



## **ANNUAL GENERAL MEETING 25 OCTOBER 2012**

### **CHAIR'S ADDRESS**

Welcome ladies and gentlemen to the 2012 AGM. I am John Skippen and I am the Chair of Slater & Gordon Ltd.

I am advised that we have a quorum and I therefore formally declare the meeting open.

Now it is my pleasure to introduce the members of our board.

Firstly, my fellow independent non executive directors - Ian Court and Erica Lane. Ian is chair of the Audit, Compliance and Risk Management committee and Erica Lane is the chair of the Nomination and Remuneration committee.

Our managing director Andrew Grech is no doubt well known to all of you.

Executive director Ken Fowlie is overseas and could not join us for today's meeting. Ken is currently on leave from his managerial role with the Company undertaking further study in London. He has continued to serve on the board during this time. We look forward to Ken's return to our Sydney office and his operational role from early 2013.

I'd also like to introduce our chief financial officer Wayne Brown and our company secretary, Kirsten Morrison.

Matthew Pringle, the lead engagement partner from our auditors, Pitcher Partners, also joins us today.

I would also like to welcome from London our chief executive officer of Russell Jones & Walker, Neil Kinsella. Welcome Neil.

I am pleased to report we have enjoyed another successful year with strong increases in revenue and profit.

Total group revenue was up 19.4% on the previous year to \$218 million. The Australian business delivered \$206 million of this revenue, which exceeded the guidance provided at the half year.

We were also really pleased to see our Australian Personal Injury practice deliver organic growth of 8% in FY12. Our PI practice has now reached the scale and maturity where we believe it is well placed to deliver consistent organic growth of 5-7% year on year and enhances our strategy to lead the consolidation of the personal injuries market in Australia and now in the UK.

Since we listed as a public company in May 2007 with a market cap of \$107.8m, which is now \$320m (based on a share price of \$1.90), we have increased our revenue by 275% from \$79.7 million in FY08 to \$218 in FY12 and delivered a compound annual growth rate of 29%.

Net profit after tax (NPAT) was \$24.9 million, down 10.5% on the previous year after the write down of \$10.5 million in work in progress and disbursements on the Vioxx class action. When normalised (for the Vioxx write down) NPAT was \$33.4 million, up 15.6% on the previous year.

We were however disappointed with our cashflow from operations for the Australian business of 50% of NPAT before the Vioxx write down which was below the company's guidance range of 65-70% of NPAT. The Managing Director will speak more on the measures that are being taken in the business to address this issue.

The highlight of FY12 was without doubt the acquisition of prominent UK law firm Russell Jones & Walker (RJW) which, like Slater & Gordon, has a substantial personal injuries practice, but in a market that is 4-5 times the size of the Australian market.

We are also pleased to report that throughout the recent period of growth and diversification we have continued to improve on our already high levels of client and staff satisfaction. Client satisfaction increased to 91% and staff satisfaction to 86% in surveys conducted in FY12.

In March 2012 Anna Booth, the Chair of our board, left to take up a new role as Deputy President of Fair Work Australia. This prestigious appointment was recognition of Anna's expertise and career-long dedication to improving workplace relations. The board and staff of Slater & Gordon thank Anna for her outstanding leadership as Chair of the company since listing in 2007 and wish her success in her new role.

Following Anna's announcement of her appointment, the Board reviewed its composition and developed a recruitment brief to maintain an appropriate balance of skills, experience and representation as well as recruiting for the leadership and interpersonal qualities that were Anna's particular strengths. We are currently interviewing potential candidates to join the Board.

I was initially appointed as Acting Chair following Anna's departure in March 2012. As the recruitment process remains ongoing, the Board has now made this appointment permanent.

The Board is confident that the Company and subsidiaries are being adequately managed in the meantime. Due to the continuity of long-serving non-executive directors Ian Court, who has been on the board for 5 years and Erica Lane, who has been on the board for 4 years and who each ably Chair the Board Committees, the Board is in the fortunate position where it can give priority to securing the right candidates who will add to the strength of the Board, rather than prioritising the speed of replacement.

The increase to the cap in non-executive director's fees sought at the meeting today is in part to facilitate an increase to non-executive director (NED) fees which have not been reviewed since 2007, apart from a CPI adjustment in 2009. When we had the NED fees externally reviewed, it became apparent that we were sitting at around the 25th percentile compared to peer companies which we did not believe was an appropriate position given Slater & Gordon's almost three-fold growth since listing and expansion into the UK or the right position from which to go out into the recruitment market and attract the interest of top calibre NED candidates. The increase, effective from 1 July 2012, re-positions Slater & Gordon at the 50th percentile of peer group companies (by market capitalization, revenue and employee numbers) which we believe is more appropriate. NED fees are now fixed until 1 July 2015, other than CPI increases. Shareholders will of course have an opportunity at next year's AGM to provide feedback on NED performance and remuneration during FY13.

The increase to the cap is sought to give the Board flexibility to appoint new non-executive directors, to replace Anna Booth and to expand the Board given the Company's recent growth. It may be appropriate, for example, to appoint a director based in the UK given the recent expansion into that jurisdiction.

Ladies and gentlemen, thank you for your continued support of our company. I would also like to thank my fellow directors and all of the 1700 or so staff at Slater & Gordon, TML, Conveyancing Works and RJW for their contribution throughout the year.

I now introduce our managing director Andrew Grech who will provide more detail on the execution of our strategy in FY12 and our outlook for FY13. We will pause for questions at the end of Andrew's presentation.