supply the Company with all information necessary for the Company to disclose details of directors' interests in the Company's securities in accordance with the Listing Rules of the ASX. Directors are regularly reminded of their responsibilities.

AUDITOR

The Company's auditor is appointed by the Board and based upon a recommendation from the Audit, Compliance and Risk Management committee. The committee monitors and reviews the activities of the Company's auditors, including scope and quality of the audit and independence of the auditor. The Company's auditor, Pitcher Partners ("PP") has committed to assist the Audit, Compliance and Risk Management committee review the quality of its work and its independence.

To this end:

- > PP provides a half-yearly declaration of independence for review by the Audit, Compliance and Risk Management committee.
- > The PP independence letter outlines the services to be performed. This enables the Audit, Compliance and Risk Management committee to provide written approval for non-audit services to the Board.
- > The Audit, Compliance and Risk Management committee regularly reports to the Board on these matters.

In accordance with the Corporations Act 2001 the audit signing partner will rotate after no more than five years.

The external auditor attends and will be available to answer questions, relevant to the conduct of the audit and preparation of the Audit Report and received in writing by the Company five days prior to the Annual General Meeting, at the Annual General Meeting.

SHARE TRADING POLICIES

In addition to restrictions prescribed by law, the Company has share trading policies which:

- > prohibit directors from trading at any time in the Company's securities without first notifying the Chair and Company Secretary;
- > prohibit directors and nominated employees from trading in the Company's securities other than in the approved trading windows which are:
 - > within the 6 week periods commencing 24 hours after the Company has released its half year and full year results
 - > within the period commencing 24 hours after the Company lodges its annual report with the ASX through to one month after the Company's AGM.

A copy of the Share Trading Policy is available on the Company's website at www.slatergordon.com.au.

CONTINUOUS DISCLOSURE

The Company has established a written policy designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The Continuous Disclosure Policy is published on the Company's website at www.slatergordon.com.au.

SHAREHOLDER COMMUNICATION

The Company is committed to providing effective communication to its shareholders. The Company's Shareholder Communication Policy is available on the Company's website at www.slatergordon.com.au.

ETHICAL STANDARDS AND SOCIAL RESPONSIBILITY

Both directors and employees are expected to adhere to the Company's Code of Conduct. The Code of Conduct is published on the Company's website at www.slatergordon.com.au. This sets out detailed standards of ethical behaviour. The Board has also endorsed the Company's policies covering equal employment opportunity, discrimination, harassment, confidentiality, privacy and occupational health and safety. These policies are aimed at ensuring the maintenance of standards of honesty, integrity and fair dealing.

'10
Obtained a Federal Court judgement in favour of the lead plaintiff in the Vioxx class action.

'10
Implemented an innovative resolution scheme for clients impacted by the failure of the Queensland financial advisers, Storm Financial.

WHISTLE BLOWING

Under the Company's whistleblower policy employees are actively encouraged to bring any problems to the attention of management or human resources. This includes activities or behaviour that may not be in accordance with the Company's Code of Conduct, financial reporting policies, insider trading policy, other Company policies, or other regulatory requirements of laws.

BOARD EDUCATION

The Board is committed to ensuring new directors are adequately educated on the Company's operations. New directors are provided with an orientation and education program.

Directors are expected to continuously update and develop their knowledge and skills in relation to the industry context, financial management and corporate governance and are encouraged to undertake up to 10 hours of continuing professional development at the Company's expense, with the prior approval of the chair. Commencing in the second half of 2010, the Company will also provide internal continuing professional development seminars for directors.

DIVERSITY

The Company has adopted a policy to assist it to create a working environment where the diverse experiences, perspectives and backgrounds of its people are valued and utilised.

The Board has also adopted the following gender diversity targets:

- > Board composition 50% women; and
- > National Executive (the Company's senior executive group) composition 40% women.

In FY10, the Company achieved Board composition 30% women and National Executive composition 30% women. In addition, 50% of the Company's independent directors are women. Currently approximately 75% of the Company's 950 employees are women.

The Nomination and Remuneration committee is responsible for monitoring the Company's performance against its diversity targets and overseeing management's implementation of the diversity policy and reporting to the Board. A summary of the Company's diversity policy, including a description of the responsibilities of management, the Nomination & Remuneration committee and the Board is available on the Company's website.

RISK MANAGEMENT

The Company has established a process for the identification and management of material business risks. The Enterprise Risk Management Framework ("the ERM Framework") was developed between March to July 2008 with the assistance of independent experts, Wyndarra Consulting, and adopted by the Board in August 2008. Under the ERM Framework, responsibility is allocated to the Board, the Audit, Compliance and Risk Management committee and the Managing Director to monitor the key business risks and implement agreed risk management controls and strategies.

The ERM Framework complies with the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the methodology and process are described in more detail in the Company's Risk Management Policy published on the Company's website at www.slatergordon.com.au.

The reporting and review under this framework is as follows:

- > The Board requires the Managing Director to report annually to the Board on the implementation of risk management controls and strategies;
- > The Audit, Compliance and Risk Management committee reviews the Company's risk profile quarterly, checks that management is effectively implementing the agreed controls and strategies and recommends any changes or issues warranting further action to the Board;
- > The Audit, Compliance and Risk Management committee reviews the Company's Enterprise Risk Management Framework as a whole annually. The detailed work of this review is undertaken by the committee and is reviewed by the Board;
- > The Board reviews the Company's list of material business risks and risk ratings annually in conjunction with its review of the Company's strategic plan.

By the processes outlined above, the Board satisfies itself annually that management has developed and implemented a sound system of risk management and internal control.

The Managing Director has reported to the Board on the effectiveness of the Company's management of its material business risks during the period 1 July 2009 to 30 June 2010.

The Board reports that it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with s295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

A table setting out the Company's compliance with the ASX Corporate Governance Council Best Practice Recommendations is set out below:

	ASX Principle	Compliance / Comment
Principle 1	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies
1.2	Companies should disclose the process of evaluating the performance of senior executives.	Complies
1.3	Companies should provide the information indicated in Guide to reporting on Principle 1.	Complies
Principle 2	Structure to the board to add value	
2.1	A majority of the board should be independent directors.	Complies
2.2	The chair should be an independent director.	Complies
2.3	The roles of chair and executive officer should not be exercised by the same individual.	Complies
2.4	The board should establish a nomination committee.	Complies
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complies
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Complies
Principle 3	Promote ethical and responsible decision-making	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Complies
3.1.1	the practices necessary to maintain confidence in the Company's integrity.	Complies
3.1.2	the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	Complies
3.1.3	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complies
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives, employees and disclose the policy or a summary of that policy.	Complies
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complies
Principle 4	Safeguard integrity in financial reporting	
4.1	The board should establish an audit committee.	Complies
4.2	Structure - the audit committee should be structured so that it: > consists only of non-executive directors > consists of a majority of independent directors > is chaired by an independent chair who is not chair of the board > has at least three members	Complies

	ASX Principle	Compliance / Comment
4.3	The audit committee should have a formal charter.	Complies
4.4	Companies should provide the information indicated in Guide to reporting on Principle 4.	Complies
Principle 5	Make timely and balanced disclosure	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies
5.2	Companies should provide the information indicated in Guide to reporting on Principle 5.	Complies
Principle 6	Respect the rights of shareholders	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complies
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complies
Principle 7	Recognise and manage risk	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complies
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Complies
Principle 8	Remunerate fairly and responsibly	
8.1	The board should establish a remuneration committee.	Complies
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies
8.3	Companies should provide the information indicated in Guide to reporting on Principle 8.	Complies

BOARD OF DIRECTORS AND COMPANY SECRETARY

The skills, experience and special responsibilities of each person who has been a director of the Company at any time during the or since the end of the year is provided below, together with details of the Company Secretary as at the year end.



Anna Booth

B Ec Hons
FAICD
Non-executive Chair

In 1987 Anna became the first woman National Secretary of the Clothing and Allied Trades Union of Australia and upon amalgamation, the Textiles, Clothing and Footwear Union of Australia. She has been a vice president of the Australian Council of Trade Unions ("ACTU") and a member of the boards of the Commonwealth Bank of Australia and NRMA. She was also a member of the Sydney Organising Committee for the Olympic Games ("SOCOG"). Anna is a non-executive director of Industry Super Holdings Pty Ltd, along with subsidiaries including, Members Equity Bank and Industry Funds Management. She is also an executive director of CoSolve Pty Ltd where she consults in workplace relations. She is a qualified Leader with Girl Guides NSW.

Anna is the Chair of the Board and Nomination and Remuneration committee. Anna brings to the Board a broad knowledge of government and corporate environments, in particular banking and financial services. She is a specialist in workplace relations and is highly skilled in facilitation, collective decision-making and mediation. Anna has developed a strong capability in corporate governance including financial performance and has a strong commitment to corporate responsibility.



Peter Gordon

LLB MAICD
Executive Director and Deputy Chair

Peter is internationally renowned for his work on numerous landmark cases during his leadership of the class actions and major projects division of Slater & Gordon between 1986 and 2008. Cases include the first successful asbestos cancer claim in Australia in 1985 followed by thousands of actions for asbestos affected employees in Australia and the US, the first medically acquired HIV/AIDS trial in the world in 1990, the world's first group settlement against Dow Corning for women injured by defective breast implants, acting for union and asbestos victims groups in the inquiry into the James Hardie companies in 2004 and acting for Rolah McCabe in the litigation against British American Tobacco. Most recently, Peter has led the team on the class action trial over the arthritis drug Vioxx.

Peter served as the President and Chair of the Western Bulldogs from 1989 to 1996. He has been a director (and Acting Chair) of the Victorian Health Promotion Foundation (Vic Health) since 2005; he is the inaugural Chair of Victoria Walks and he is the Chair of the Australian Community Centre for Diabetes.

Peter resigned as a director with effect from 15 April 2010.



Andrew Grech

LLB MAICD
Managing Director

Andrew joined Slater & Gordon in 1994 and has worked as a litigator in most areas of the Company's litigation practice. Andrew also spent three years in the then fledgling Sydney office between 1997 and 2000. Since he became Managing Director in 2000, the Company has enjoyed substantial growth, expanding from seven offices in 2002 to 36 offices and 7 visiting services in 2010. Andrew has also successfully managed the acquisition and integration of 20 smaller firms since 2006.

Andrew's more than 20 years' experience as a legal practitioner has equipped him with very strong skills in the assessment and management of litigation risks. During his tenure as Managing Director, Andrew has developed skills in all facets of legal practice management.

Andrew served as the founding chair of the Youth Junction Inc., a not for profit youth charity operating in Sunshine, Victoria and remains a member of its voluntary board.



Ken Fowlie

LLB BCom MAICD
Executive Director

Ken has taken a lead role in establishing Slater & Gordon's presence in New South Wales. One of two original Slater & Gordon employees in that State, Ken has managed the growth of the Slater & Gordon team to around 190, the majority of whom have joined the Company through the acquisition of smaller firms. Ken has been a litigator for more than 15 years. He has extensive litigation experience in claims for sufferers of asbestos related illness (including acting for the ACTU and asbestos support groups in negotiations with James Hardie) and large, multi-party group and representative actions.

As General Manager of the Commercial and Project Litigation practice, Ken brings to the Board a unique operational perspective in two of the Company's key strategic areas. As a legal practitioner with over 15 years experience and qualifications and a strong interest in economics, Ken contributes skills in legal practice, legal practice management, risk management, financial analysis and financial reporting.



Ian Court

FAICD
Non-executive Director

Ian has extensive experience as a senior executive and non-executive director in a diverse range of companies and industry sectors. He is currently a non-executive director with Victorian Funds Management Corporation (Chair of the Nominations and Remuneration committee, from 2009), AssetCo Management Pty Ltd (Chair of the Projects Committee), SSSR Holdings Pty Ltd, Epic Energy Holdings Pty Ltd and its wholly owned subsidiaries (Chair of the Audit and Risk Committee). He is a non-executive director and Chair of ACTU Member Connect Pty Ltd, Chair of the Industry Funds Management Investor Advisory Board and a non-executive director of Praeco Pty Ltd.

Prior non-executive positions held include companies in the financial services, unlisted infrastructure, private equity and property sectors including, Pacific Hydro Pty Ltd, Federal Airports Corporation, Utilities of Australia Pty Ltd, Bennelong Funds Management Pty Ltd, Ecogen Holdings Pty Ltd, Australian Venture Capital Association Ltd, Australian Prime Property Funds Custodian Pty Ltd and deputy Chair of ISPT Pty Ltd. Ian was also inaugural president of the Australian Institute of Superannuation Trustees (AIST). Prior executive positions include CEO of Development Australia Funds Management Ltd (1998-2004) and Executive Chair of Cbus (1992-1998). Earlier in his career Ian was a senior industrial officer with the ACTU (1982-1992).

Ian is the Chair of the Audit, Compliance and Risk Management committee. Ian brings to the Board expertise and skills in finance, financial markets, business strategy, human resources, risk management and corporate governance.



Erica Lane

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

Erica has extensive experience as a non-executive director and senior executive particularly in financial services (banking, insurance, funds management and investment banking), professional services and healthcare.

Erica has served as a non-executive director and chaired various committees for Victorian Funds Management Corporation and Eastern Health. Earlier in her career, Erica held senior executive positions with ANZ Bank, CS First Boston (USA) and Booz Allen & Hamilton. Prior to her business career, Erica practised as a medical microbiologist in the public health system.

Erica currently runs her own business advisory and interim management firm and has consulted extensively on strategic realignment, re-organisation and restructuring and performance improvement across a broad range of industries. She is a Director of the Ilhan Food Allergy Foundation and Founder of AnaphylaxiSTOP, philanthropic organisations which support medical research into life threatening food allergies.

Erica is a member of the Nomination and Remuneration committee and the Audit, Compliance and Risk Management committee. Erica contributes specialised skills in strategy, finance, general management and business performance improvement.



John Skippen

ACA
Non-executive Director

John has over 30 years experience as a chartered accountant and was the former Finance Director of Harvey Norman Holdings Ltd. John has also served as a Director of Rebel Sport Ltd, Orion Telecoms Limited, Courts (Singapore) Limited, Pertama Holdings Limited (Singapore) and Mint Wireless Limited.

John is currently a Non Executive Director of Flexigroup Limited, Super Cheap Auto Group Ltd and Briscoe Group Limited (NZ).

John was appointed as a non-executive director of the Company on 26 May 2010. John is also a member of the Audit, Compliance and Risk Management committee. John brings to the Board extensive financial, public company and retail experience and skills in financial management, general management and strategy.



Wayne Brown

BCom (Hons), M Int Bus (Melb),
CA MAICD
Chief Financial Officer and Joint
Company Secretary

Wayne joined Slater & Gordon in 2004 as Chief Financial Officer and Company Secretary. Prior to joining the Company, Wayne was the financial controller of the ASX listed Grand Hotel Group and prior to that, Wayne spent ten years with Arthur Andersen where he specialised in corporate recovery and restructuring. Wayne contributes skills in corporate governance, financial management, analysis and reporting.



Kirsten Morrison

BA/LLB (Hons)
General Counsel and Joint Company
Secretary

Kirsten completed articles at Allens Arthur Robinson in 2003 and obtained experience in property, planning and commercial litigation before completing an Associateship to the Hon. Justice Hargrave in the Commercial List of the Victorian Supreme Court in 2005. Kirsten commenced as a commercial litigator with Slater & Gordon in 2006 and then as General Counsel and joint Company Secretary in 2008. Kirsten contributes skills in legal compliance, corporate governance and commercial litigation.

SLATER & GORDON LIMITED
FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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SLATER & GORDON LIMITED
ABN 93 097 297 400

DIRECTORS' REPORT

The directors present their report together with the financial report of Slater & Gordon Limited ("the Company"), for the financial year ended 30 June 2010 and auditor's report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards. Compliance with Australian equivalents of International Financial Reporting Standards ensures compliance with International Financial Reporting Standards ("IFRS").

Directors

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

Anna Booth – Chair

Peter Gordon – Deputy Chair (resigned with effect from 15 April 2010)

Andrew Grech – Managing Director

Ian Court

Ken Fowlie

Erica Lane

John Skippen (appointed with effect from 26 May 2010)

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

Principal Activities

The principal activity of the Company during the financial year was the operation of legal practices throughout Victoria, New South Wales, Queensland, Western Australia, the Australian Capital Territory and Tasmania.

Results

The profit after income tax of the Company was \$19,800,000 (2009: \$17,047,000).

Review of Operations

A review of the operations of the Company during the financial year, its financial position and business strategies and prospects for the future financial years is set out below.

Significant Changes in the State of Affairs

Significant changes in the Company's state of affairs during the year ending 30 June 2010 were as follows:

During the course of the year, the Company acquired the following businesses:

- Long Howland, a firm based in Gunnedah specialising in Personal Injury Law, Commercial Litigation and Private Client Services with effect from 31 July 2009, involving an initial payment of \$502,000 and the issue of \$306,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 24 July 2009 to 30 July 2009 (equating to 171,905 ordinary shares). The issue of the ordinary shares was approved by shareholders at the Annual General Meeting ("AGM"), held on 12 November 2009. The balance of \$690,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.
- McGlades, a firm based in Ballarat specialising in Personal Injury Law with effect from 25 September 2009, involving an initial payment of \$390,000 and the issue of \$250,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 18 September 2009 to 24 September 2009 (equating to 156,250 ordinary shares). The issue of the ordinary shares was approved by shareholders at the AGM, held on 12 November 2009. The balance of \$487,000 is deferred consideration.
- Kenyons, a firm based in Melbourne specialising in Personal Injury Law and Commercial Litigation with effect from 4 December 2009, involving an initial payment of \$3,900,000 and the issue of \$800,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 30 November 2009 to 4 December 2009 (equating to 508,986 ordinary shares). The issue of the ordinary shares is subject to shareholder approval at the AGM. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of \$1,600,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.
- Stewart & Noble Lawyers, a firm based in Wangaratta specialising in Business Law and Private Client Services with effect from 19 March 2010, involving an initial payment of \$346,000. The balance of \$60,000 is deferred consideration.

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- Adams Leyland, a firm based in Albury, Dubbo and Gilgandra specialising in Personal Injury Law and Private Client Services with effect from 12 April 2010, involving an initial payment of \$2,572,000 and the issue of \$650,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 5 April 2010 to 9 April 2010 (equating to 403,728 ordinary shares). The issue of the ordinary shares is subject to shareholder approval at the AGM. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of \$1,200,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.
- A part of the personal injuries practice of Robbins Watson, a firm based in Gold Coast, Queensland which specialises in Business & Private Client Services including Family Law was acquired with effect from 15 April 2010, involving a total payment of \$297,000.

Further information in relation to the acquisitions is detailed in Note 27 of the financial report.

The Company issued a total of 3,170,047 ordinary shares in the financial year ending 30 June 2010 representing:

- On 27 November 2009, 328,155 ordinary shares to the vendors of acquired firms as approved at the Company's AGM held on 12 November 2009.
- On 21 December 2009, 2,796,192 ordinary shares as a result of the conversion of Vesting Convertible Redeemable ("VCR") ordinary shares pursuant to the terms of the Employee Ownership Plan ("EOP") as approved at the Company's AGM on 14 November 2008.
- On 5 March 2010, 45,700 ordinary shares to the vendors of acquired firms as approved at the Company's AGM held on 14 November 2008.

Pursuant to the terms of the EOP the Company issued an Offer Information Statement on 12 November 2009 and Supplementary Offer Information Statement dated 7 December 2009 for the issue of 2,880,000 VCR ordinary shares at a share price of \$1.63 per share to employees of the Company. The VCR ordinary shares were issued to the employees on 21 December 2009. For further details on the terms of VCR ordinary shares please refer to Note 24 of the financial report for the year ended 30 June 2010.

After Balance Date Events

Particulars of matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years are as follows:

Acquisition of subsidiary – Trilby Misso Lawyers Limited ("TML")

On 28 June 2010, the Company announced that it had agreed to acquire a 100% shareholding in Trilby Misso Lawyers Limited ("TML"), a leading Queensland personal injury law firm, for a total consideration of \$57.0 million. This transaction was subsequently settled on 13 August 2010.

The strategic rationale for this business combination is to:

- Diversify earnings through expansion of geographic coverage
- Build scale in one of the fastest growing regions in Australia
- Provide a strategic growth platform in the Queensland market
- Acquire a legal practice led by experienced and committed management team and staff
- Establish a greater South East Queensland presence with a head office in Brisbane and Client Service Centres in Morayfield, Robina, North Lakes, Ipswich and Logan

Acquisition-related costs for this purchase amounting to \$460,000 have been excluded from the total consideration and have been recognised as an expense in the period ending 30 June 2010, within the 'costs associated with acquisitions' line item in the statement of comprehensive income.

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The provisionally determined assets and liabilities to be assumed at the date of acquisition are as follows:

	\$'000	
Consideration		
- Cash		40,241
- Net present value of deferred cash consideration		10,971
Total cash consideration		51,212
- Net present value of equity (shares) issued as consideration		5,276
Total equity issued as consideration		5,276
Net present value of total consideration		56,488
Net assets acquired	Fair Value	Carrying Amount
Assets		
- Cash and cash equivalent	1,057	1,057
- Trade and other receivables	10,052	10,052
- Work in progress	26,571	26,571
- Plant and equipment	2,068	2,068
- Intangible assets	5,600	5,600
- Other	2,739	2,739
Total assets acquired	48,087	48,087
Liabilities		
- Short term borrowings	239	239
- Payables	2,994	2,994
- Provisions	8,758	8,758
Total liabilities acquired	11,991	11,991
Net assets acquired	36,096	36,096
Goodwill on acquisition	20,392	

The initial accounting for the acquisition has only been provisionally determined. At the date of finalisation of these financial statements, the necessary fair valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely values.

The key items that flowed from the acquisition that gave rise to the goodwill above are:

- Synergies expected to be achieved as a result of combining the acquired business with the Company;
- Access to geographic locations not previously served by the Company; and
- Access to referral networks not previously available to the Company.

Had this business combination been effected at 1 July 2009, the revenue of the newly-formed Group's continuing operations would have been \$155,893,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Share Issue

On 28 June 2010, the Company also announced a capital raising of up to \$40.0 million to fund the acquisition of TML by way of:

- a Share Placement to sophisticated and professional investors ("Placement") for a total value of \$38.0 million; and
- a Share Purchase Plan ("SPP") to existing, eligible Shareholders up to a total value of \$2.0 million at \$1.40 per share which closed on 31 July 2010

In addition, a part of the consideration to the vendors of TML will be paid by way of the issue of \$5,276,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 26 May 2010 to 23 June 2010 (equating to 3,403,927 ordinary shares).

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The Placement was conducted in two parts:

- the first tranche ("Tranche 1"), which was fully underwritten and was completed on 1 July 2010, involving the issue of 16,806,116 ordinary shares at \$1.40 per share to professional and sophisticated investors to raise \$23,529,000. As detailed in Note 17(c) the funds were received on 30 June 2010 and the shares were allotted and issued subsequent to year end on 1 July 2010; and
- the second tranche ("Tranche 2"), which was conducted together with Tranche 1 of the Placement, was completed following the approval of shareholders at the Extraordinary General Meeting ("EGM") held on 9 August 2010. Tranche 2 was also underwritten and involved the issue of a further 10,336,741 ordinary shares at \$1.40 per share to raise a further \$14,471,000.

The SPP which opened on 5 July 2010 and closed on 31 July 2010 and raised the total sum of \$1,406,000 with 1,004,204 ordinary shares being issued on 13 August 2010 at \$1.40 per share.

Subsequent to year end the Company issued a total of 35,024,536 ordinary shares representing:

- On 1 July 2010, 16,806,116 ordinary shares as Tranche 1 of the Placement and ratified at the Company's EGM held on 9 August 2010;
- On 13 August 2010, 1,004,204 ordinary shares pursuant to the SPP;
- On 13 August 2010, 10,336,741 ordinary shares as Tranche 2 of the Placement and approved at the Company's EGM held on 9 August 2010; and
- On 13 August 2010, 3,403,927 ordinary shares to the vendors of TML as approved at the Company's EGM held on 9 August 2010.
- On 2 September 2010 the Company issued 2,560,834 ordinary shares as a result of the conversion of VCR shares pursuant to the terms of the Employee Ownership Plan and as approved at the AGM on 12 November 2009.
- On 2 September 2010 the company issued a total of 912,714 ordinary shares as part of the consideration for certain acquisitions that occurred during the year, representing:
 - 508,986 ordinary shares issued to the vendors of Kenyons Lawyers, being \$800,000 in the Company's ordinary shares at the volume weighted average price at which shares traded during the period from 30 November 2009 to 4 December 2009.
 - 403,728 ordinary shares issued to the vendors of Adams Leyland, being \$650,000 in the Company's ordinary shares at the volume weighted average price at which shares traded during the period from 5 April 2010 to 9 April 2010.

The above ordinary shares issued subsequent to 30 June 2010 will also participate in the final dividend declared for the year ending 30 June 2010 of 3.0 cents, fully franked, equating to the sum of \$1,051,000.

Likely Developments

The Company will continue to pursue its growth strategy in order to create shareholder value through:

- An ongoing acquisition program,
- An acceleration of the organic growth of the business through national branding initiatives, and
- An increase in its presence in practice areas outside the personal injuries field of law.

In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Company.

Environmental Regulation

The Company's operations are not subject to any significant environmental, Commonwealth or State, regulations or laws.

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Dividends Paid, Recommended and Declared

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

- A final dividend for the year ending 30 June 2009 was declared on 19 August 2009 to pay a fully franked dividend of 3.25 cents per share to ordinary shareholders. This dividend was paid on 28 October 2009.
- An interim dividend was declared on 15 February 2010 to pay a fully franked dividend of 2.0 cent per share to ordinary shareholders. This dividend was paid on 28 April 2010.
- A final dividend was declared on 17 August 2010 to pay a fully franked dividend of 3.0 cents per share to ordinary shareholders with a record date of 3 September 2010. This dividend is to be paid on 28 October 2010. This dividend was not provided for in the accounts as at 30 June 2010.

Share Options

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

Indemnification and Insurance of Directors and Officers

During or since the end of the financial year, the Company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

A premium of \$53,887 (2009: \$41,737) for a twelve month period was incurred in respect of directors, officers and the Company Secretary of the Company against a liability brought upon such an officer.

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

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Information on Directors and Company Secretary

The skills, experience, expertise and special responsibilities of each person who has been a director of the Company at any time during or since the end of the financial year is provided below, together with details of the Company Secretaries as at the year end.

Anna Booth
B Ec Hons
FAICD
Non-executive Chair

In 1987 Anna became the first woman National Secretary of the Clothing and Allied Trades Union of Australia and upon amalgamation, the Textiles, Clothing and Footwear Union of Australia. She has been a vice president of the Australian Council of Trade Unions (“CTU”) and a member of the boards of the Commonwealth Bank of Australia and NRMA. She was also a member of the Sydney Organising Committee for the Olympic Games (“SOCOG”). Anna is a non-executive director of Industry Super Holdings Pty Ltd, along with subsidiaries including, Members Equity Bank and Industry Funds Management. She is also an executive director of CoSolve Pty Ltd where she consults in workplace relations. She is a qualified Leader with Girl Guides NSW.

Anna is the Chair of the Board and Nomination and Remuneration committee. Anna brings to the Board a broad knowledge of government and corporate environments, in particular banking and financial services. She is a specialist in workplace relations and is highly skilled in facilitation, collective decision-making and mediation. Anna has developed a strong capability in corporate governance including financial performance and has a strong commitment to corporate responsibility.

Peter Gordon
LLB MAICD
Executive Director and Deputy
Chair

Peter is internationally renowned for his work on numerous landmark cases during his leadership of the class actions and major projects division of Slater & Gordon between 1986 and 2008. Cases include the first successful asbestos cancer claim in Australia in 1985 followed by thousands of actions for asbestos affected employees in Australia and the US, the first medically acquired HIV/AIDS trial in the world in 1990, the world’s first group settlement against Dow Corning for women injured by defective breast implants, acting for union and asbestos victims groups in the inquiry into the James Hardie companies in 2004 and acting for Rolah McCabe in the litigation against British American Tobacco. Most recently, Peter has led the team on the class action trial over the arthritis drug Vioxx.

Peter served as the President and Chair of the Western Bulldogs from 1989 to 1996. He has been a director (and Acting Chair) of the Victorian Health Promotion Foundation (Vic Health) since 2005; he is the inaugural Chair of Victoria Walks and he is the Chair of the Australian Community Centre for Diabetes.

Peter resigned as a director with effect from 15 April 2010.

Andrew Grech
LLB MAICD
Managing Director

Andrew joined Slater & Gordon in 1994 and has worked as a litigator in most areas of the Company’s litigation practice. Andrew also spent three years in the then fledgling Sydney office between 1997 and 2000. Since he became Managing Director in 2000, the Company has enjoyed substantial growth, expanding from seven offices in 2002 to 36 offices and 7 visiting services in 2010. Andrew has also successfully managed the acquisition and integration of 20 smaller firms since 2006.

Andrew’s more than 20 years’ experience as a legal practitioner has equipped him with very strong skills in the assessment and management of litigation risks. During his tenure as Managing Director, Andrew has developed skills in all facets of legal practice management.

Andrew served as the founding chair of the Youth Junction Inc., a not for profit youth charity operating in Sunshine, Victoria and remains a member of its voluntary board.

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Ken Fowlie
LLB BCom MAICD
Executive Director

Ken has taken a lead role in establishing Slater & Gordon's presence in New South Wales. One of two original Slater & Gordon employees in that State, Ken has managed the growth of the Slater & Gordon team to around 190, the majority of whom have joined the Company through the acquisition of smaller firms. Ken has been a litigator for more than 15 years. He has extensive litigation experience in claims for sufferers of asbestos related illness (including acting for the ACTU and asbestos support groups in negotiations with James Hardie) and large, multi-party group and representative actions.

As General Manager of the Commercial and Project Litigation practice, Ken brings to the Board a unique operational perspective in two of the Company's key strategic areas. As a legal practitioner with over 15 years experience and qualifications and a strong interest in economics, Ken contributes skills in legal practice, legal practice management, risk management, financial analysis and financial reporting.

Ian Court
FAICD
Non-executive Director

Ian has extensive experience as a senior executive and non-executive director in a diverse range of companies and industry sectors. He is currently a non-executive director with Victorian Funds Management Corporation (Chair of the Nominations and Remuneration committee, from 2009), AssetCo Management Pty Ltd (Chair of the Projects Committee), SSSR Holdings Pty Ltd, Epic Energy Holdings Pty Ltd and its wholly owned subsidiaries (Chair of the Audit and Risk Committee). He is a non-executive director and Chair of ACTU Member Connect Pty Ltd, Chair of the Industry Funds Management Investor Advisory Board and a non-executive director of Praeco Pty Ltd.

Prior non-executive positions held include companies in the financial services, unlisted infrastructure, private equity and property sectors including, Pacific Hydro Pty Ltd, Federal Airports Corporation, Utilities of Australia Pty Ltd, Bennelong Funds Management Pty Ltd, Ecogen Holdings Pty Ltd, Australian Venture Capital Association Ltd, Australian Prime Property Funds Custodian Pty Ltd and deputy Chair of ISPT Pty Ltd. Ian was also inaugural president of the Australian Institute of Superannuation Trustees (AIST). Prior executive positions include CEO of Development Australia Funds Management Ltd (1998-2004) and Executive Chair of Cbus (1992-1998). Earlier in his career Ian was a senior industrial officer with the ACTU (1982-1992).

Ian is the Chair of the Audit, Compliance and Risk Management committee. Ian brings to the Board expertise and skills in finance, financial markets, business strategy, human resources, risk management and corporate governance.

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

Erica has extensive experience as a non-executive director and senior executive particularly in financial services (banking, insurance, funds management and investment banking), professional services and healthcare.

Erica has served as a non-executive director and chaired various committees for Victorian Funds Management Corporation and Eastern Health. Earlier in her career, Erica held senior executive positions with ANZ Bank, CS First Boston (USA) and Booz Allen & Hamilton. Prior to her business career, Erica practised as a medical microbiologist in the public health system.

Erica currently runs her own business advisory and interim management firm and has consulted extensively on strategic realignment, re-organisation and restructuring and performance improvement across a broad range of industries. She is a Director of the Ilhan Food Allergy Foundation and Founder of AnaphylaxiSTOP, philanthropic organisations which support medical research into life threatening food allergies.

Erica is a member of the Nomination and Remuneration committee and the Audit, Compliance and Risk Management committee. Erica contributes specialised skills in strategy, finance, general management and business performance improvement.

John Skippen
ACA
Non-executive Director

John has over 30 years experience as a chartered accountant and was the former Finance Director of Harvey Norman Holdings Ltd. John has also served as a Director of Rebel Sport Ltd, Orion Telecoms Limited, Courts (Singapore) Limited, Pertama Holdings Limited (Singapore) and Mint Wireless Limited.

John is currently a Non Executive Director of Flexigroup Limited, Supercheap Auto Group Ltd and Briscoe Group Limited (NZ).

John was appointed as a non-executive director of the Company on 26 May 2010. John is also a member of the Audit, Compliance and Risk Management committee. John brings to the Board extensive financial, public company and retail experience and skills in financial management, general management and strategy.

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

Wayne joined Slater & Gordon in 2004 as Chief Financial Officer and Company Secretary. Prior to joining the Company, Wayne was the financial controller of the ASX listed Grand Hotel Group and prior to that, Wayne spent ten years with Arthur Andersen where he specialised in corporate recovery and restructuring. Wayne contributes skills in corporate governance, financial management, analysis and reporting.

Kirsten Morrison
BA/LLB (Hons)
General Counsel and Joint
Company Secretary

Kirsten completed articles at Allens Arthur Robinson in 2003 and obtained experience in property, planning and commercial litigation before completing an Associateship to the Hon. Justice Hargrave in the Commercial List of the Victorian Supreme Court in 2005. Kirsten commenced as a commercial litigator with Slater & Gordon in 2006 and then as General Counsel and joint Company Secretary in 2008. Kirsten contributes skills in legal compliance, corporate governance and commercial litigation.

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Directors' Meetings

The number of meetings of the Board of Directors and of each Board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit, Compliance & Risk Management Committee		Nomination & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
A Booth ⁽¹⁾	12	12	3	2	4	4
P Gordon ⁽²⁾	5	5	-	-	-	-
A Grech ⁽³⁾	12	12	-	-	1	1
I Court ⁽⁴⁾	12	12	4	4	3	3
K Fowlie	12	12	-	-	-	-
E Lane	12	12	4	4	4	4
J Skippen ⁽⁵⁾	4	4	1	1	-	-

⁽¹⁾ Resigned from the Audit, Compliance and Risk Management Committee on 12 February 2010

⁽²⁾ Resigned as a director on 15 April 2010

⁽³⁾ Resigned from the Nomination and Remuneration Committee on 6 August 2009

⁽⁴⁾ Resigned from the Nomination and Remuneration Committee on 11 March 2010

⁽⁵⁾ Appointed as a director on 26 May 2010

Directors' Interests in Shares

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

**Ordinary Shares
of the Company**

A Booth	60,714
A Grech	26,185,972
I Court	35,000
K Fowlie	24,706,606
E Lane	150,000
J Skippen	-

The shares held directly by A Grech and K Fowlie are 9,222,356 ordinary shares and 6,386,221 ordinary shares respectively.

In addition, A Grech and K Fowlie have a relevant interest in each other's, and the other Vendor Shareholders being P Gordon, P Henderson, C Evans, H Stephens and M Clayton, shares under section 608(1) of the Corporations Act due to restrictions on disposal set out in a Shareholders Agreement to which they are each a party.

Under the Shareholders Agreement each of the Vendor Shareholders agree with each other not to dispose of their shares in certain circumstances, so that each Vendor Shareholder can hold the other Vendor Shareholders to account in relation to their ongoing ownership interest in the Company. The disposal restrictions contained in the Shareholders Agreement are intended to provide incentives to A Grech, K Fowlie and the other Vendor Shareholders, who are key people to the business of the Company, to remain employed by the Company in the short and longer term and to retain a significant ownership interest in the Company.

As the Shareholders Agreement is enforceable by each of the Vendor Shareholders, they each have a relevant interest in each other's share, which, in aggregate, comprise 18.8% of all of the shares on issue at 30 June 2010 and subsequent to the issue of shares subsequent to balance date comprise 14.6% of all shares on issue at the date of this report.

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 26 to the financial statements.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

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Non-Audit Services

Non-audit services are approved by resolution of the Audit, Compliance and Risk Management committee and approval is notified to the Board of Directors. Non-audit services provided by Pitcher Partners, the auditors of the Company, during the year are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2010 \$'000	2009 \$'000
Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to the Company:		
- Due diligence investigations	152	-
- General controls and IT conversion review	11	-
	163	-

Remuneration Report

The Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the key executives of the Company.

For the purposes of this report, the terms 'executive' encompasses the Chief Operating Officer, Chief Financial Officer, senior executives and senior employees of the Company.

Nomination and Remuneration Committee

The Nomination and Remuneration committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executive team.

The Nomination and Remuneration committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality, high performing Board and executive team.

Remuneration Philosophy

The performance of the Company depends on the quality and performance of its directors and executives. To prosper, the Company must attract, motivate, develop and retain highly skilled directors and executives. The remuneration philosophy of the Company is part of a broader strategy to attract and retain staff, by among other elements, ensuring that the work of the Company reflects the values and aspirations of the people within it. The Company will continue to monitor the level of alignment between the values of the Company and its people.

The Company embodies the following principles in its remuneration framework:

- Provide fair and competitive rewards to attract high calibre executives (by providing a fixed remuneration compensation and offering specific short and longer term incentives to executives);
- Link executive rewards to the creation of sustainable shareholder value;
- Have a portion of executive remuneration 'at risk';
- Establish appropriate, demanding performance hurdles for variable executive remuneration; and
- Provide long term incentives and rewards for performance through the Employee Ownership Plan ("EOP").

Remuneration Structure

In accordance with good corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

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Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders and other stakeholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was an aggregate remuneration of \$500,000.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. In determining the remuneration of non-executive directors, the Board considers the time commitment and nature of the contribution required by directors. Advice is obtained from external consultants independent of management and the remuneration paid to non-executive directors of comparable companies is taken into account when undertaking the annual review process.

The remuneration of non-executive directors is set for the position of Chair of the Board at \$114,400 and for a director at \$57,200. An additional fee of \$15,000 is paid for any director who acts as a Chair of a Board sub-committee. An additional fee of \$7,500 per sub-committee is paid for any director who acts as a member of a Board sub-committee. The payment of the additional fees for being the Chair or a member of a Board sub-committee is to reflect the additional time commitment required by the director. Non executive directors receive no other form of remuneration however reasonable expenses incurred in the course of their role are reimbursed.

Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company, Practice Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

It is the Board's policy that Directors' fees are not paid to Executive Directors. The adequacy and form of remuneration of the Managing Director, and senior Company executives are reviewed by the Nomination and Remuneration committee. The remuneration policy for these executives takes into account personal competence, experience and the achievement of key performance indicators ("KPI's" – financial KPI's include achievement of budgets for profitability, working capital management; non-financial KPI's include practice and staff management and business development).

The Nomination and Remuneration committee is responsible for ensuring that senior executive remuneration is reasonable in comparison with industry and other relevant measures including promoting the long term growth of shareholder value. The Managing Director, in conjunction with the Nomination and Remuneration committee (where appropriate), annually reviews senior executives' KPI's for their on-going adequacy and achievement.

The Managing Director, in liaison with other senior executives is responsible for the level and components of remuneration paid to other senior Company executives/employees. Remuneration levels vary across the Company and have regard to geographical and local circumstances and the need to maintain attractive and competitive income levels.

Executive remuneration is made up from the following components:

- Base remuneration – this element reflects the scope of the role, level of skills and experience and is typically fixed.
- Performance based remuneration – this element comprises two components:
 - Short term incentives in the form of cash bonuses; and
 - Long term incentives in the form of the acquisition of equity through the EOP.

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Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Nomination and Remuneration committee. The process consists of a review of Company, Practice Group and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed base remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating an additional cost for the Company.

Variable Remuneration – Short Term Incentive (“STI”)

Objective

The objective of the STI program is to link the achievement of the Company’s operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Cash bonuses to executives/senior employees are paid under predetermined bonus arrangements and are subject to a range of performance criteria. The bonus arrangement varies between executives depending upon their position and responsibilities. The criteria are predominantly weighted on the financial performance of practices and/or the Company. Discretionary components are assessed or approved by the Company’s Nomination and Remuneration committee.

Cash bonuses are paid as an incentive to align executives with the objectives of their respective practices. Performance measures are determined in advance and are specifically tailored to the executives/senior employee’s circumstances. Financial budgets are used to measure financial performance, whilst KPI’s are used to target key areas identified by the Directors and senior management for achieving Practice Group and/or the Company objectives.

Key Management Personnel (“KMP”)

The performance of KMP is measured against criteria agreed with each executive and is based on a range of financial and non financial performance measures. This performance is assessed annually by the Nomination and Remuneration committee with regard to the desired and actual outcomes, taking into account the evolving nature of the business and the creation of shareholder wealth in the long term.

The Board may exercise its discretion in recommending changes to the Nomination and Remuneration committee’s assessment of the performance of the KMP.

The KMP who may be eligible to a cash performance bonus with a combined total of up to \$552,500 (2009: \$415,000) in respect of the year ended 30 June 2010 are Mike Feehan, Wayne Brown, Cath Evans, Ken Fowlie, Hayden Stephens, Chris Prast and Rod Cunich. The cash performance bonus paid in the year ended 30 June 2010 to Mike Feehan relates to performance for the year ending 30 June 2009. KPIs that management are subject to include financial KPI’s, such as achievement of budgets for profitability, working capital management and non-financial KPI’s such as practice and staff management and business development.

Variable Remuneration – Long Term Incentive (“LTI”)

Objective

In the financial year ending 30 June 2007 (prior to listing on the ASX) the firm introduced the EOP to provide an opportunity for senior employees to build a shareholding in the Company over time. The EOP serves as an incentive and reward for longer term performance and a retention strategy for key employees.

Structure

The Board has the authority to invite employees to participate in the EOP and subscribe for VCR shares. VCR shares are vesting, converting and redeemable shares in the capital of the Company. The EOP provides for the issue of VCR shares to participants in a number of tranches and for the Company to make a loan to participants equal to the total amount that is to be subscribed.

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

- The number of VCR shares which may be subscribed for by a particular employee;
- The issue price. The Board sets the issue price based on the previous 20 business day Volume Weighted Average Price ("VWAP") prior to the date of the issue;
- The number of tranches into which the VCR shares will be divided and the vesting date for each tranche;
- The period for which an absolute restriction on disposal will apply (this period may not exceed 3 years from vesting);
- Any conditions to be placed on vesting (achievement of pre set KPI's which are relevant to the employee);
- Any events which would result in the forfeiture of the VCR shares; and
- The period for which the Company will be able to buy back or require the forfeiture of the converted shares.

The EOP provides for a full recourse interest free loan from the Company to the employee to facilitate the employee's subscription for VCR shares. The loan is secured by the VCR shares or the converted VCR shares. The offer made by the Board must specify the date by which the loan must be repaid. This date may not be later than 5 years after vesting (refer to Note 24).

The vesting conditions for VCR shares are based on the KPI's set and approved by the Board for the relevant senior employee in respect of their area(s) of responsibility. The KPI's will include financial and non-financial KPI's.

The EOP provides for senior managers to be offered from one to several allocations of VCR shares over their career with the Company. Individuals can therefore build a substantial stake in the Company over time.

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

At the cessation of the period of the restriction (three years maximum) following vesting and conversion of a VCR Share, each participant is required to enter into a Binding Commitment with the Company in respect of their converted VCR shares. Under the Binding Commitment the participants in the EOP will be under the following restrictions:

- They will be required to maintain a minimum level of shareholding for as long as they remain an employee of the Company. The minimum holding is calculated based on the lower of 5 times the employee's annual salary and 20% of the aggregate VCR shares issued to that employee which have vested and converted to shares.
- If they cease to be employed by the Company, they may forfeit or be required to dispose of some or all of their vested and unvested VCR shares upon such termination. The ramifications of a departure from employment are linked to the circumstances surrounding that departure.

The KMP who have shares under the EOP (refer Note 24) subject to performance criteria in respect of the year ended 30 June 2010 are the Chief Operating Officer, Mike Feehan, the Chief Financial Officer, Wayne Brown, the General Manager – Western Australia, Chris Prast, and the General Manager – Business and Private Clients, Rod Cunich.

Employment Contracts

Managing Director

The Managing Director, Mr Andrew Grech, is employed under a rolling contract. The current employment contract commenced on 1 July 2006. Under the terms of the present contract:

- Mr Grech receives fixed remuneration of \$390,000 per annum (inclusive of superannuation);
- Mr Grech is also eligible to receive a bonus of up to \$75,000 for the year ended 30 June 2010 (2009: \$50,000) (inclusive of superannuation) at the discretion of the board, based on the achievement of certain key performance indicators. For the year ended 30 June 2009, no cash bonus was paid. The 30 June 2010 bonus is yet to be determined. Key performance indicators include those items discussed below;
- Mr Grech may resign from his position and thus terminate this contract by giving three months written notice;
- The Company may terminate this employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Grech's remuneration);
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination;
- The employment agreement contains a restraint of trade provision which applies for a period of 12 months (or, in the case of a direct competitor of the Company, 24 months);

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- The performance of the Managing Director is reviewed annually by the Nomination and Remuneration committee and/or the Board. The Managing Director is assessed on achievement of Company goals and budgets applicable to the year in review. The committee also reviews the remuneration of the Managing Director on an annual basis. The findings are reported to, and approved by, the Board; and,
- In addition, Mr Grech is a Vendor Shareholder and is subject to a Shareholders Agreement which has been entered into by all seven Vendor Shareholders. This agreement places restrictions on the ability of Mr Grech and all other Vendor Shareholders to dispose of their shareholding which includes the following provision:
 - If a Vendor Shareholder cease(s) to be employed by the Company, they may be required to transfer some or all of their shares to, or at the direction of, the other Vendor Shareholders for nominal consideration. The ramifications of a departure from employment are linked to the circumstances surrounding that departure, as determined pursuant to the terms of the agreement by simple majority decision of the other Vendor Shareholders.

The Company is not a party to the Shareholders Agreement and cannot enforce the Shareholders Agreement. Only the Vendor Shareholders may enforce compliance with these restrictions. Those rights are vested in the Vendor Shareholders jointly and severally.

Other Executives (standard contracts)

- All executives have rolling contracts.
- The Company may terminate the executive's employment agreement by providing one to three months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration).
- Any executive who is an Employee Ownership Plan Participant is subject to consequences which flow from the cessation of their employment as discussed above in the LTI.
- Any executive who is a Vendor Shareholder is subject to the consequences which flow from the cessation of their employment as a term of the Shareholders Agreement which has been entered into by the seven Vendor Shareholders as discussed above.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.
- The employment agreement contains a restraint of trade provision which applies for a period of 12 months (or, in the case of a direct competitor of the Company, 24 months).

The names and positions of each person who held the position of director at any time during the financial year is provided above.

Further details regarding components of KMP remuneration are detailed below.

Directors' Remuneration:

2010	Short term			Post employment		Equity	Other benefits	Total
	Salary/ Fees	Cash Bonus	Non- monetary	Super	Retirement benefits			
A Booth	118,716	-	-	10,684	-	-	-	129,400
P Gordon ⁽¹⁾	90,729	-	1,261	5,275	-	-	126,301	223,566
A Grech ⁽²⁾	335,913	-	8,786	45,301	-	-	-	390,000
I Court	66,239	-	-	5,961	-	-	-	72,200
K Fowlie ⁽²⁾	327,092	-	8,447	14,461	-	-	-	350,000
E Lane	66,239	-	-	5,961	-	-	-	72,200
J Skippen ⁽³⁾	5,646	-	-	558	-	-	-	6,204
2009								
A Booth	106,881	-	-	9,619	-	-	-	116,500
P Gordon ⁽²⁾	353,687	-	8,500	13,745	-	-	-	375,932
A Grech ⁽²⁾	314,150	-	17,406	40,444	-	-	-	375,000
I Court	61,927	-	-	5,573	-	-	-	67,500
K Fowlie ⁽²⁾	330,805	-	5,450	13,745	-	-	-	350,000
E Lane ⁽⁴⁾	15,138	-	-	1,362	-	-	-	16,500

⁽¹⁾ Resigned as a director on 15 April 2010.

⁽²⁾ These are also executives and would be included for the purposes of the Executives' Remuneration.

⁽³⁾ Appointed as a director on 26 May 2010.

⁽⁴⁾ Appointed as a director on 22 December 2008.

SLATER & GORDON LIMITED
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Executives' Remuneration:

2010		Short term			Post employment		Share based payments	Other benefit	Total	Total performance related			Total performance related %		
	Position	Salary / Fees	Cash Bonus	Non-monetary	Super	Retirement benefits				Cash Bonus	Non-Monetary	Share based payments	Cash Bonus	Non-Monetary	Share based payments
H Stephens	General Manager – Personal Injuries North	349,149	-	-	15,851	-	-	62,500	427,500	-	-	-	-	-	-
C Evans	General Manager – Personal Injuries South	335,189	-	8,786	20,025	-	-	-	364,000	-	-	-	-	-	-
M Feehan ⁽⁵⁾	Chief Operating Officer	309,645	37,500	15,954	14,461	-	60,229	104,859 ⁽⁶⁾	542,648	37,500	-	60,229	6.9%	-	11.1%
W Brown	Chief Financial Officer	234,046	-	19,412	16,542	-	45,690	29,416 ⁽⁶⁾	345,106	-	-	45,690	-	-	13.2%
C Prast	General Manager – Western Australia	233,453	-	17,086	14,461	-	31,015	31,518 ⁽⁶⁾	327,533	-	-	31,015	-	-	9.5%
R Cunich	General Manager – Business and Private Clients	184,418	-	-	30,043	-	16,431	9,093 ⁽⁶⁾	239,985	-	-	16,431	-	-	6.8%
2009															
P Henderson	Divisional Practice Group Leader - Civil Law	275,798	-	8,894	40,308	-	-	-	325,000	-	-	-	-	-	-
H Stephens	Divisional Practice Group Leader - Work Place Relations & Accidents	326,023	-	8,894	15,083	-	-	-	350,000	-	-	-	-	-	-
C Evans	State Manager – Victoria and Divisional Practice Group Leader – Motor Vehicle Accidents	302,068	-	7,568	15,806	-	-	-	325,442	-	-	-	-	-	-
M Feehan	Chief Operating Officer	297,872	91,667	15,363	13,745	-	203,973	99,371 ⁽⁶⁾	721,991	91,667	-	203,973	12.7%	-	28.3%
W Brown	Chief Financial Officer	232,402	30,000	12,042	15,556	-	27,931	18,896 ⁽⁶⁾	336,827	30,000	-	27,931	8.9%	-	8.3%

⁽⁵⁾ Mike Feehan resigned as Chief Operating Officer on 30 June 2010.

⁽⁶⁾ Includes notional benefit on interest-free VCR Share loan calculated at a commercial interest rate.

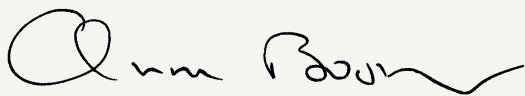
There are no other non-director executives

SLATER & GORDON LIMITED
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Rounding of Amounts

The amounts contained in the directors' report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Anna Booth
Chair
Melbourne
8 September 2010



Andrew Grech
Managing Director



PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Slater & Gordon Limited

In relation to the independent audit for the year ended 30 June 2010, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.

M W PRINGLE
Partner
8 September 2010

PITCHER PARTNERS
Melbourne

SLATER & GORDON LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
Revenue			
Fee revenue	3	122,171	100,968
Other revenue	3	2,559	2,055
		<u>124,730</u>	<u>103,023</u>
Less: Expenses			
Salaries and employee benefits expense		(61,121)	(52,633)
Rent expense		(7,022)	(4,861)
Advertising and marketing expense		(5,873)	(3,781)
Administration and office expenses		(9,935)	(8,742)
Consultant fees		(566)	(370)
Finance costs	4	(2,570)	(1,453)
Bad and doubtful debts	4	(2,534)	(1,999)
Depreciation and amortisation expenses	4	(1,480)	(917)
Costs associated with acquisitions		(792)	-
Other expenses		<u>(3,983)</u>	<u>(3,598)</u>
Profit before income tax expense		28,854	24,669
Income tax expense	5	<u>(9,054)</u>	<u>(7,622)</u>
Profit for the year attributable to members	18	<u>19,800</u>	<u>17,047</u>
Other comprehensive income			
Net movement in the fair value of cash flow hedges	19	<u>(331)</u>	-
Other comprehensive income for the year, net of tax		<u>(331)</u>	-
Total comprehensive income for the year attributable to members		<u>19,469</u>	<u>17,047</u>
Basic earnings per share (cents)	22	17.9 cents	15.9 cents
Diluted earnings per share (cents)	22	16.7 cents	14.8 cents

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents	7	30,110	29
Receivables	8	66,719	66,565
Work in progress	9	111,869	91,879
Current tax asset	5	-	1,695
Other current assets	10	4,124	3,770
TOTAL CURRENT ASSETS		212,822	163,938
NON-CURRENT ASSETS			
Plant and equipment	11	6,943	2,256
Work in progress	9	7,245	7,351
Intangible assets	12	25,966	18,714
Other non-current assets	13	17,346	14,656
TOTAL NON-CURRENT ASSETS		57,500	42,977
TOTAL ASSETS		270,322	206,915
CURRENT LIABILITIES			
Payables	14	33,222	30,527
Short term borrowings	15	7,136	4,432
Current tax liabilities	5	2,154	-
Provisions	16	8,239	6,935
TOTAL CURRENT LIABILITIES		50,751	41,894
NON-CURRENT LIABILITIES			
Payables	14	1,736	41
Long term borrowings	15	28,067	23,855
Deferred tax liabilities	5	41,325	34,666
Derivative financial instruments	29	472	-
Provisions	16	1,478	1,055
TOTAL NON-CURRENT LIABILITIES		73,078	59,617
TOTAL LIABILITIES		123,829	101,511
NET ASSETS		146,493	105,404
EQUITY			
Contributed equity	17	81,182	53,784
Reserves	19	(331)	-
Retained profits	18	65,642	51,620
TOTAL EQUITY		146,493	105,404

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

SLATER & GORDON LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Contributed Equity	Retained Earnings	Reserves	Total Equity
		\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2008		46,339	38,861	-	85,200
Net Profit after tax for the year		-	17,047	-	17,047
Total comprehensive income for the year		-	17,047	-	17,047
Transactions with owners in their capacity as equity holders					
Ordinary and VCR shares issued (net)		7,887	-		7,887
Ordinary and VCR buy-backs	17	(409)	-	-	(409)
Dividends paid	6(a)	-	(4,288)	-	(4,288)
Costs of equity raising	17	(33)	-	-	(33)
Total transactions with owners in their capacity as equity holders		7,445	(4,288)	-	3,157
Balance as at 30 June 2009		53,784	51,620	-	105,404
Net Profit after tax for the year		-	19,800	-	19,800
Cash flow hedge (net of tax)	19	-	-	(331)	(331)
Total comprehensive income for the year		-	19,800	(331)	19,469
Transactions with owners in their capacity as equity holders					
Ordinary and VCR shares issued (net)	17	5,028	-	-	5,028
Dividends paid	6(a)	-	(5,778)	-	(5,778)
Unallotted share capital	17(c)	23,529	-	-	23,529
Costs of equity raising	17	(1,159)	-	-	(1,159)
Total transactions with owners in their capacity as equity holders		27,398	(5,778)	-	21,620
Balance as at 30 June 2010		81,182	65,642	(331)	146,493

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		120,303	79,327
Payments to suppliers and employees		(94,617)	(75,382)
Interest received	3(a)	76	32
Finance costs		(2,675)	(1,449)
Income tax (paid)/refunded		1,642	(3,300)
Net cash provided by/(used in) operating activities	20 (b)	<u>24,729</u>	<u>(772)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for software development		(1,758)	(2,021)
Payment for plant and equipment		(1,001)	(1,248)
Payment for acquisition of businesses - current year acquisitions		(8,188)	(3,581)
Payment for acquisition of businesses - acquisitions in prior years		(4,545)	(3,940)
Net cash used in investing activities		<u>(15,492)</u>	<u>(10,790)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue	17 (c)	23,529	-
Costs of raising equity		(1,159)	(47)
Proceeds from related parties and employees		2,020	61
Proceeds from borrowings		8,455	11,715
Repayment of borrowings		(3,670)	-
Dividends paid		(5,778)	(4,288)
Net cash provided by financing activities		<u>23,397</u>	<u>7,441</u>
Net increase/(decrease) in cash held		32,634	(4,121)
Cash at beginning of financial year		(2,543)	1,578
Cash at end of financial year	20 (a)	<u>30,091</u>	<u>(2,543)</u>

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Slater & Gordon Limited ("the Company") which is a company limited by shares, incorporated and domiciled in Australia.

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

The following is a summary of material accounting policies adopted by the Company 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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards ("IFRS").

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.

(b) Revenue recognition

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services for Project Litigation

Where there is an enforceable contractual agreement and the outcome can be reliably measured:

- control of a right to be compensated for the services has been attained and the stage of completion can be reasonably measured. Stage of completion is measured by reference to the time incurred to date as a percentage of the expected time for an outcome to be rendered in the case.

Where there is not an enforceable contractual agreement or the outcome cannot be reliably measured:

- revenue can only be recognised to the extent of costs incurred or only if the client is under obligation to pay the costs as part of the enforceable contractual agreement.

Interest Revenue

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

Other Revenue

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

All revenue is stated net of the amount of goods and services tax.

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (Continued)

(c) Income tax

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to a temporary difference between the tax base of assets and liabilities and their carrying amounts in the financial statements, to unused tax losses.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit/loss.

Deferred tax liabilities and assets are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Current and deferred tax balances attributable to amounts recognised directly in equity, are also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding banking overdrafts.

(e) Disbursements

Disbursements represent costs incurred during the course of a matter that are recovered from clients. A provision for non-recoverable disbursements is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. The provision is established based on the Company's history of amounts not recovered over the previous four years.

(f) Work in progress

Work in progress is carried at cost, and for certain practice areas as described below, also includes profit recognised to date based on the value of work completed. Cost includes both variable and fixed costs directly related to cases and those that can be attributed to case activity and that can be allocated to specific projects on a reasonable basis. The following methodologies are used in determining the value of work completed:

Non-personal Injury

For Family Law, Estate/Probate, Industrial Law, Commercial Law and funded Project Litigation matters, time records and historical levels of fees billed are used in determining the value of work completed.

Personal Injury

Work in progress for practice areas, other than Project Litigation matters, that do not calculate the fees due by a client solely by reference to time records is recognised using the percentage of completion method when the stage of completion can be reasonably determined, and the fee per file and probability of success can be reliably estimated, making allowance for the "No Win, No Fee" conditional fee arrangements, under which the Personal Injury practice operates.

Project Litigation

Work in progress on Project Litigation is recognised on self funded Project Litigation matters for which a favourable outcome is considered probable. For such projects, work in progress is initially valued at costs incurred less a discount for the likely recovery of those costs. Where a Project Litigation matter has reached partial or full settlement and an enforceable agreement to recover the professional fees exists, work in progress is valued at the settled fee amount and discounted for percentage file completion, and the probability of the full fee being collected. Project Litigation matters that are not expected to be realised within 12 months are classified as non current.

SLATER & GORDON LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (Continued)

(g) Plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amounts of all fixed assets are depreciated over their estimated useful lives, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

<i>Class of fixed asset</i>	<i>Depreciation rates</i>	<i>Depreciation Method</i>
Plant and equipment	7.50 – 40.00%	Straight Line & Diminishing Value
Low value asset pool	18.75 – 37.50%	Diminishing Value

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance date. 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. Gains and losses are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

(h) Leases

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 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.

(i) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of net identifiable assets of the acquired entity at the date of acquisition.

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 accumulated impairment losses.

Software Development Costs

Software development costs are carried at cost less accumulated amortisation and accumulated impairment losses. These assets have been assessed as having a finite useful life and once operating in the Company are amortised over the useful life.

(j) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested at least annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate 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 to sell and value in use.

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (Continued)

(k) Acquisition of assets

All assets acquired, including plant and equipment and intangibles, other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

(l) Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, and ancillary costs incurred in connection with the arrangement of borrowings.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result that can be reliably measured.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

(n) Employee benefits

Service benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits 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 government bonds with matching terms to maturity.

Share-based payment transactions

The Company 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. The loan has been recorded as a financial instrument as described in section (p) below.

The VCR shares vest over a specified period of time. At the time of vesting, VCR shares convert into ordinary shares with disposal restrictions. The terms and conditions of these shares are further described at Note 24.

The value of the benefit received by an employee from issue of the VCR shares is assessed as the difference between the value of the VCR shares at the date of issue and the present value of the amount payable by the employee for purchase of the VCR shares. In accordance with AASB 2 Share Based Payments, 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.

(o) Solicitor liability claims

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (Continued)

(p) Financial instruments

Loans and Receivables

VCR share loans receivable 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 and are subsequently stated at amortised cost using the effective interest rate method. Refer Note 24 for further details.

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 are measured at amortised cost using the effective interest rate method. The implied interest expense is recognised in the profit and loss.

Derivative financial instruments

The Company 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 probably forecast transactions (cash flow hedges)

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Company's risk management objective and strategy for undertaking various hedge transactions are documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flow hedged items, are also documented.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the 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 deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

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

(q) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Taxation Office ("ATO"), and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

(r) Earnings per share

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (Continued)

(s) Rounding amounts

The Company is of a kind referred to in ASIC Class Order 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(t) Comparative

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

(u) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective.

The directors have not yet assessed the impact of these standards or interpretations.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes certain estimates and assumptions concerning the future, which by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Estimated impairment of goodwill

Goodwill is allocated to cash generating units ("CGU's") according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. Refer to Note 12 for further detail.

(b) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Work in progress

The following estimates and judgements are applied in valuing work in progress:

Non-personal injury

An estimate is made of the recoverability of time recorded on a file.

Personal injury

An estimate is made of fees to be earned on a file with reference to internal and external (where available) historical and forecast fee levels. An estimate of the percentage of completion and probability of success is made with reference to internal and external (where available) information and experience, and having regard to where a file is in its life cycle.

Project litigation

An estimate is made as to the likely recovery of costs incurred as at the reporting date in respect of each project.

(d) Financial instruments at fair value

The Company measures a number of financial instruments at fair value. These fair values are based on observable 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. While management believes the assumptions used are appropriate, a change of assumptions would impact the fair value calculations

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 3: REVENUE	Note	2010	2009
		\$'000	\$'000
Fee revenue			
- rendering of services		122,171	100,968
Other revenue			
- service and licence fee		400	563
- interest	3(a)	1,423	1,062
- other		736	430
		<u>2,559</u>	<u>2,055</u>
 (a) Interest from			
Other persons		76	32
VCR share loans to employees	24	1,347	1,030
		<u>1,423</u>	<u>1,062</u>
 NOTE 4: PROFIT FROM CONTINUING ACTIVITIES			
Finance costs expense			
Interest on bank overdraft and loans		1,997	1,453
Notional interest on deferred consideration payable to vendors on		314	-
Interest on obligations under hire purchases		259	-
Total finance costs expense		<u>2,570</u>	<u>1,453</u>
 Depreciation and amortisation of non-current assets			
Plant and equipment		1,068	754
Software development		412	163
Total depreciation and amortisation of non-current assets		<u>1,480</u>	<u>917</u>
 Bad and doubtful debts		2,534	1,999
Share based payments expense		1,467	1,525
Onerous lease		881	500

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5: INCOME TAX	Note	2010 \$'000	2009 \$'000
Income tax expense:			
Current tax		2,227	(52)
Deferred tax		6,840	7,654
Adjustment for current tax of prior periods		(13)	20
		<u>9,054</u>	<u>7,622</u>
Income tax recognised in other comprehensive income:			
Deferred tax credit arising on revaluation of financial instruments		141	-
		<u>141</u>	<u>-</u>
Income tax recognised directly in equity:			
Current tax credit on share issue costs		7	-
		<u>7</u>	<u>-</u>
Deferred income tax expense included in income tax expense			
Increase in deferred tax assets (excluding items charged or credited		(634)	(565)
Increase in deferred tax liabilities		7,434	8,542
Deferred income tax relating to items charged or credited directly to		-	14
Net deferred taxes arising from business combinations		40	(337)
		<u>6,840</u>	<u>7,654</u>
The prima facie tax payable on profit differs from the income tax			
Total profit before income tax expense		<u>28,854</u>	<u>24,669</u>
At the statutory income tax rate of 30% (2009 - 30%)		8,656	7,401
Add:			
Tax effect of:			
- other non-allowable items		400	197
		<u>9,056</u>	<u>7,598</u>
Less:			
Tax effect of:			
- other non-assessable items		-	(24)
- adjustments in respect to prior periods		2	-
Income tax expense attributable to profit		<u>9,054</u>	<u>7,622</u>
Current tax asset/(liability):			
Balance at the beginning of the year		1,695	(1,613)
Current income tax (expense)/credit		(2,227)	52
Income tax recognised directly in equity		7	-
Tax paid/(refunded)		(1,642)	3,276
Adjustment to tax relating to corporate restructuring in prior year		-	(20)
Other		13	-
Balance at the end of the year		<u>(2,154)</u>	<u>1,695</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5: INCOME TAX (Continued)

	2010	2009
	\$'000	\$'000
Deferred tax assets:		
The balance comprises:		
- Provision for doubtful debts and non-recoverable disbursements	672	997
- Employee benefits	2,819	2,323
- Provision for legal costs	96	75
- Accruals	811	198
- Undeducted business related costs	121	50
- Acquisition related costs	138	-
- Fair value of cash flow hedges	141	-
- Other	-	380
	<u>4,798</u>	<u>4,023</u>
Deferred tax liabilities:		
- Prepayments	509	436
- Work in Progress	35,734	29,770
- Unrendered disbursements	11,019	10,518
- Unrendered WIP and disbursements not yet deducted	(1,710)	(1,925)
- Plant and equipment	571	(110)
	<u>46,123</u>	<u>38,689</u>
Balance after set off of deferred tax assets and (liabilities)	<u>(41,325)</u>	<u>(34,666)</u>

NOTE 6: DIVIDENDS

(a) Dividends paid during the year

Dividends on ordinary shares		
Interim franked dividend at the tax rate of 30% for 2010: 2.0 cents per share (2009 – 1.0 cent per share)	2,240	1,088
Final franked dividend at the tax rate of 30% for 2009: 3.25 cents per share (2008 – 3.0 cents per share)	3,538	3,200
Total dividends paid during the year	<u>5,778</u>	<u>4,288</u>

(b) Dividends proposed and not recognised as a liability

Dividends on ordinary shares final franked dividend at the tax rate of 30% for the year ending 30 June 2010: 3.0 cents per share (2009 – 3.25 cents per share)	4,412	3,538
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(c) Franking credit balance

Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:	4,498	10,507
Impact on franking account of dividend recommended by the directors since the year end but not recognised as a liability at year end:	1,891	1,516

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 7: CASH AND CASH EQUIVALENTS	Note	2010	2009
		\$'000	\$'000
Cash at bank	20(a)	30,110	29
		<u>30,110</u>	<u>29</u>

NOTE 8: RECEIVABLES

CURRENT

Trade debtors	31,286	33,221
Provision for doubtful debts	<u>(2,242)</u>	<u>(1,756)</u>
	29,044	31,465

Disbursements	39,175	35,253
Provision for non-recoverable disbursements	<u>(2,441)</u>	<u>(1,749)</u>
	36,734	33,504

Related party receivables

Associates

- Slater & Gordon Lawyers	26	830	949
		<u>830</u>	<u>949</u>

Other receivables	111	647
Total current receivables	<u>66,719</u>	<u>66,565</u>

NOTE 9: WORK IN PROGRESS

CURRENT

Non-personal injury	3,846	3,484
Personal injury	106,345	88,395
Project litigation	<u>1,678</u>	<u>-</u>
	111,869	91,879

NON CURRENT

Project litigation	<u>7,245</u>	<u>7,351</u>
	7,245	7,351
Total work in progress	<u>119,114</u>	<u>99,230</u>

NOTE 10: OTHER ASSETS

CURRENT

Prepayments	3,773	3,341
Other current assets	<u>351</u>	<u>429</u>
	4,124	3,770

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 11: PLANT AND EQUIPMENT

	Note	2010	2009
		\$'000	\$'000
Plant and equipment at cost		8,929	3,339
Less accumulated depreciation		(2,276)	(1,330)
		<u>6,653</u>	<u>2,009</u>
Low value asset pool at cost		662	494
Less accumulated depreciation		(372)	(247)
		<u>290</u>	<u>247</u>
Total Plant and Equipment		<u>6,943</u>	<u>2,256</u>

(a) Movements in Carrying Amounts

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

Plant and Equipment

Balance at the beginning of the year	2,009	1,584
Additions	5,519	1,083
Additions through acquisition of entities	70	-
Depreciation expense	(945)	(658)
Carrying amount at end of year	<u>6,653</u>	<u>2,009</u>

Low Value Asset Pool

Balance at the beginning of the year	247	178
Additions	166	165
Depreciation expense	(123)	(96)
Carrying amount at end of year	<u>290</u>	<u>247</u>

NOTE 12: INTANGIBLE ASSETS

Goodwill – at cost	22,073	16,167
Accumulated impairment loss	-	-
Net carrying amount	<u>12(a) 22,073</u>	<u>16,167</u>
Software development – at cost	4,468	2,710
Accumulated amortisation	(575)	(163)
Net carrying amount	<u>12(b) 3,893</u>	<u>2,547</u>
Total Intangible Assets	<u>25,966</u>	<u>18,714</u>

(a) Movements in carrying amount of goodwill between the beginning and the end of the current financial year

Opening net book amount	16,167	15,386
Additions in respect to current period acquisitions	27 5,816	657
Additions in respect to restatement of acquisitions occurring in prior periods	90	124
Closing net book value	<u>22,073</u>	<u>16,167</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12: INTANGIBLE ASSETS (Continued)	Note	2010	2009
		\$'000	\$'000
(b) Movements in carrying amount of software development between the beginning and the end of the current financial year			
Opening net book amount		2,547	689
Additions		1,758	2,021
Amortisation expense		(412)	(163)
Closing net book value		<u>3,893</u>	<u>2,547</u>

Goodwill acquired through business combinations has been allocated to individual cash generating units ("CGU") for the purposes of impairment testing being the operations in the states of New South Wales, Queensland, Victoria and Western Australia and the operations in the Australian Capital Territory.

The recoverable amount of the CGU has been determined based on a value in use calculation as required by AASB 136 Impairment of Assets. This uses financial budgets and cash flow projections approved by senior management covering a five year period.

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

The key assumptions made by management in determining the value in use include:

	CGU NSW	CGU QLD	CGU VIC	CGU WA	CGU ACT
Goodwill recognised (\$'000)	12,713	3,623	4,819	684	226
Growth in fees until 30 June 2016	6.50%	6.50%	6.50%	6.50%	6.50%
Growth in fees subsequent to 30 June 2016	5.00%	5.00%	5.00%	5.00%	5.00%
Risk free discount rate	5.09%	5.09%	5.09%	5.09%	5.09%
Assumed debt ratio	16.80%	16.80%	16.80%	16.80%	16.80%
Equity risk premium	6.00%	6.00%	6.00%	6.00%	6.00%
Weighted average cost of capital	11.00%	11.00%	11.00%	11.00%	11.00%

NOTE 13: OTHER NON-CURRENT ASSETS

VCR loans to employees	24	<u>17,346</u>	<u>14,656</u>
		17,346	14,656

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14: PAYABLES	Note	2010	2009
		\$'000	\$'000
CURRENT			
<i>Unsecured liabilities</i>			
Trade creditors		1,550	1,491
Legal creditors and accruals		27,059	22,774
Vendor liabilities – acquisitions		4,613	6,262
		<u>33,222</u>	<u>30,527</u>
NON-CURRENT			
<i>Unsecured liabilities</i>			
Vendor liabilities – acquisitions		1,736	41
		<u>1,736</u>	<u>41</u>

NOTE 15: BORROWINGS

CURRENT			
<i>Secured</i>			
Bank overdraft	20(a)	19	2,572
Bills of exchange		6,260	1,860
Hire purchase liability		857	-
		<u>7,136</u>	<u>4,432</u>
NON-CURRENT			
<i>Secured</i>			
Bills of exchange		23,875	23,855
Hire purchase liability		4,192	-
		<u>28,067</u>	<u>23,855</u>

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

The bank overdraft and commercial bills are both provided by Westpac Banking Corporation (“Westpac”) and are secured by a fixed and floating charge over the assets and uncalled capital of the Company.

Interest on the bank overdraft is charged at a variable rate, being the bank overdraft business rate + 1.5% or agreed margin.

NOTE 16: PROVISIONS

CURRENT			
Employee benefits	16(a)	7,919	6,685
Solicitor liability claim		320	250
		<u>8,239</u>	<u>6,935</u>
NON-CURRENT			
Employee benefits	16(a)	1,478	1,055
(a) Aggregate employee benefits liability		9,397	7,740
(b) Number of employees at year end		787	639

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTE 17: CONTRIBUTED EQUITY

		2010		2009	
		Shares	\$'000	Shares	\$'000
Ordinary shares fully paid	17(a)	112,040,776	51,612	108,870,729	47,884
VCR shares	17(b)	8,232,022	7,050	8,148,214	5,900
Unallotted Share Capital	17(c)	-	22,520	-	-
Total issued capital		120,272,798	81,182	117,018,943	53,784
a) Movement in ordinary share capital					
Balance at the beginning of the year		108,870,729	47,884	101,741,734	40,213
Conversion of vested shares – 25 August 2008		-	-	4,930,363	4,357
Shares issued as consideration for acquisitions – 21 November 2008		-	-	2,412,918	3,458
Share Buy-back – 31 December 2008		-	-	(214,286)	(136)
Shares issued as consideration for acquisitions – 27 November 2009		328,155	556	-	-
Conversion of vested shares – 21 December 2009		2,796,192	3,235	-	-
Shares issued as consideration for acquisitions – 5 March 2010		45,700	71	-	-
Less capital raising costs		-	(134)	-	(8)
Balance at end of the year		112,040,776	51,612	108,870,729	47,884
b) Movement in VCR share capital					
Balance at the beginning of the year		8,148,214	5,900	10,107,151	6,126
Conversion of vested VCR shares to ordinary shares – 25 August 2008		-	-	(4,930,363)	(4,357)
Share capital issued under Employee Ownership Plan – 21 November 2008		-	-	3,721,427	2,904
Share Buy-back – 31 December 2008		-	-	(750,001)	(273)
Conversion of vested VCR shares to ordinary shares – 21 December 2009		(2,796,192)	(3,235)	-	-
Share capital issued under Employee Ownership Plan – 21 December 2009		2,880,000	2,934	-	-
Less capital raising costs		-	(16)	-	(25)
Share based payments cost		-	1,467	-	1,525
Balance at end of the year		8,232,022	7,050	8,148,214	5,900
c) Movement in Unallotted Share Capital					
Balance at the beginning of the year		-	-	-	-
Proceeds received in relation to share placement on 30 June 2010 and shares issued on 1 July 2010		-	23,529	-	-
Less capital raising costs		-	(1,009)	-	-
Balance at end of the year		-	22,520	-	-

The funds raised pursuant to the fully underwritten Share Placement as detailed at Note 30 Subsequent Events was received on 30 June 2010 and 16,806,116 ordinary shares were issued on 1 July 2010.

Ordinary shares

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

VCR shares

Please refer to Note 24 for detailed discussion on the rights attached to VCR shares.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 18: RETAINED PROFITS	Note	2010 \$'000	2009 \$'000
Retained earnings	18(a)	<u>65,642</u>	<u>51,620</u>
(a) Retained earnings			
Balance at the beginning of year		51,620	38,861
Net profit attributable to ordinary equity holders		<u>19,800</u>	<u>17,047</u>
Total available for appropriation		71,420	55,908
Dividends paid	6	<u>(5,778)</u>	<u>(4,288)</u>
Balance at end of year		<u>65,642</u>	<u>51,620</u>

NOTE 19: RESERVES

Cash flow hedging reserve

The movement in cash flow hedge reserves attributable to interest rate swaps is as follows:

Balance at the beginning of the year	-	-
Gain/(loss) recognised on interest rate hedge, net of tax	<u>(331)</u>	-
Balance at the end of the year	<u>(331)</u>	-

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

NOTE 20: CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the 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 two months and net of bank overdrafts.

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

Cash on hand	7	30,110	29
Bank overdraft	15	<u>(19)</u>	<u>(2,572)</u>
		<u>30,091</u>	<u>(2,543)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 20: CASH FLOW INFORMATION (Continued)	2010	2009
	\$'000	\$'000
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	19,800	17,047
<i>Non-cash flows in profit from ordinary activities</i>		
Notional interest on VCR share loans	(1,347)	(1,030)
Depreciation and amortisation	1,480	917
Share based payments expenses	1,467	1,542
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	445	(20,295)
(Increase)/decrease in other assets	618	(2,470)
Increase in work in progress	(13,210)	(9,273)
Increase in payables	3,599	7,641
Increase/(decrease) in income tax payable	3,849	(3,308)
Increase in deferred taxes	6,840	7,630
Increase in provisions	1,188	827
Cash flows from operations	<u>24,729</u>	<u>(772)</u>

Refer to Note 27 for details on Business Combinations and to Note 29 for details on financing facilities.

NOTE 21: COMMITMENTS AND CONTINGENCIES
Operating lease commitments

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

Within one year	6,156	8,244
One year or later and not later than five years	18,291	15,171
Greater than five years	14,732	12,199
	<u>39,179</u>	<u>35,614</u>

Bank guarantees in respect of rental properties and acquisitions	<u>2,378</u>	<u>2,783</u>
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Legal commitments and contingencies

Slater & Gordon acted for Rolah McCabe and following her death, her estate in an action against British American Tobacco Australia Services Limited ("BATAS") which commenced in 2001 and in which judgement on an appeal by BATAS was delivered in December 2002 ("the McCabe proceedings"). While Mrs McCabe was successful in obtaining an award of damages in the Supreme Court of Victoria, that judgement was subsequently set aside by the Victorian Court of Appeal.

In November 2006, BATAS and British American Tobacco Australia Limited (together, "BAT") commenced two proceedings in the Equity Division of the Supreme Court of New South Wales against Slater & Gordon Limited ("the Company"). Peter Gordon is also a defendant in one of the proceedings ("the BAT proceedings"). The proceedings were subsequently transferred to the Supreme Court of Victoria. Those proceedings were resolved in December 2009 on terms which release the Company and Peter Gordon as parties to the BAT proceedings and by consent Court orders were made to deal with the proceedings. The effect of the orders is that the Company and Peter Gordon have no exposure to further legal costs in the proceedings. However, if BAT is successful in its claim against the McCabe family it may seek an order for costs in relation to the proceedings against the Company and Peter Gordon up until December 2009. In that event, it is not certain that the Court would make costs orders against either the Company or Peter Gordon.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21: COMMITMENTS AND CONTINGENCIES (Continued)

If the McCabe family is successful, the Company and Peter Gordon retain a right to seek an order for costs against BAT in respect of the legal costs it has incurred in defence of the proceedings.

The directors do not expect the value of those costs orders to be material.

There is no other current or threatened litigation of a material nature of which the Company is aware.

Other commitments and contingencies

The Company has entered into an agreement with ASK Funding Limited ("ASK") to provide financial guarantees to ASK with respect to disbursement funding borrowings to the Company's clients. The nature of this agreement is that ASK will fund disbursements in respect of individual matters and will be reimbursed out of any settlement proceeds on the matter. The Company has provided a financial guarantee for the repayment of the clients' obligations to ASK. The total amount funded by ASK to the Company's clients at 30 June 2010 is \$306,326 (2009: \$269,102). The maximum exposure of the Company at 30 June 2010 is \$306,326 (2009: \$269,102) if the individual client matters are not recovered from any other party.

NOTE 22: EARNINGS PER SHARE

	2010	2009
	\$'000	\$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net profit after tax	19,800	17,047
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	<u>19,800</u>	<u>17,047</u>
Weighted average number of ordinary shares used in calculating basic earnings per share	110,551	107,290
Effect of dilutive securities:		
VCR shares	8,192	7,809
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>118,743</u>	<u>115,099</u>

VCR shares

VCR shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. Refer to Note 24 for a detailed explanation of VCR shares.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTE 23: KEY MANAGEMENT PERSONNEL
(a) Details of key management personnel
(i) Directors

Anna Booth	Chair – Non-Executive
Peter Gordon	Consultant – Resigned as a Director on 15 April 2010
Andrew Grech	Managing Director
Ian Court	Director – Non-Executive
Ken Fowle	Executive Director, General Manager – Commercial & Project Litigation
Erica Lane	Director – Non-Executive
John Skippen	Director – Non-Executive – Appointed 26 May 2010

(ii) Executives

Hayden Stephens	General Manager – Personal Injuries North
Cath Evans	General Manager – Personal Injuries South
Mike Feehan	Chief Operating Officer – Resigned 30 June 2010
Wayne Brown	Chief Financial Officer
Chris Prast	General Manager – Western Australia
Rod Cunich	General Manager – Business and Private Clients

(b) Shareholdings of Key Management Personnel
Shares held in Slater & Gordon Limited (number)
Net movement in share capital 2010

Key Management Personnel ^(a)	Ordinary shares balance at beginning of year	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares balance at end of year
Andrew Grech	10,211,642	-	(1,000,000)	9,211,642
Peter Gordon	7,966,140	-	(1,991,535)	5,974,605
Ken Fowle	6,819,721	-	(433,500)	6,386,221
Hayden Stephens	6,416,794	-	(711,679)	5,705,115
Cath Evans	6,550,476	-	-	6,550,476
Anna Booth	50,000	-	-	50,000
Ian Court	15,000	-	-	15,000
Erica Lane	-	-	-	-
John Skippen	-	-	-	-
Mike Feehan	600,000	200,000	-	800,000
Wayne Brown	217,286	166,667	-	383,953
Chris Prast	642,858	-	-	642,858
Rod Cunich	-	-	-	-
Total	39,489,917	366,667	(4,136,714)	35,719,870

Key Management Personnel ^(a)	VCR shares balance at beginning of year	VCR shares issued	VCR shares vested as Ordinary shares 21 December 2009	VCR shares balance at end of year
Mike Feehan	400,000	-	(200,000)	200,000
Wayne Brown	285,714	150,000	(166,667)	269,047
Chris Prast	-	150,000	-	150,000
Rod Cunich	-	225,000	-	225,000
Total	685,714	525,000	(366,667)	844,047

^(a) Includes Key Management Personnel and their related entities/parties

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTE 23: KEY MANAGEMENT PERSONNEL (Continued)
Net movement in share capital 2009

Key Management Personnel ^(a)	Ordinary shares balance at beginning of year	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares balance at end of year
Andrew Grech	10,211,642	-	-	10,211,642
Peter Gordon	9,957,675	-	(1,991,535)	7,966,140
Paul Henderson	8,857,152	-	(1,771,431)	7,085,721
Ken Fowlie	6,819,721	-	-	6,819,721
Hayden Stephens	7,116,794	-	(700,000)	6,416,794
Cath Evans	7,250,476	-	(700,000)	6,550,476
Anna Booth	50,000	-	-	50,000
Ian Court	15,000	-	-	15,000
Erica Lane	-	-	-	-
Mike Feehan	100,000	500,000	-	600,000
Wayne Brown	110,143	107,143	-	217,286
Total	50,488,603	607,143	(5,162,966)	45,932,780

Key Management Personnel ^(a)	VCR shares balance at beginning of year	VCR shares issued	VCR shares vested as Ordinary shares 25 August 2008	VCR shares balance at end of year
Mike Feehan	900,000	-	(500,000)	400,000
Wayne Brown	214,286	178,571	(107,143)	285,714
Total	1,114,286	178,571	(607,143)	685,714

^(a) Includes Key Management Personnel and their related entities/parties

(c) Balances to Key Management Personnel ("KMP")

(i) Details of aggregates of balances with KMP are as follows:

Negative amounts represent a payable of the Company to KMP. Positive amounts represent a receivable due to the Company by KMP.

	Balance at beginning of year	Balance at end of year	Number in Group
	\$	\$	
2010	1,985,570*	2,519,039	4
2009	1,369,511	1,636,571	2

*Chris Prast became part of the KMP of the Company during the year ended 30 June 2010. The balance at the beginning of the year has been amended to reflect this change.

(ii) Details of KMP with balances above \$100,000 in the reporting period are as follows:

30 June 2010	Balance at beginning of year	Balance at end of year	Highest balance during the year
Mike Feehan	1,328,489	1,446,334	1,446,334
Wayne Brown	308,082	481,912	481,912
Chris Prast	348,999	510,904	510,904
Rod Cunich	-	239,670	239,670
30 June 2009	Balance at beginning of year	Balance at end of year	Highest balance during the year
Mike Feehan	1,220,246	1,328,489	1,328,489
Wayne Brown	149,265	308,082	308,082

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 23: KEY MANAGEMENT PERSONNEL (Continued)

(iii) Terms and Conditions of balances to Key Management Personnel:

The balances at the end of the period due to the Company by Mike Feehan, Wayne Brown, Chris Prast and Rod Cunich are pursuant to the EOP. The terms and conditions of which are disclosed in Note 24. Notional interest of \$29,416 for Wayne Brown (2009 - \$18,896) and \$104,859 for Mike Feehan (2009 - \$99,371) \$31,518 for Chris Prast (2009-\$26,105) and \$9,093 for Rod Cunich (2009-Nil) was not charged on these loan balances.

NOTE 24: EMPLOYEE OWNERSHIP PLAN ("EOP")

The EOP provides employees of the Company with an opportunity to participate in the ownership of the Company.

Invitation and Eligibility

The Board has the authority to invite employees to participate in the EOP and subscribe for VCR shares. VCR shares are vesting, converting, and redeemable shares in the capital of the Company.

Plan

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

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

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

The EOP provides for a full recourse loan from the Company to the employee to facilitate the employee's subscription for VCR shares. The loan is secured by the VCR shares or the converted VCR shares. The offer made by the Board must specify the date by which the loan must be repaid. This date may not be later than 5 years after vesting.

Vesting, Redemptions and Conversion

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24: EMPLOYEE OWNERSHIP PLAN ("EOP") (Continued)

After conversion

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

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

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

- They will be required to maintain a minimum level of shareholding for as long as they remain an employee of the Company. The minimum holding is calculated based on the lower of 5 times the employee's annual salary and 20% of the aggregate VCR shares issued to that employee which have vested and been converted to ordinary shares.
- If they cease to be employed by the Company, they may forfeit or be required to dispose of some or all of their shares upon such termination. The ramifications of a departure from employment are linked to the circumstances surrounding that departure.

Transfer

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

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

The profile of the vesting of VCR shares into ordinary shares, conversion into ordinary shares (subject to disposal restrictions) or scheduled for redemption as VCR shares based on the shares issued under the EOP as at 30 June 2010.

	Vested '000	1 year or less '000	1 to 5 years '000	More than 5 years '000	Total '000
VCR shares which have (or may) vest as ordinary shares	13,827	3,310	3,195	-	20,332
VCR shares which may convert to ordinary shares but are subject to disposal restrictions	1,276	5,125	12,971	960	20,332
VCR shares to be redeemed	-	1,726	-	-	1,726

Recognition in the Accounts

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

The key assumptions used in the present value calculation are:

Date VCR shares issued	22 December 2006	19 February 2008	17 November 2008	21 December 2009
Shares issued	15,175,000 (post share split March 2007 - 16,258,946)	2,625,000	3,721,427	2,880,000
Issue price	\$0.68 (post share split March 2007 - \$0.635)	\$1.75	\$1.31	\$1.63
Effective interest rate	7.8%	8.5%	8.5%	8.5%
Final repayment date	1 July 2011 to 1 July 2012	1 July 2011 to 1 July 2013	1 July 2012 to 1 July 2014	1 July 2013 to 1 July 2015

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24: EMPLOYEE OWNERSHIP PLAN (“EOP”) (Continued)

The interest income recognised on VCR Share loans to employees has been disclosed in Note 3.

The benefit provided to the employee is required to be recognised in the accounts under AASB2 Share-based Payments. The benefit is assessed as the difference between the fair value of the VCR shares, at the issue date and the present value discounted over the vesting period. The benefit is expensed with reference to the effective interest rate method over the vesting period.

The share based payments expense has been disclosed in Note 4.

NOTE 25: AUDITOR’S REMUNERATION

	2010	2009
	\$’000	\$’000
Amounts received or due and receivable by Pitcher Partners and related entities for:		
An audit of the financial report of the Company and review of statutory accounts	142	107
The half year review of the financial report of the Company	52	45
Due diligence investigations	152	-
General controls and IT conversion review	11	-
	<u>357</u>	<u>152</u>

NOTE 26: RELATED PARTY DISCLOSURES

(a) As at 30 June 2010, the Company does not have any subsidiaries or controlled entities.

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

Transactions with KMP of the entity or its parent and their personally-related entities

- As outlined in the replacement Prospectus (“the Prospectus”) dated 13 April 2007 and Financial Report for the year ended 30 June 2008 the South Australian practice was operated by Andrew Grech as a sole practitioner trading as Slater & Gordon Lawyers under a Service and Licence Agreement between Andrew Grech and the Company. In 2010 the Service and Licence Fee totalled \$400,000 (2009 - \$563,000);
- Anna Booth is a director of Members Equity Bank for which the Company provided legal services in the ordinary course of business;
- Peter Gordon is a director of Gordon Legal Pty Ltd which provided consulting services to the Company in 2010 which totalled \$84,000 (2009 – nil)

The shareholdings of related parties are disclosed in Note 23 and remuneration of KMP are disclosed in the Directors’ Report and Note 23.

Outstanding receivables, if any, between related parties are disclosed in Note 8. Outstanding payables, if any, are disclosed in Note 14.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 27: BUSINESS COMBINATIONS

2010

During the year, the Company acquired the following legal practices (not the legal entities):

- Long Howland Lawyers & Advisors on 31 July 2009
- McGlades Personal Injury Law on 25 September 2009
- Kenyons Lawyers on 4 December 2009
- Stewart & Noble Lawyers on 19 March 2010
- Adams Leyland Lawyers on 12 April 2010
- Part of the personal injuries practice of Robbins Watson Solicitors on 15 April 2010

	\$'000
Consideration	
- Cash	8,188
- Net present value of deferred cash consideration	3,319
- Stamp duty on acquisition	120
Total cash consideration	<u>11,627</u>
Other consideration arrangements in lieu of cash	600
- Equity (shares) issued as consideration	556
- Net present value of equity (shares) issued as deferred consideration	1,326
Total equity issued as consideration	<u>1,882</u>
Total acquisition cost	<u>14,109</u>

	Fair Value	Carrying Amount
Net assets acquired		
Assets		
- Trade and other receivables	3,575	3,575
- Work in progress	6,674	6,674
- Plant and equipment	70	70
- Other	2,751	2,751
Total assets acquired	<u>13,070</u>	<u>13,070</u>
Liabilities		
- Payables	1,527	1,527
- Provisions	3,250	3,250
Total liabilities acquired	<u>4,777</u>	<u>4,777</u>
Net assets acquired	<u>8,293</u>	<u>8,293</u>
Goodwill on acquisition	<u>5,816</u>	

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

It is not practicable to disclose the revenue and profit and loss of the combined entity as if the acquisitions took place at 1 July 2009, as the Company does not have access to audited financial information to reliably determine the revenue and profit of the acquired businesses from 1 July 2009 to the date of acquisition.

The key items that flowed from the acquisitions that gave rise to the goodwill were:

- Synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Company;
- Access to geographic locations not previously served by the Company; and
- Access to referral networks not previously available to the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 27: BUSINESS COMBINATIONS (Continued)

2009

The Company acquired on 9 November 2008 part of the practice of Carter Capner and on 13 February 2009 John Micallef & Co:

	\$'000	
Consideration		
- Cash		3,785
- Deferred cash consideration		954
- Costs associated with acquisition		155
Total cash consideration		<u>4,894</u>
Equity (shares) issued as consideration		-
Equity (shares) issued as deferred consideration		<u>-</u>
Total equity issued as consideration		<u>-</u>
Total acquisition cost		<u>4,894</u>
	Fair Value	Carrying Amount
Net assets acquired		
Assets		
- Trade and other receivables	704	704
- Work in progress	3,941	3,941
- Plant and equipment	<u>2</u>	<u>2</u>
Total assets acquired	<u>4,647</u>	<u>4,647</u>
	Fair Value	Carrying Amount
Liabilities		
- Provisions	<u>410</u>	<u>410</u>
Total liabilities acquired	<u>410</u>	<u>410</u>
Net assets acquired	<u>4,237</u>	<u>4,237</u>
Goodwill on acquisition	<u>657</u>	

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

It is not practicable to disclose the revenue and profit and loss of the combined entity as if the acquisitions took place at 1 July 2008, as the Company does not have access to audited financial information to reliably determine the revenue and profit of the acquired businesses from 1 July 2008 to the date of acquisition.

The key items that flowed from the acquisitions that gave rise to the goodwill were:

- Synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Company;
- Access to geographic locations not previously served by the Company; and
- Access to referral networks not previously available to the Company.

NOTE 28: SEGMENT INFORMATION

The Company conducts legal services within the geographical area of Australia.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 29: FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks comprising:

- (i) Credit Risk
- (ii) Liquidity Risk
- (iii) Fair Values
- (iv) Interest Rate Risk

(i) Credit risk exposures

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 Company is represented by trade receivables (debtors and disbursements) owing to the Company.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date 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.

Concentrations of credit risk

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of clients.

Management of credit risk

The Company 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 each practitioner's Key Performance Indicators ("KPI's") measurements in respect of both debtor levels, recovery and investment in disbursements;
- Providing ongoing training to staff in the management of their personal and practice group debtor portfolio and
- Where necessary, pursuing the recovery of debts owed to the Company through external mercantile agencies and the courts.

(ii) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Management of liquidity risk

The Company 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 20: Cash Flow Information, for further information on the historical cash flows and the current borrowing facilities.

The Company actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

	2010	2009
	\$'000	\$'000
Total Banking Facility		
Banking overdrafts	5,000	5,000
Commercial bill and equipment finance facility	48,088	51,000
Insurance premium funding facility	546	-
Total credit facility	<u>53,634</u>	<u>56,000</u>
 Amount utilised	 (35,203)	 (28,287)
Unused bank facility	<u>18,431</u>	<u>27,713</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued)

Banking Overdrafts

Bank overdraft facilities are arranged with Westpac with the general terms and conditions being set and agreed to annually. The current facility is \$5,000,000. Interest rates are variable and subject to adjustment.

Commercial Bill & Equipment Finance Facility

The current facility is a \$48,088,000 (2009: \$51,000,000) variable interest rate facility provided by Westpac, expiring no later than 4 years. Included in the facility above is an equipment finance lease of \$4,503,000, expiring no later than 10 years.

Premium Funding Facility

The current facility is a \$546,000 (2009: nil) fixed rate facility provided by Westpac, expiring on 30 June 2011.

(iii) Fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Statement of Financial Position and Notes to the Financial Statements. The main exposure to fair value risk is contained in the balance of Work in Progress ("WIP").

Management of fair value risk in WIP

The Company actively manages the fair value risk by:

- Using strict file acceptance criteria on new client enquiries, as required under the Legal Profession Act in each jurisdiction, to only undertake claims that have a viable and sustainable cause of action to be pursued;
- Performing ongoing file reviews of all active files;
- Actively reviewing file loads and outcomes by individual Legal Practitioner; and
- Diversifying the areas of practice (in both areas of law and geographic location) to reduce the potential of legislative change to impact the business.

(iv) Interest rate risk

The Company'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 balance date, are as follows:

Financial Instruments	Weighted average interest rate		Non interest bearing		Variable interest rate		Fixed interest rate		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>(i) Financial assets</i>										
Cash	4.30%	0.51%	-	-	30,110	-	-	29	30,110	29
Trade debtors			29,044	33,221	-	-	-	-	29,044	33,221
Disbursements			36,734	35,253	-	-	-	-	36,734	35,253
Receivables from related parties			830	949	-	-	-	-	830	949
Other receivables			111	647	-	-	-	-	111	647
VCR share loans receivable			17,346	14,656	-	-	-	-	17,346	14,656
Total financial assets			84,065	84,726	30,110	-	-	29	114,175	84,755
<i>(ii) Financial liabilities</i>										
Bank overdraft	8.01%	9.51%	-	-	19	2,572	-	-	19	2,572
Trade creditors			1,550	1,491	-	-	-	-	1,550	1,491
Legal creditors and accruals			33,367	29,036	-	-	-	-	33,367	29,036
Payables to related parties			41	41	-	-	-	-	41	41
Provision for employee entitlements			9,397	7,740	-	-	-	-	9,397	7,740
Hire purchase liability	9.25%	-	-	-	-	-	5,049	-	5,049	-
Bills of exchange – fixed rate	5.99%	-	-	-	-	-	15,000	-	15,000	-
Bills of exchange – variable rate	7.25%	7.48%	-	-	15,135	25,715	-	-	15,135	25,715
Total financial liabilities			44,355	38,308	15,154	28,287	20,049	-	79,558	66,595

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued)

Interest rate swaps

Interest rate swap transactions are entered into by the Company to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The Company uses swap contracts to maintain a designated proportion of fixed to floating debt.

The notional principal amounts of the swap contracts approximate 50% of the Company's outstanding borrowings on the commercial bill facility. The net interest payments or receipt settlements of the swap contracts occur every 30 days. The net settlement amounts are brought into account as an adjustment to interest expense.

At balance date, the details of outstanding contracts, all of which are to receive floating/pay-fixed interest rate swaps, are as follows:

Maturity of notional amounts	Effective average fixed interest rate payable		Notional principal value	
	2010	2009	2010 \$'000	2009 \$'000
2 to 5 years	5.99%	-	15,000	-
			<u>15,000</u>	<u>-</u>

The net effective variable interest rate borrowings (ie. unhedged debt) expose the Company to interest rate risk which will impact future cash flows and interest charges and are indicated by the following interest rate financial liabilities:

	Note	2010 \$'000	2009 \$'000
Floating rate instruments			
Bank overdrafts	15	19	2,572
Unhedged bills of exchange	15	15,135	25,715
		<u>15,154</u>	<u>28,287</u>

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 statement of comprehensive income. Given the matching of the hedge settlements with the payment of interest expense on the hedged borrows, the balance in the reserve attributable to interest rate swaps is generally minimal.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 30: SUBSEQUENT EVENTS

The following subsequent events have occurred:

Acquisition of subsidiary – Trilby Misso Lawyers Limited (“TML”)

On 28 June 2010, the Company announced that it had agreed to acquire a 100% shareholding in Trilby Misso Lawyers Limited (“TML”), a leading Queensland personal injury law firm, for a total consideration of \$57.0 million. This transaction was subsequently settled on 13 August 2010.

The strategic rationale for this business combination is to:

- Diversify earnings through expansion of geographic coverage
- Build scale in one of the fastest growing regions in Australia
- Provide a strategic growth platform in the Queensland market
- Acquire a legal practice led by experienced and committed management team and staff
- Establish a greater South East Queensland presence with a head office in Brisbane and Client Service Centres in Morayfield, Robina, North Lakes, Ipswich and Logan

Acquisition-related costs for this purchase amounting to \$460,000 have been excluded from the total consideration and have been recognised as an expense in the period ending 30 June 2010, within the ‘costs associated with acquisitions’ line item in the statement of comprehensive income.

The provisionally determined assets and liabilities to be assumed at the date of acquisition are as follows:

	\$’000	
Consideration		
- Cash		40,241
- Net present value of deferred cash consideration		10,971
Total cash consideration		51,212
- Net present value of equity (shares) issued as consideration		5,276
Total equity issued as consideration		5,276
Net present value of total consideration		56,488
Net assets acquired	Fair Value	Carrying Amount
Assets		
- Cash and cash equivalent	1,057	1,057
- Trade and other receivables	10,052	10,052
- Work in progress	26,571	26,571
- Plant and equipment	2,068	2,068
- Intangible assets	5,600	5,600
- Other	2,739	2,739
Total assets acquired	48,087	48,087
Liabilities		
- Short term borrowings	239	239
- Payables	2,994	2,994
- Provisions	8,758	8,758
Total liabilities acquired	11,991	11,991
Net assets acquired	36,096	36,096
Goodwill on acquisition	20,392	

The initial accounting for the acquisition has only been provisionally determined. At the date of finalisation of these financial statements, the necessary fair valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors’ best estimate of the likely values.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 30: SUBSEQUENT EVENTS (Continued)

The key items that flowed from the acquisition that gave rise to the goodwill above are:

- Synergies expected to be achieved as a result of combining the acquired business with the Company;
- Access to geographic locations not previously served by the Company; and
- Access to referral networks not previously available to the Company.

Had this business combination been effected at 1 July 2009, the revenue of the newly-formed Group's continuing operations would have been \$155,893,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Share Issue

On 28 June 2010, the Company also announced a capital raising of up to \$40.0 million to fund the acquisition of TML by way of:

- a Share Placement to sophisticated and professional investors ("Placement") for a total value of \$38.0 million; and
- a Share Purchase Plan ("SPP") to existing, eligible Shareholders up to a total value of \$2.0 million at \$1.40 per share which closed on 31 July 2010

In addition, a part of the consideration to the vendors of TML will be paid by way of the issue of \$5,276,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 26 May 2010 to 23 June 2010 (equating to 3,403,927 ordinary shares).

The Placement was conducted in two parts:

- the first tranche ("Tranche 1"), which was fully underwritten and was completed on 1 July 2010, involving the issue of 16,806,116 ordinary shares at \$1.40 per share to professional and sophisticated investors to raise \$23,529,000. As detailed in Note 17(c) the funds were received on 30 June 2010 and the shares were allotted and issued subsequent to year end on 1 July 2010; and
- the second tranche ("Tranche 2"), which was conducted together with Tranche 1 of the Placement, was completed following the approval of shareholders at the Extraordinary General Meeting ("EGM") held on 9 August 2010. Tranche 2 was also underwritten and involved the issue of a further 10,336,741 ordinary shares at \$1.40 per share to raise a further \$14,471,000.

The SPP which opened on 5 July 2010 and closed on 31 July 2010 and raised the total sum of \$1,406,000 with 1,004,204 ordinary shares being issued on 13 August 2010 at \$1.40 per share.

Subsequent to year end the Company issued a total of 35,024,536 ordinary shares representing:

- On 1 July 2010, 16,806,116 ordinary shares as Tranche 1 of the Placement and ratified at the Company's EGM held on 9 August 2010;
- On 13 August 2010, 1,004,204 ordinary shares pursuant to the SPP;
- On 13 August 2010, 10,336,741 ordinary shares as Tranche 2 of the Placement and approved at the Company's EGM held on 9 August 2010; and
- On 13 August 2010, 3,403,927 ordinary shares to the vendors of TML as approved at the Company's EGM held on 9 August 2010.
- On 2 September 2010 the Company issued 2,560,834 ordinary shares as a result of the conversion of VCR shares pursuant to the terms of the Employee Ownership Plan and as approved at the AGM on 12 November 2009.

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

- On 2 September 2010 the company issued a total of 912,714 ordinary shares as part of the consideration for certain acquisitions that occurred during the year, representing:
 - 508,986 ordinary shares issued to the vendors of Kenyons Lawyers, being \$800,000 in the Company's ordinary shares at the volume weighted average price at which shares traded during the period from 30 November 2009 to 4 December 2009.
 - 403,728 ordinary shares issued to the vendors of Adams Leyland, being \$650,000 in the Company's ordinary shares at the volume weighted average price at which shares traded during the period from 5 April 2010 to 9 April 2010.

The above ordinary shares issued subsequent to 30 June 2010 will also participate in the final dividend declared for the year ending 30 June 2010 of 3.0 cents, fully franked, equating to the sum of \$1,051,000.

SLATER & GORDON LIMITED
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SLATER & GORDON LIMITED

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 51 to 84 and the additional disclosures in the directors' report designated as audited are in accordance with the *Corporations Act 2001* and:

- (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- (b) As stated in Note 1, the financial statements also comply with International Financial Reporting Standards;
- (c) Give a true and fair view of the financial position of the Company as at 30 June 2010 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2010.

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



Anna Booth
Chair



Andrew Grech
Managing Director

Melbourne
8 September 2010

SLATER & GORDON LIMITED
ABN 93 097 297 400

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SLATER & GORDON LIMITED**

We have audited the accompanying financial report of Slater & Gordon Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

SLATER & GORDON LIMITED
ABN 93 097 297 400

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SLATER & GORDON LIMITED**

Auditor's Opinion

In our opinion:

- (a) the financial report of Slater & Gordon Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 43 to 48 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Slater & Gordon Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



M W PRINGLE

Partner

8 September 2010



PITCHER PARTNERS

Melbourne

SLATER & GORDON LIMITED
ABN 93 097 297 400

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 25 August 2010.

(a) Distribution of shareholders and option holders.

Holding	Number of Ordinary Shareholders
1 - 1,000	313
1,001 - 5,000	477
5,001 - 10,000	199
10,001 - 100,000	222
100,001 - Over	74
	<u>1,285</u>

There are 70 shareholders holding less than a marketable parcel (i.e. less than \$500 per parcel of shares).

(b) Twenty largest shareholders

Shareholder	Number of Shares Held	% Held
1 HSBC Custody Nominees (Australia) Limited	16,519,730	11.50%
2 National Nominees Limited	12,830,348	8.94%
3 RBC Dexia Investor Services Australia Nominees Pty Limited (PIPooled A/C)	12,582,777	8.76%
4 Cogent Nominees Pty Limited	11,579,686	8.06%
5 J P Morgan Nominees Australia Limited	11,243,224	7.83%
6 Andrew Grech	9,222,356	6.42%
7 Cath Evans	6,550,476	4.56%
8 Ken Fowlie	6,386,221	4.45%
9 Peter Gordon	5,974,605	4.16%
10 Hayden Stephens	5,705,115	3.97%
11 Paul Henderson	5,384,328	3.75%
12 Citicorp Nominees Pty Limited	3,841,486	2.68%
13 James Higgins	2,260,714	1.57%
14 Marcus Clayton	1,565,724	1.09%
15 Equity Trustees Limited (SGH PI Smaller Co's Fund)	1,443,377	1.01%
16 ANZ Nominees Limited (Cash Income A/C)	1,310,771	0.91%
17 McFadyen Family Investments Pty Ltd (as trustee for The Gem Family A/C)	1,259,575	0.88%
18 Craig Lee (Lee Super Fund A/C)	866,608	0.60%
19 Gregory Keating	702,133	0.49%
20 Mike Feehan	700,000	0.49%
	<u>117,929,254</u>	<u>82.13%</u>

(c) Substantial shareholders

A substantial shareholder is one who has a relevant interest in 5 per cent or more of the total issued shares in the Company. Following are the substantial shareholders in the Company based on notifications provided to the Company under the Corporations Act 2001:

Shareholder	Ordinary Shares
	Number % *
Andrew Grech	26,185,972 18.24%
Ken Fowlie	24,706,606 17.21%
Cath Evans	24,698,559 17.20%
Hayden Stephens	23,906,669 16.65%
Paul Henderson	23,589,740 16.43%
Peter Gordon	23,039,806 16.05%
Marcus Clayton	21,651,099 15.08%
Mawer Investment Management Limited	15,452,896 10.76%
Perpetual Limited and Subsidiaries	13,800,171 10.71%
Aviva Investors Pty Limited	9,098,329 8.33%
National Australia Bank Limited and its Associated Companies	7,148,395 6.57%

* Percentage of shares held based on total issued capital of the Company at the time a substantial shareholder notice was provided to the Company.

(d) VCR shares

Total number of VCR shares on issue is 8,232,022 held by 51 employee shareholders.

CORPORATE DIRECTORY

Directors

Anna Booth, Chair
Andrew Grech, Managing Director
Ian Court
Ken Fowlie
Erica Lane
John Skippen

Company Secretaries

Wayne Brown
Kirsten Morrison

Registered Office and Corporate Office

Level 12
485 La Trobe Street
Melbourne Victoria 3000
Telephone: (03) 9602 6888
Facsimile: (03) 9600 0290

Company Website

www.slatergordon.com.au

Company Numbers

ACN 097 297 400
ABN 93 097 297 400

Auditors

Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

Bankers

Westpac Banking
Corporation
Level 7
360 Collins Street
Melbourne Victoria 3000

Solicitors

Arnold Bloch Leibler
Level 21
333 Collins Street
Melbourne Victoria 3000

Stock Exchange Listing

Slater & Gordon Limited
shares are listed on the
Australian Stock
Exchange Limited. The Home
Exchange is
Melbourne.
ASX Code: SGH

Share/Security Registers

The Registrar
Computershare Investor
Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067

GPO Box 2975
Melbourne Victoria 3001

Telephone
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