

SLATER & GORDON LIMITED
ABN 93 097 297 400

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2010.

Appendix 4D

Half-Year Report for the six months to 31 December 2010

Name of entity. SLATER & GORDON LIMITED

ABN or equivalent company reference: 93 097 297 400

1. Reporting period

Report for the half year ended: 31 December 2010

Previous corresponding periods: Half year ended 31 December 2009 and full year ended 30 June 2010

2. Results for announcement to the market

\$'000			
Revenues from ordinary activities (<i>item 2.1</i>)	up	44.34%	to \$84,825
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up	40.55%	to \$13,331
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up	40.55%	to \$13,331
Dividends (<i>item 2.4</i>)		Amount per security	Franked amount per security
Interim dividend (fully franked at 30% tax rate) declared on 24 February 2011 and to be paid on 27 April 2011		2.2¢	2.2¢
Final dividend (fully franked at 30% tax rate) paid on 28 October 2010		3.0¢	3.0¢
Previous corresponding period		2.0¢	2.0¢
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	7 March 2011		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):			
The figures for the period 31 December 2010 are for the consolidated group, which includes Slater & Gordon Limited and its subsidiary Trilby Misso Lawyers Limited from the date it was acquired on 13 August 2010. Comparative figures are for Slater & Gordon Limited only.			
Please refer to the ASX/Media Release dated 24 February 2011 for other information necessary to enable the figures to be understood.			

3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (cents)	91.02¢	81.59¢
	31 December 2010 Number of shares	31 December 2009 Number of shares
Total number of ordinary shares of the Company	147,065,312	111,995,076
	\$'000	\$'000
Net Tangible Assets	133,858	91,372

4. Details of entities over which control has been gained or lost during the period: (item 4)

Details of legal practices acquired are:

Date	Entity	Nature of transaction
13 August 2010	Trilby Misso Lawyers Limited - Queensland	Acquisition of a 100% shareholding in the legal entity
17 August 2010	Rob Powe Lawyers – New South Wales	Acquisition of part of business operations and assets (not the legal entity)

From the date of acquisition on 13 August 2010 to 31 December 2010, Trilby Misso Lawyers Limited has contributed a total of \$3,248,000 to the Company's net profit after tax from ordinary activities. For the year ended 30 June 2010, the net profit after tax from ordinary activities for Trilby Misso Lawyers Limited was \$5,832,000.

5. Dividends (item 5)

	Date of payment	Total amount of dividend \$A'000
Interim dividend year ended 30 June 2011	27 April 2011	\$3,235
Final dividend year ended 30 June 2010	28 October 2010	\$4,413

Amount per security

	Amount per security	Franked amount per security at 30 % tax	Amount per security of foreign sourced dividend
Total dividend: Current year (interim)	2.2¢	2.2¢	Nil¢
Previous year (interim)	2.0¢	2.0¢	Nil¢

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary shares	3,235	2,240
Total	3,235	2,240

6. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

Not applicable

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

7. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).**8. Independent review of the financial report (item 9)**

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

**SLATER & GORDON LIMITED AND
CONTROLLED ENTITY
ABN 93 097 297 400**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

**This half-year financial report is to be read in
conjunction with the financial report for the year
ended 30 June 2010**

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SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of Slater & Gordon Limited ("the Company") and its subsidiary, Trilby Misso Lawyers Limited (acquired on 13 August 2010), jointly referred to as the Group, for the half year ended 31 December 2010 and independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

The names of the directors in office at any time during or since the end of the half year are:

Name

Anna Booth – Chair

Andrew Grech – Managing Director

Ian Court

Ken Fowlie

Erica Lane

John Skippen

All directors have been in office since the start of the financial period to the date of this report.

Review of Operations

The consolidated profit of the Group for the half year after providing for income tax amounted to \$13,331,000. This compares to \$9,485,000 for the half year ending 31 December 2009. A review of the operations of the Group during the half year and the results of those operations identified the following:

The half year ending 31 December 2010 has been highlighted by the acquisition of Trilby Misso Lawyers Limited, a leading personal injury practice in Queensland which is being operated as a stand-alone subsidiary. The Group has continued to grow in revenues in its existing businesses and has continued to integrate acquired practices merged during the year ending 30 June 2010 and the six months to 31 December 2010 in New South Wales, Queensland and Victoria.

Significant changes in the state of affairs

Significant changes in the Group's state of affairs during the half year ending 31 December 2010 were as follows:

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

On 13 August 2010, the Company acquired a 100% shareholding in TML, a leading Queensland personal injury law firm, for a total consideration of \$57,613,000.

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; and
- 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.

Share Issue

The Company completed a capital raising totalling \$39,406,000 to fund the acquisition of TML by way of:

- a Share Placement to sophisticated and professional investors ("Placement") for a total value of \$38,000,000; and
- a Share Purchase Plan ("SPP") to existing, eligible Shareholders for a total value of \$1,406,000 at \$1.40 per share.

In addition, a part of the consideration to the vendors of TML was 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).

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
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DIRECTORS' REPORT (Continued)

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. The funds were received on 30 June 2010 and the shares were allotted 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 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.

During the half year ended 31 December 2010, 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, representing \$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, representing \$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.

Acquisition of business – Rob Powe Lawyers

On 17 August 2010, the Company acquired the business of Rob Powe Lawyers, a firm based in Maitland, New South Wales, specialising in Family Law for a total cash payment of \$250,000.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years are as follows:

Acquisition of subsidiary – Keddies The Insurance Law Specialists Pty Limited ("Keddies")

On 26 October 2010, the Company announced that it had agreed to acquire a 100% shareholding in Keddies, a leading New South Wales personal injury law firm, for a total consideration of \$30,954,000. This transaction was subsequently settled on 11 January 2011.

The strategic rationale for this business combination is:

- Diversification of earnings through expansion of geographic coverage;
- Building scale in NSW and Western Sydney in particular, one of the fastest growing regions in Australia; and
- A strategic growth platform in the NSW market.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
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DIRECTORS' REPORT (Continued)

Acquisition-related costs for this purchase amounting to \$352,000 have been excluded from the total consideration and have been recognised as an expense in the period ending 31 December 2010, within the 'costs associated with acquisitions' line item in the condensed statement of comprehensive income.

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

	\$'000	\$'000
Consideration		
- Cash		16,504
- Deferred cash consideration		10,750
Total cash consideration		27,254
Equity issued as consideration		3,700
Total consideration at face value		30,954
Stamp duty payable on acquisition		186
Notional interest on deferred consideration		(724)
Net present value of total consideration		30,416

	Fair Value	Carrying Amount
Net assets acquired		
Assets		
- Cash and cash equivalent	5	5
- Trade and other receivables	15,490	15,490
- Work in progress	24,792	24,792
- Plant and equipment	977	977
- Other	826	826
Total assets acquired	42,090	42,090
Liabilities		
- Payables	8,635	8,635
- Provisions	592	592
- Long term borrowings	4,146	4,146
Total liabilities acquired	13,373	13,373
Net assets acquired	28,717	28,717
Goodwill on acquisition	1,699	

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:

- Diversification of earnings through expansion of geographic coverage;
- Building scale in NSW and Western Sydney in particular, one of the fastest growing regions in Australia; and
- A strategic growth platform in the NSW market.

Had the combination been effected at 1 July 2010, net profit after tax for the consolidated entity would have been \$17,655,000 and revenue would have been \$97,560,000. The directors of the Group consider these numbers to represent an approximate measure of the performance of the group on an annualised basis and to provide a reference point for comparison in future periods.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
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DIRECTORS' REPORT (Continued)

Loans and borrowings

On 11 January 2011, the Group executed a new bank facility to the amount of \$95,000,000, allocated as follows:

- a \$30,000,000 term loan facility and two revolving interest only facilities totalling \$50,000,000. These loans mature in three years and interest is charged on the loan at the BBSY rate plus an agreed margin.
- a \$5,000,000 overdraft facility, repayable on cancellation of the facility.
- a \$7,000,000 lease facility, repayable as outlined in agreed leasing documentation.
- a \$3,000,000 performance guarantee facility.

The proceeds of this facility have been used to fund core debt, acquisition activities, working capital requirements, short term funding requirements, the leasing of equipment and any performance guarantees, as required.

The Group's existing bank facility of \$52,096,000 was repaid upon settlement of this new facility.

Auditor's Declaration

A copy of the auditor's declaration as required under section 307C of the Corporation Act 2001 in relation to the review for the half-year is provided with this report.

Rounding of Amounts

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

Signed in accordance with a resolution of the directors.



Anna Booth
Chair

Dated this 24th day of February 2011



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 and Controlled Entity

In relation to the review of the financial report of Slater & Gordon Limited and Controlled Entity for the six months to 31 December 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

24 February 2011

PITCHER PARTNERS

Melbourne

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

		Half-Year	
	Note	2010	2009
		\$'000	\$'000
Revenue			
Fee revenue		83,112	57,659
Other revenue		1,713	1,108
		<u>84,825</u>	<u>58,767</u>
Less: Expenses			
Salaries and employee benefits expense		(40,845)	(29,348)
Rent expense		(4,009)	(3,829)
Advertising and marketing expense		(5,329)	(2,218)
Administration and office expenses		(6,505)	(4,289)
Consultant fees		(494)	(339)
Finance costs		(2,151)	(914)
Bad and doubtful debts		(1,385)	(923)
Depreciation and amortisation expense		(1,273)	(671)
Costs associated with acquisitions		(703)	(93)
Other expenses		<u>(2,369)</u>	<u>(2,258)</u>
		<u>(65,063)</u>	<u>(44,882)</u>
Profit before income tax expense		<u>19,762</u>	<u>13,885</u>
Income tax expense		<u>(6,431)</u>	<u>(4,400)</u>
Profit for the half-year attributable to members		<u>13,331</u>	<u>9,485</u>
Other comprehensive income			
Net movement in the fair value of cash flow hedges		153	-
Other comprehensive income for the year, net of tax		<u>153</u>	<u>-</u>
Total comprehensive income for the half-year attributable to members		<u>13,484</u>	<u>9,485</u>
Basic earnings per share (cents)	6	9.4 cents	8.7 cents
Diluted earnings per share (cents)	6	8.9 cents	8.1 cents

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents		6,560	30,110
Receivables		79,207	66,719
Work in progress		153,180	111,869
Other current assets		4,152	4,124
TOTAL CURRENT ASSETS		<u>243,099</u>	<u>212,822</u>
NON-CURRENT ASSETS			
Plant and equipment		9,000	6,943
Work in progress		6,845	7,245
Intangible assets	8	45,057	25,966
Other non-current assets		16,918	17,346
TOTAL NON-CURRENT ASSETS		<u>77,820</u>	<u>57,500</u>
TOTAL ASSETS		<u>320,919</u>	<u>270,322</u>
CURRENT LIABILITIES			
Payables		44,560	33,222
Short-term borrowings		11,188	7,136
Current tax payable		2,403	2,154
Provisions		10,063	8,239
TOTAL CURRENT LIABILITIES		<u>68,214</u>	<u>50,751</u>
NON-CURRENT LIABILITIES			
Payables		3,571	1,736
Long-term borrowings		23,451	28,067
Deferred tax liabilities		45,465	41,325
Derivative financial instruments		194	472
Provisions		1,109	1,478
TOTAL NON-CURRENT LIABILITIES		<u>73,790</u>	<u>73,078</u>
TOTAL LIABILITIES		<u>142,004</u>	<u>123,829</u>
NET ASSETS		<u>178,915</u>	<u>146,493</u>
EQUITY			
Contributed equity	4	104,533	81,182
Reserves		(178)	(331)
Retained profits		74,560	65,642
TOTAL EQUITY		<u>178,915</u>	<u>146,493</u>

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Contributed Equity	Retained Earnings	Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2009	53,784	51,620	-	105,404
Net Profit after tax for the period	-	9,485	-	9,485
Total comprehensive income for the half-year	-	9,485	-	9,485
Transactions with owners in their capacity as equity holders				
Ordinary and VCR shares issued (net)	4,095	-	-	4,095
Dividends paid	-	(3,538)	-	(3,538)
Total transactions with owners in their capacity as equity holders	4,095	(3,538)	-	557
Balance as at 31 December 2009	57,879	57,567	-	115,446
Balance as at 1 July 2010	81,182	65,642	(331)	146,493
Net Profit after tax for the period	-	13,331	-	13,331
Cash flow hedge (net of tax)	-	-	153	153
Total comprehensive income for the half-year	-	13,331	153	13,484
Transactions with owners in their capacity as equity holders				
Ordinary and VCR shares issued (net)	46,794	-	-	46,794
Conversion of unallotted share capital	(22,520)	-	-	(22,520)
Dividends paid	-	(4,413)	-	(4,413)
Costs of equity raising	(923)	-	-	(923)
Total transactions with owners in their capacity as equity holders	23,351	(4,413)	-	18,938
Balance as at 31 December 2010	104,533	74,560	(178)	178,915

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half-Year	
	2010	2009
	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	74,265	57,649
Payments to suppliers and employees	(65,900)	(44,769)
Interest received	1,044	28
Borrowing costs	(1,419)	(993)
Income tax refund	-	1,639
Costs associated with acquisition	(703)	(93)
Net cash provided by operating activities	<u>7,287</u>	<u>13,461</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(792)	(581)
Payment for software development	(290)	(1,096)
Payment for acquisition of businesses – deferred consideration	(1,834)	(4,545)
Payment for acquisition of business, net of cash in subsidiary	(38,323)	(4,744)
Net cash used in investing activities	<u>(41,239)</u>	<u>(10,966)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	16,886	-
Costs of raising equity	(1,800)	(35)
Proceeds from borrowings	6,927	5,500
Repayment of borrowings	(8,448)	(1,130)
Repayment of loans – VCR loans	1,218	1,720
Proceeds from loans receivable	51	-
Dividends paid	(4,413)	(3,538)
Net cash provided by financing activities	<u>10,421</u>	<u>2,517</u>
Net increase/(decrease) in cash and cash equivalents	(23,531)	5,012
Cash and cash equivalents at beginning of the half year	<u>30,091</u>	<u>(2,543)</u>
Cash and cash equivalents at end of the half year	<u>5 6,560</u>	<u>2,469</u>

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2010 and any public announcements made by the Company during the half year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half year financial report was authorised for issue by the directors on 24 February 2011.

(a) Basis of preparation of the half year financial report

This general purpose half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year 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) Summary of the significant accounting policies

Except as described below, the half year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2010.

(c) Accounting policies for new transactions or events

i. Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which the parent has the power to control the financial and operating policies so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is established. They are de-consolidated from the date that control ceases.

ii. Income tax

Tax consolidation

The Company and its controlled entity have formed a tax consolidated group under the tax consolidation legislation from 13 August 2010. As a consequence, the Company and its controlled entity which comprise the tax-consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Slater & Gordon Limited.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(iii) *Segment reporting*

Determination and presentation of operating segments

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

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

Segment results that are reported to the Managing Director include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(d) *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 off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 2: SEGMENT INFORMATION

The group has two operating segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately in line with the distinction of the two legal entities, Slater & Gordon Limited and Trilby Misso Lawyers Limited. For each of the business strategic business units, the Managing Director reviews internal management reports on a monthly basis. The following summary describes each of the Group's reportable segments:

- **Slater & Gordon Limited** - conducts a range of legal services, including personal injury law, within the geographical area of Australia
- **Trilby Misso Lawyers Limited** – conducts legal services in the field of personal injury law within the geographical area of Queensland

Note that prior to the acquisition of Trilby Misso Lawyers Limited on 13 August 2010, the Company was considered to be a single operating segment.

	Slater & Gordon Limited	Half-Year Dec 2010 (000's) Trilby Misso Lawyers Limited (5 months)	Total	Half-Year Dec 2009 (000's) Total (Slater & Gordon Limited)
Segment revenue				
Total segment revenues	69,050	14,731	83,781	57,705
Inter-segment revenues	-	-	-	-
Segment revenue from external source	69,050	14,731	83,781	57,705
Segment result				
Total segment result	15,650	6,492	22,142	14,408
Inter-segment eliminations	-	-	-	-
Segment result from external source	15,650	6,492	22,142	14,408
Segment result from external source			22,142	14,408
Interest revenue			1,044	1,062
Interest expense			(2,151)	(914)
Depreciation and amortisation			(1,273)	(671)
Total profit before income tax			19,762	13,885
Segment assets				
Total segment assets	304,257	66,324	370,581	270,322
Inter-segment eliminations	(49,662)	-	(49,662)	-
Total segments assets from external source	254,595	66,324	320,919	270,322

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 3: DIVIDENDS

	Half-Year	
	2010	2009
	\$'000	\$'000
(a) Dividends paid during the half year		
Dividends on ordinary shares		
Final fully 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)	4,413	3,538
Total dividends paid during the half year	<u>4,413</u>	<u>3,538</u>
(b) Dividends proposed and not recognised as a liability		
Dividends on ordinary shares		
Interim fully franked dividend at the tax rate of 30% for the half year ending 31 December 2010: 2.2 cents per share (2009 – 2.0 cents per share)	3,235	2,240

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 4: CONTRIBUTED EQUITY

	Half-Year			
	2010		2009	
	Shares	\$'000	Shares	\$'000
Ordinary shares fully paid	147,065,312	100,504	111,995,076	51,654
VCR shares	5,671,188	4,029	8,232,022	6,225
Unallotted share capital	-	-	-	-
Total issued capital	152,736,500	104,533	120,227,098	57,879
a) Movement in ordinary share capital				
Balance at the beginning of the period	112,040,776	51,612	108,870,729	47,884
Shares issued as consideration for acquisitions – 21 November 2009	-	-	328,155	556
Conversion of vested shares – 21 December 2009	-	-	2,796,192	3,235
Shares issued - 1 July 2010	16,806,116	23,529	-	-
Share issued - 13 August 2010	10,336,741	14,471	-	-
Shares issued as consideration for acquisitions – 13 August 2010	3,403,927	5,276	-	-
Share issue under share purchase plan - 13 August 2010	1,004,204	1,406	-	-
Shares issued as consideration for acquisitions – 2 September 2010	912,714	1,450	-	-
Conversion of vested shares – 2 September 2010	2,560,834	3,683	-	-
Less capital raising costs (net of tax)	-	(923)	-	(21)
Balance at end of the period	147,065,312	100,504	111,995,076	51,654
b) Movement in VCR share capital				
Balance at the beginning of the period	8,232,022	7,050	8,148,214	5,900
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
Conversion of vested VCR shares to ordinary shares – 2 September 2010	(2,560,834)	(3,683)	-	-
Share based payments cost	-	662	-	640
Less capital raising costs (net of tax)	-	-	-	(14)
Balance at end of the period	5,671,188	4,029	8,232,022	6,225
c) Movement in unallotted share capital				
Balance at the beginning of the period	-	22,520	-	-
Transfer proceeds received in relation to share placement on 30 June 2010 to ordinary share capital	-	(23,529)	-	-
Transfer capital raising costs to ordinary share capital	-	1,009	-	-
Balance at end of the period	-	-	-	-

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 4: CONTRIBUTED EQUITY (Continued)

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 of the financial report for the year ended 30 June 2010 for detailed discussion on the rights attached to VCR shares.

NOTE 5: CASH FLOW INFORMATION

	Half-Year	
	2010	2009
	\$'000	\$'000
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 period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash on hand	6,560	3,100
Bank overdraft	-	(631)
	<u>6,560</u>	<u>2,469</u>

NOTE 6: EARNINGS PER SHARE

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

Net profit after tax	13,331	9,485
Earnings used in calculating basic and diluted earnings per share	<u>13,331</u>	<u>9,485</u>
Weighted average number of ordinary shares used in calculating basic earnings per share	142,430	109,100
Effect of dilutive securities:		
VCR Shares	6,548	8,153
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>148,978</u>	<u>117,253</u>

VCR Shares

VCR Shares are shares which may convert to ordinary shares if related performance hurdles are achieved and have therefore been included in the determination of diluted earnings per share. For further details on the terms of VCR shares please refer to Note 24 of the financial report for the year ended 30 June 2010.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2010, the Group acquired assets with a cost of \$2,868,000 (six months ended 31 December 2009: \$5,265,000) including assets acquired through business combinations (see note 9) of \$2,076,000 (six months ended 31 December 2009: \$10,000).

NOTE 8: INTANGIBLE ASSETS

31 Dec 2010 30 Jun 2010

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

Opening net book amount	22,073	16,167
Additions in respect to current period acquisitions	12,216	5,816
Additions in respect to restatement of acquisitions occurring in prior periods	-	90
Closing net book value	<u>34,289</u>	<u>22,073</u>

(b) Movements in carrying amount of software development between the beginning and the end of the current financial year

Opening net book amount	3,893	2,547
Additions	283	1,758
Amortisation expense	<u>(287)</u>	<u>(412)</u>
Closing net book value	<u>3,889</u>	<u>3,893</u>

(c) Movements in carrying amount of brands & contracts between the beginning and the end of the current financial year

Opening net book amount	-	-
Additions	7,054	-
Amortisation expense	<u>(175)</u>	<u>-</u>
Closing net book value	<u>6,879</u>	<u>-</u>

Total net book value of intangible assets

45,057 25,966

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 9: BUSINESS COMBINATIONS

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

On 13 August 2010, the Company acquired a 100% shareholding in TML, a leading Queensland personal injury law firm, for a total consideration of \$57,613,000.

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; and
- 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 \$207,000 have been excluded from the total consideration and have been recognised as an expense in the period ending 31 December 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	\$'000
Consideration		
- Cash		40,337
- Deferred cash consideration		12,000
Total cash consideration		52,337
Equity issued as consideration		5,276
Total consideration at face value		57,613
Notional interest on deferred consideration		(1,029)
Net present value of total consideration		56,584

	Fair Value	Carrying Amount
Net assets acquired		
Assets		
- Cash and cash equivalent	1,047	1,047
- Trade and other receivables	9,620	9,620
- Work in progress	27,296	27,296
- Plant and equipment	2,068	2,068
- Intangible assets	7,047	7,047
- Other	2,152	2,152
Total assets acquired	49,230	49,230
Liabilities		
- Short term borrowings	976	976
- Payables	2,865	2,865
- Provisions	835	835
Total liabilities acquired	4,676	4,676
Net assets acquired	44,554	44,554
Goodwill on acquisition	12,030	

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 9: BUSINESS COMBINATIONS (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.

Since the acquisition date, TML has contributed a profit after tax of \$3,249,000 which is included within the consolidated profit. Had the combination been effected at 1 July 2010, net profit after tax for the consolidated entity would have been \$13,882,000 and revenue would have been \$88,552,000. The directors of the Group consider these 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.

A part of the consideration to the vendors of TML were 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).

Acquisition of business – Rob Powe Lawyers

On 17 August 2010, the Company acquired the business of Rob Powe Lawyers, a firm based in Maitland, New South Wales, specialising in Family Law for a total cash payment of \$250,000.

NOTE 10: CONTINGENT LIABILITIES

The changes in commitments and contingencies since 30 June 2010 are as follows:

Other commitments and contingencies

As outlined in Note 21 to the financial statements as at 30 June 2010, the Group has entered into an agreement with ASK Funding Limited (“ASK”) to provide financial guarantees to ASK with respect to disbursement funding borrowings to the Group’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 Group has provided a financial guarantee for the repayment of the clients’ obligations to ASK. The total amount funded by ASK to the Group’s clients at 31 December 2010 is \$2,042,000 (30 June 2010: \$306,000). The maximum exposure of the Company at 31 December 2010 is \$2,042,000 (2009: \$306,000) if the individual client matters are not recovered from any other party.

NOTE 11: SUBSEQUENT 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 Group, the results of those operations, or the state of affairs of the Group in future financial years are as follows:

Acquisition of subsidiary – Keddies The Insurance Law Specialists Pty Limited (“Keddies”)

On 26 October 2010, the Company announced that it had agreed to acquire a 100% shareholding in Keddies, a leading New South Wales personal injury law firm, for a total consideration of \$30,954,000. This transaction was subsequently settled on 11 January 2011.

The strategic rationale for this business combination is:

- Diversification of earnings through expansion of geographic coverage;
- Building scale in NSW and Western Sydney in particular, one of the fastest growing regions in Australia; and
- A strategic growth platform in the NSW market.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 11: SUBSEQUENT EVENTS (Continued)

Acquisition-related costs for this purchase amounting to \$352,000 have been excluded from the total consideration and have been recognised as an expense in the period ending 31 December 2010, within the 'costs associated with acquisitions' line item in the condensed statement of comprehensive income.

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

	\$'000	\$'000
Consideration		
- Cash		16,504
- Deferred cash consideration		10,750
Total cash consideration		27,254
Equity issued as consideration		3,700
Total consideration at face value		30,954
Stamp duty payable on acquisition		186
Notional interest on deferred consideration		(724)
Net present value of total consideration		30,416

	Fair Value	Carrying Amount
Net assets acquired		
Assets		
- Cash and cash equivalent	5	5
- Trade and other receivables	15,490	15,490
- Work in progress	24,792	24,792
- Plant and equipment	977	977
- Other	826	826
Total assets acquired	42,090	42,090
Liabilities		
- Payables	8,635	8,635
- Provisions	592	592
- Long term borrowings	4,146	4,146
Total liabilities acquired	13,373	13,373
Net assets acquired	28,717	28,717
Goodwill on acquisition	1,699	

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:

- Diversification of earnings through expansion of geographic coverage;
- Building scale in NSW and Western Sydney in particular, one of the fastest growing regions in Australia; and
- A strategic growth platform in the NSW market.

Had the combination been effected at 1 July 2010, net profit after tax for the consolidated entity would have been \$17,655,000 and revenue would have been \$97,560,000. The directors of the Group consider these numbers to represent an approximate measure of the performance of the group on an annualised basis and to provide a reference point for comparison in future periods.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 11: SUBSEQUENT EVENTS (Continued)

Loans and borrowings

On 11 January 2011, the Group executed a new bank facility to the amount of \$95,000,000, allocated as follows:

- a \$30,000,000 term loan facility and two revolving interest only facilities totalling \$50,000,000. These loans mature in three years and interest is charged on the loan at the BBSY rate plus an agreed margin.
- a \$5,000,000 overdraft facility, repayable on cancellation of the facility.
- a \$7,000,000 lease facility, repayable as outlined in agreed leasing documentation.
- a \$3,000,000 performance guarantee facility.

The proceeds of this facility have been used to fund core debt, acquisition activities, working capital requirements, short term funding requirements, the leasing of equipment and any performance guarantees, as required.

The Group's existing bank facility of \$52,096,000 was repaid upon settlement of this new facility. As at 31 December 2010 the total amount of the existing facility which was used was \$39,136,000.

SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date.

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

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



Anna Booth
Chair



Andrew Grech
Managing Director

Melbourne
Date 24 February 2011



SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF
SLATER & GORDON LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Slater & Gordon Limited and its controlled entity, which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Slater & Gordon Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Slater & Gordon Limited, would be in the same terms if given to the directors as at the date of this auditor's report.



PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 256 196

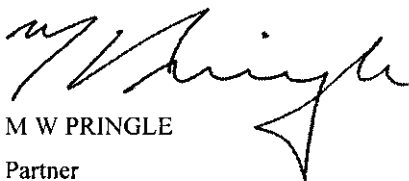
SLATER & GORDON LIMITED AND CONTROLLED ENTITY
ABN 93 097 297 400

INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF
SLATER & GORDON LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Slater & Gordon Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



M W PRINGLE

Partner

24 February 2011



PITCHER PARTNERS

Melbourne

SLATER & GORDON LIMITED
ABN 93 097 297 400

Company Particulars

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

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The Registrar
Computershare Investor
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Wayne Brown
Kirsten Morrison

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Company Numbers

ACN 097 297 400

Stock Exchange Listing

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