

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

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2013**

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

TABLE OF CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	18
Financial Report for the year ended 30 June 2013	
Consolidated Statement of Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	23
Notes to the Financial Statements	24
Directors' Declaration	63
Independent Auditor's Report	64
Additional ASX information	66

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

DIRECTORS' REPORT

The directors present their report, together with the financial report of the consolidated entity consisting of Slater & Gordon Limited ("the Company") and its controlled entities (jointly referred to as "the Group"), for the financial year ended 30 June 2013 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards. Compliance with Australian Accounting 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:

- John Skippen – appointed Acting Chair on 16 March 2012 and Chair on 23 August 2012
- Andrew Grech – Managing Director
- Ian Court
- Ken Fowlie
- Erica Lane
- Rhonda O'Donnell – appointed 7 March 2013

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 Group during the financial year was the operation of legal practices in Australia and the United Kingdom ("UK").

Results

The profit after income tax of the Group was \$41.9 million (2012: \$25.0 million).

Review of operations

The Group continued to deliver strong financial results in the year ending 30 June 2013, at the same time making solid progress against key strategic priorities in particular the expansion of its UK operations.

The Group ended the year with total revenue of \$297.6 million (2012: \$217.7 million) and net profit after tax of \$41.9 million (2012: \$25.0 million). The full year dividend was up 10% over the prior year to 6.6 cents per share fully franked (2012: 6.0 cents). The cash profile of the Group improved during the current year with cash flow from operations of \$32.7 million, representing 78% of net profit after tax.

The expansion into the UK continued to progress well with the UK delivering \$70.5 million in revenue for the year ended 30 June 2013. The successful equity raising during the current year has set the stage for funding long term growth in the UK market.

The year ended 30 June 2014 is expected to be a busy year as the Group integrates new businesses in the UK whilst continuing to grow the Australian business.

Significant changes in the state of affairs

On 7 May 2013, the Company announced a capital raising, which raised \$66.7 million to fund the accelerated UK expansion, to strengthen the Company's balance sheet and fund the next stage of its growth in the UK personal legal services market, including three acquisitions which were subject to Term sheets as at the date of the capital raising.

The capital raising consisted of:

- A fully underwritten Share Placement to sophisticated and professional investors ("Placement") for a total value of \$58.9 million; and
- A non-underwritten Share Purchase Plan ("SPP") to existing, eligible Shareholders of approximately \$5 million at \$2.55 per share which closed on 12 June 2013.

The Placement was fully underwritten and was completed on 8 May 2013, involving the issue of 23,113,186 ordinary shares at \$2.55 per share to professional and sophisticated investors to raise \$58,938,624. The funds were received on 13 May 2013.

The SPP which opened on 20 May 2013 and closed on 12 June 2013 raised the total sum of \$7,741,000 with 3,035,357 ordinary shares being issued on 18 June 2013 at \$2.55 per share.

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

Events subsequent to reporting date

Subsequent to the reporting date, the Group has signed, for the total consideration of \$24,360,000, agreements for the acquisition of, in the United Kingdom, the personal injury practice of Taylor Vinters, completion effective 16 August 2013, Goodmans, completion effective 30 August 2013, and in Australia, Gibson & Gibson, completion effective 1 August 2013.

The provisional value of the net assets assumed at the dates of acquisition are as follows:

Consideration:	\$'000
Cash	12,027
Equity issued	3,133
Fair value of deferred consideration (cash)	9,200
Net present value of total consideration	<u>24,360</u>
Estimated fair value of net assets acquired	<u>(15,824)</u>
Goodwill on acquisition	<u>8,536</u>

The fair value of the assets and liabilities acquired have only been determined provisionally as valuations have not been finalised.

In addition to the above the Group has announced its intention to purchase the personal injury practice of Fentons Solicitors LLP, with an indicative completion date in October 2013.

Dividends paid, recommended and declared

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

	2013	2012
	\$'000	\$'000
<i>Dividends on ordinary shares</i>		
Interim franked dividend at the tax rate of 30% for 2013: 2.75 cents per share (2012: 2.5 cents per share)	4,681	3,793
Final franked dividend at the tax rate of 30% for 2012: 3.5 cents per share (2011: 3.3 cents per share)	5,966	4,993
	<u>10,647</u>	<u>8,786</u>

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$7,589,000 (3.85 cents per share) to be paid on 25 October 2013 out of retained earnings at 30 June 2013.

Dividend reinvestment plan

On 27 February 2013, the Company announced the introduction of a Dividend Reinvestment Plan (DRP) to allow eligible shareholders to reinvest their dividends in further Company shares. The DRP was active for the interim dividend declared for the financial year ending on 30 June 2013. Under the DRP 423,507 shares were issued for the interim dividend at \$2.52 cents per share.

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 Group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

A premium of \$42,500 (2012: \$33,000) 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.

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

Information on directors and company secretaries

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.

John Skippen
ACA
Chair, 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 Briscoe Group Limited (NZ) (2004-2011) and Mint Wireless Limited (2007-2008).

On 16 March 2012 John was appointed Chair of the board following the resignation of Anna Booth.

John is currently a Non Executive Director of Flexigroup Limited (appointed November 2006), Super Retail Group Ltd (appointed September 2008) and Emerging Leaders Investment Ltd (appointed October 2010).

John is Chair of the Board and a member of the Audit, Compliance and Risk Management Committee and the Nomination and Remuneration Committee. John brings to the Board extensive financial, public company and retail experience and skills in financial management, general management and strategy.

Andrew Grech
LLB MAICD
Managing Director

Andrew joined Slater & Gordon in 1994 and has worked as a lawyer in most areas of its litigation practice. Since 2000 Slater & Gordon has enjoyed substantial growth, expanding from six locations to a network of 70 locations across Australia and 11 locations in the United Kingdom. Andrew has been at the forefront of the successful acquisition and integration of more than 30 law firms including Russell Jones & Walker in the United Kingdom, since the listing of Slater & Gordon on the ASX.

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. Andrew is also a member of the Advisory Committee of the McCabe Centre for Law & Cancer, a member of the Advisory Council of the Melbourne Law School (University of Melbourne) and is a member of the Australian Government's International Legal Services Advisory Council.

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

Ken Fowlie
LLB BCom (NSW) MSc (with
distinction) (LBS)
MAICD
Executive Director

Ken has extensive litigation experience particularly 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.

Ken took a lead role in establishing Slater & Gordon's presence in New South Wales. Until December 2009, Ken managed the significant growth of Slater & Gordon's NSW team, the majority of whom joined the Group through the acquisition of smaller firms.

Until 30 June 2011, as General Manager of the Commercial and Project Litigation practice, Ken had stewardship of the Group's portfolio of high profile project litigation cases. During 2012 Ken was on a leave of absence from his management role to complete further study. Ken continued to serve on the Board during this time.

Ken returned to a senior management role within the firm in January 2013 assuming responsibility for management services functions and the non-personal injury practices.

From 1 July 2013, Ken assumed overall responsibility for the firm's Australian operations as 'Head of Australia'.

Ken brings to the Board a unique operational perspective in several of the Group's key strategic areas. As a legal practitioner with over 17 years' experience and qualifications and a strong interest in economics and business management, 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 AssetCo Management Pty Ltd (chair of the Projects Committee) and its related Infrastructure PPP companies, SSSR Holdings Pty Ltd, Praeco Pty Ltd and Western Liberty Group Holdings Pty Ltd. He is a non-executive director and chair of ACTU Member Connect Pty Ltd, chair of the Industry Funds Management Investor Advisory Board and chair of the International Advisory Committee for the IFM Global Infrastructure Fund.

Prior non-executive positions held include companies in the financial services, unlisted infrastructure, private equity and property sectors including, Victorian Funds Management Corporation, Epic Energy Holdings Pty Ltd, 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.

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

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

Erica joined the Board of the Company in 2008. She chairs the Nomination and Remuneration Committee and is a member of the Audit, Compliance and Risk Management Committee.

Erica is a successful non-executive director with experience in international and local industries. Since 2000, she has held various appointments in funds management, professional services and healthcare spanning both listed and non-listed environments and public and private sectors.

Erica has served as a non-executive director and chaired various committees for Victorian Funds Management Corporation, Eastern Health and the Ilhan Food Allergy Foundation.

She has deep and varied commercial expertise with a strong bias towards strategy, financial performance and change management in complex environments.

In addition to Board appointments, Erica consults extensively in the public and private sectors at the CEO and Board level on a range of strategic and business performance issues.

Previously, Erica was a senior executive with ANZ Bank initially as Head of Group Performance Management in Finance, then General Manager of Insurance & Trustees. Prior to this, she was a senior executive with the global strategy consulting firm, Booz Allen & Hamilton. In the early 90's, Erica studied and worked in the USA in investment banking, after an early business career with Unisys in IT development and Arthur Andersen in business consulting.

Prior to her business career, Erica practised as a medical microbiologist and immunologist in public and private healthcare. Following the diagnosis of her daughter, Erica founded AnaphylaxiSTOP, a philanthropic organisation which supports medical research into life threatening food allergies.

Erica has an MBA from the University of Chicago with specialisations in Finance and Public Policy. She also has an MBA from the University of Melbourne where she was awarded the Murdoch Fellowship in 1992.

Other qualifications include a Post Graduate Diploma in Computing and Bachelor of Medical Science with specialisations in microbiology and immunology.

She was a Finalist in the Telstra Business Women's Awards in 1997 for her work in the Insurance industry.

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

Rhonda O'Donnell
M App Sc, MBA (Melbourne)
Non-executive Director

Rhonda joined the Board of the Company during 2013. She is also a member of the Audit, Compliance and Risk Management Committee.

Rhonda has extensive experience in international and local industries including telecommunications, information technology, education, government and utilities. Rhonda has been a successful executive and board member in both the private and public sectors.

Rhonda held the positions of Chairman and President of Novell Asia Pacific, a global provider of Information Technology. She was responsible for the management of Novell's entire Asia Pacific operation encompassing 13 markets with more than 800 employees and an extensive partner network. She was a member of Novell's worldwide management committee which provides strategic planning and direction for the Company's global operations.

Rhonda was the architect behind Novell's global strategy to capitalise on Linux and open source technology in emerging markets and successfully led Novell's expansion into China and India. Novell became the leading supplier of Linux in China during the first half of 2005.

Rhonda's recent and current industry achievements and experience include:

- Awarded the Victorian Telstra Business Woman of the Year in 1999.
- Under her leadership, (as Managing Director), Global Customer Solutions won Victorian Call Centre of the year in 1999 and Australian Call Centre of the Year in 1999.
- Chair eServices Government and Industry Working Party – The Hon Gordon Rich – Phillips MLC Minister for Technology.
- The Founding Chairman of the Victorian Women in ICT network.
- Chairman of the Victorian Government Purchasing Board.

Prior to joining Novell, Rhonda was Managing Director of IT consulting firm Cambridge Technology Partners, which was acquired by Novell in 2001. Previously she was Managing Director of Global Customer Solutions (GCS), a subsidiary of TXU (now TRU), one of the world's largest energy utilities.

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

Wayne commenced as Chief Financial Officer and Company Secretary of Slater & Gordon in 2004. Prior to joining Slater & Gordon, Wayne was the financial controller of Grand Hotel Group (an ASX listed property trust) and prior to that, Wayne worked at Arthur Andersen for ten years where he specialised in corporate recovery, insolvency 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 commenced as a commercial litigator with Slater & Gordon in 2006 and then as General Counsel and Company Secretary in 2008. Prior to joining Slater & Gordon, Kirsten was a lawyer at Allens Arthur Robinson and completed an Associateship to the Hon. Justice Hargrave in the Victorian Supreme Court. Kirsten contributes skills in corporate governance and risk management.

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

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 Grech	7	7	-	-	-	-
I Court	7	7	5	5	-	-
K Fowlie	7	6	-	-	-	-
E Lane	7	7	5	5	4	4
J Skippen	7	7	5	5	4	4
R O'Donnell	3	3	1	1	-	-

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 Grech	5,122,495
I Court	29,882
K Fowlie	5,096,221
E Lane	150,000
J Skippen	-
R O'Donnell	-

Directors' interests in contracts

Directors' interests in contracts are disclosed in Note 28 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.

Non-audit services

Written approval for non-audit services is provided 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 Group, 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.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2013 \$'000	2012 \$'000
Due diligence investigations		
- Pitcher Partners	28	170
- Related practices of Pitcher Partners	-	365
Total remuneration for due diligence investigations	28	535
IT review		
- Pitcher Partners	29	-
Total remuneration for IT review	29	-
Total remuneration for non-audit services	57	535

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

REMUNERATION REPORT

The Remuneration Report outlines the director and executive remuneration arrangements of the Group 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 Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group, and includes the key executives of the Group.

For the purposes of this report, the term ‘executive’ encompasses the Chief Financial Officer, senior executives and senior employees of the Group.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for reviewing and recommending 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 Group depends on the quality and performance of its directors and executives. To prosper, the Group must attract, motivate, develop and retain highly skilled directors and executives. The remuneration philosophy of the Group is part of a broader strategy to attract and retain staff ensuring that the work of the Group reflects the values and aspirations of the people within it. The Group will continue to monitor the level of alignment between the values of the Group and its people.

The Group 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.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group 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 \$650,000.

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 remuneration paid to non-executive directors of comparable companies is also taken into account when undertaking the annual review process.

During the year ended 30 June 2013, the remuneration of non-executive directors was set for the position of Chair of the Board at \$150,000 and for a director at \$85,000. An additional fee of \$10,000 was paid for any director who acts as Chair of a Board sub-committee. An additional fee of \$5,000 per subcommittee was 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.

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

Executive remuneration

Objective

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

- reward executives for Group, 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 Group 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"), including:

- financial KPI's including (but not limited to) achievement of budgets for profitability, working capital management; and
- non-financial KPI's including (but not limited to) 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 ongoing 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 Group executives and employees. Remuneration levels vary across the Group 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 in the Group through the Employee Ownership Plan.

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee, taking into account the performance of the Group, its divisions and practice groups, and individuals. This is then compared to 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 Group.

Variable remuneration – short term incentives ("STP")

Objective

The objective of the STI program is to link the achievement of the Group'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 Group is reasonable in the circumstances.

Structure

Cash bonuses to executives and 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

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

responsibilities. The criteria are predominantly weighted on the financial performance of practices and/or the Group. 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 executive's/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 Group 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 \$350,000 (2012: \$469,450) in respect of the year ended 30 June 2013 are Andrew Grech, Wayne Brown, Cath Evans, Neil Kinsella and Hayden Stephens.

KPI's for executives are based on above budget performance linked to the relevant measures including net fee, gross margin, EBITDA margin, cash flow (debtor and paid disbursement performance) for which the executive is accountable. In addition there are non-financial KPI's with set performance criteria linked to the development of staff that report to the relevant executive, development of technical skills and brand and business development. The achievement or non-achievement of these performance criteria will determine whether the bonus or components of the bonus have been met.

The estimated bonuses due to KMP for the year ended 30 June 2013 is \$300,000 (2012: \$292,250). The entitlement to these bonuses has been based on the assessment of the KMP achievement or otherwise of the performance criteria (KPI's) for the financial year.

KPI's 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 incentives ("LTI")

Objective

In the financial year ended 30 June 2007 (prior to listing on the ASX) the firm introduced the Employee Ownership Plan ("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 Vesting Convertible Redeemable Ordinary Shares ("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.

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 determined KPI's which are relevant to the employee and are aligned to the performance measures set in the STI's refer above);
- 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.

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

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 (refer to Note 26).

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 and are aligned to the performance measures set in the STI's (refer above).

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

If the participant ceases employment with the Group, 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 bought 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 Group. 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 Group, 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 to Note 25) subject to performance criteria in respect of the year ended 30 June 2013 is the Chief Financial Officer, Wayne Brown.

Employment contracts

Executive Directors

Mr Andrew Grech, the Managing Director, 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 \$460,526 per annum (inclusive of superannuation);
- Mr Grech is also eligible to receive a bonus of up to \$125,000 for the year ended 30 June 2013, inclusive of superannuation (2012: \$104,450), at the discretion of the board, based on the achievement of certain key performance indicators. The key performance indicators are consistent with the Company's approved business plan and are aligned to delivering sustainable value to shareholders. The indicators cover operational and financial results and the successful implementation of strategic and people development initiatives. A cash bonus of \$75,000 was paid during the year ending 30 June 2013 in respect to the year ended 30 June 2012. For the year ended 30 June 2013 a cash bonus of \$112,500 has been provisionally determined. Key performance indicators include financial and non-financial KPI's and are aligned to the performance measures set in the STI's (refer above);

Mr Ken Fowlie, an executive director and Head of Australia, is employed under a rolling contract. The current employment contract commenced on 1 July 2006. Under the terms of the present contract:

- Mr Fowlie receives fixed remuneration of \$350,000 per annum (inclusive of superannuation);
- Mr Fowlie is not eligible to receive a bonus for the year ended 30 June 2013 (2012: \$nil).

In addition, both executive directors are bound by the following terms and conditions in their employment contracts:

- The director may resign from their position and thus terminate their employment contract by giving three months written notice;
- The Company may terminate their employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of the director's remuneration);
- The Company may terminate their employment contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination;
- Their 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);

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

- The performance of the director is reviewed annually by the Nomination and Remuneration Committee and/or the Board. The director is assessed on achievement of the Group's goals and budgets applicable to the year in review. The Committee also reviews the remuneration of the director on an annual basis. The findings are reported to, and approved by, the Board.

Other executives (standard contracts)

- All executives have rolling contracts.
- The Group 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 EOP Participant is subject to consequences which flow from the cessation of their employment as discussed above (see "Variable remuneration – Long term incentives").
- 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.
- The Group 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).

Relationship of Remuneration to Company Performance

Review of the Group's operations during the financial year, its financial position and business strategies and prospects for the future financial years are set out in the directors' report below.

The performance of the group and remuneration paid to KMP over the last 4 years is summarised in the following table.

	2010	2011	2012	2013	4yr Growth
	\$'000	\$'000	\$'000	\$'000	%
Company Performance					
Revenue	124,730	182,309	217,704	297,576	138.6%
Profit before tax	28,854	41,543	36,494	61,364	112.7%
Profit after tax	19,800	27,908	24,992	41,910	111.7%
Basic earnings per share (cents)	17.9	19.1	16.2	24.2	35.2%
Diluted earnings per share (cents)	16.7	18.3	15.7	23.6	41.3%
Dividends per share - paid during financial year (cents)	5.3	5.2	5.8	6.3	18.9%
Total dividends paid during financial year	5,778	7,697	8,786	10,647	84.3%
Share price at 30 June (cents)	1.53	2.30	1.85	2.78	81.7%
Remuneration paid to Key Management Personnel					
Base salary package	1,475	1,404	1,180	1,493	1.2%
Short term incentive	68	249	95	150	120.6%
Long term incentive	46	86	71	62	34.7%
Total	1,589	1,739	1,346	1,705	7.3%
Total as a % Profit before tax	8.0%	6.2%	5.4%	4.1%	(48.8%)

Given that there has been significant change in the definition and composition of "Key Management Personnel" over the 4 years presented above, the KMP have been defined as the Board (including the Managing Director) plus the Chief Financial Officer in order to have a comparable base line.

Since 2010, earnings per share have increased by 35.2% and the share price has increased by 81.7%.

During the same period, total remuneration paid to specific KMP has grown by 7.3%, whilst base salary has increased by 1.2%.

Remuneration as a percentage of Profit before tax has reduced by 48.8%.

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

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:

2013	Short term			Post employment	Other long term benefits ⁽⁵⁾	Equity	Other benefits	Total	Total performance related			Total performance related %		
	Salary/ Fees ⁽³⁾	Cash Bonus ⁽⁴⁾	Non-monetary						Cash Bonus	Non-Monetary	Share based payments	Cash Bonus	Non-Monetary	Share based payments
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
A Grech ⁽¹⁾	422,230	112,500	9,056	33,380	21,337	-	-	598,503	112,500	-	-	18.8%	-	-
I Court	85,066	-	-	10,372	-	-	-	95,438	-	-	-	-	-	-
K Fowlie ⁽¹⁾	240,059	⁽⁶⁾	-	19,069	5,078	-	-	264,206	-	-	-	-	-	-
E Lane	92,234	-	-	8,301	-	-	-	100,535	-	-	-	-	-	-
J Skippen	139,120	-	-	12,521	-	-	-	151,641	-	-	-	-	-	-
R O'Donnell ⁽²⁾	26,094	-	-	2,348	-	-	-	28,442	-	-	-	-	-	-
	1,004,803	112,500	9,056	85,991	26,415	-	-	1,238,765	112,500	-	-	9.1%	-	-
2012														
A Booth ⁽⁷⁾	82,188	-	-	7,397	-	-	-	89,585	-	-	-	-	-	-
A Grech ⁽¹⁾	372,797	75,000 ⁽⁸⁾	8,786	20,930	10,604	-	-	488,117	75,000 ⁽⁸⁾	-	-	15.3%	-	-
I Court	48,050	-	-	24,150	-	-	-	72,200	-	-	-	-	-	-
K Fowlie ⁽¹⁾	165,669	⁽⁶⁾	-	15,775	3,892	-	-	185,336	⁽⁶⁾	-	-	-	-	-
E Lane	62,849	-	-	16,852	-	-	-	79,701	-	-	-	-	-	-
J Skippen	59,358	-	-	5,342	-	-	-	64,700	-	-	-	-	-	-
	790,911	75,000	8,786	90,446	14,496	-	-	979,639	75,000	-	-	7.7%	-	-

⁽¹⁾ These are also executives and would be included for the purposes of the Executives' Remuneration.

⁽²⁾ R O'Donnell was appointed as a director on 7 March 2013.

⁽³⁾ Salary/Fees includes salaries paid/payable and movements in annual leave provision.

⁽⁴⁾ Cash bonuses represent the accrual for bonuses in respect of the relevant financial year. These amounts are expected to be paid in the subsequent financial year.

⁽⁵⁾ Other long term benefits represent the net present value of long service leave earned for the year of service.

⁽⁶⁾ K Fowlie is not eligible to receive a bonus.

⁽⁷⁾ A Booth resigned as a director on 16 March 2012.

⁽⁸⁾ A Grech was entitled to a bonus of \$75,000 in respect to the 2012 financial year which was paid during the 2013 financial year.

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

Executives' remuneration:

2013	Position	Short term			Post employment	Other long term benefits ⁽³⁾	Share based payments	Other benefits	Total	Total performance related			Total performance related %		
		Salary / Fees ⁽¹⁾	Cash Bonus ⁽²⁾	Non-monetary	Super					Cash Bonus	Non-Monetary	Share based payments	Cash Bonus	Non-Monetary	Share based payments
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
W Brown	Chief Financial Officer	312,546	37,500	19,582	15,863	18,446	20,898	40,666 ⁽⁴⁾	465,501	37,500	-	20,898	8.1%	-	4.5%
H Stephens	Chief Executive Officer - PI	357,245	50,000	14,558	16,470	5,778	-	-	444,051	50,000	-	-	11.3%	-	-
N Kinsella	Head of UK	382,025	-	-	-	-	-	-	382,025	-	-	-	-	-	-
C Evans	Chief Operating Officer - UK	396,764	100,000	-	16,470	2,964	-	195,897 ⁽⁵⁾	712,095	100,000	-	-	14.0%	-	-
		1,448,580	187,500	34,140	48,803	27,188	20,898	236,563	2,003,672	187,500	-	20,898	9.4%	-	1.0%
2012															
W Brown	Chief Financial Officer	232,113	20,000	19,501	15,775	7,290	18,675	52,226 ⁽⁴⁾	365,580	20,000	-	18,675	5.5%	-	5.1%
C Evans	General Manager – Client Experience	371,654	37,250	8,653	28,944	8,378	-	-	454,879	37,250	-	-	8.2%	-	-
J Gregory	General Manager – Personal Injuries Victoria	291,615	100,000	8,653	15,775	14,094	32,832	89,696 ⁽⁴⁾	552,665	100,000	-	32,832	18.1%	-	5.9%
J Higgins	General Manager – Commercial & Project Litigation	282,310	60,000	-	15,775	9,910	10,612	107,893 ⁽⁴⁾	486,500	60,000	-	10,612	12.3%	-	2.2%
H Stephens	General Manager – Personal Injuries North	334,639	-	-	15,775	6,711	-	80,000	437,125	-	-	-	-	-	-
		1,512,331	217,250	36,807	92,044	46,383	62,119	329,815	2,296,749	217,250	-	62,119	9.5%	-	2.7%

⁽¹⁾ Salary/Fees include salaries paid/payable and movements in annual leave provision.

⁽²⁾ Cash bonuses represent the accrual for bonuses in respect of the relevant financial year. These amounts are expected to be paid in the subsequent financial year.

⁽³⁾ Other long term benefits represent the net present value of long service leave earned for the year of service.

⁽⁴⁾ Includes notional benefit on interest-free VCR share loan calculated at a commercial interest rate.

⁽⁵⁾ Includes living away from home allowance.

With effect from 1 July 2012 and due to a consolidation of reporting accountabilities,

- Janine Gregory and James Higgins ceased to meet the definition of “Key Management Personnel” and
- Neil Kinsella meets the definition of “Key Management Personnel”

There are no other non-director executives.

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

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.



John Skippen
Chair
Melbourne
17 September 2013



Andrew Grech
Managing Director

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SLATER & GORDON LIMITED AND CONTROLLED ENTITIES**

In relation to the independent audit for the year ended 30 June 2013, to the best of my knowledge and belief there have been:

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



M W PRINGLE
Partner

17 September 2013



PITCHER PARTNERS
Melbourne

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Revenue			
Fee revenue	4	292,696	213,812
Other revenue	4	4,880	3,892
Total revenue		297,576	217,704
Less Expenses			
Salaries and employee benefit expenses		(145,132)	(110,112)
Rental expenses		(14,095)	(11,768)
Advertising and marketing expenses		(23,775)	(12,345)
Administration and office expenses		(25,017)	(19,293)
Consultant fees		(2,580)	(1,818)
Finance costs	5	(7,653)	(6,847)
Bad and doubtful debts	5	(4,511)	(8,172)
Depreciation and amortisation expenses	5	(4,973)	(3,684)
Costs associated with acquisitions		(282)	(1,414)
Other expenses		(8,194)	(5,757)
Profit before income tax expense		61,364	36,494
Income tax expense	6	(19,454)	(11,502)
Profit for the year		41,910	24,992
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations	19(b)	4,519	(332)
Changes in fair value of cash flow hedges, net of tax	19(a)	191	(419)
Total items that may be reclassified subsequently to profit or loss		4,710	(751)
Other comprehensive income for the year, net of tax		4,710	(751)
Total comprehensive income for the year		46,620	24,241
Profit for the year attributed to:			
Owners of the Company	20(a)	41,875	24,983
Non-controlling interests	21(a)	35	9
		41,910	24,992
Total comprehensive income for the year attributed to:			
Owners of the Company		46,581	24,232
Non-controlling interests		39	9
		46,620	24,241
Basic earnings per share (cents)	24	24.2 cents	16.2 cents
Diluted earnings per share (cents)	24	23.6 cents	15.7 cents

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	8	20,007	4,373
Receivables	9	131,286	127,948
Work in progress	10	298,978	244,898
Current tax asset	6	-	395
Other current assets	11	9,548	7,435
Total current assets		459,819	385,049
Non-current assets			
Plant and equipment	12	12,219	14,596
Work in progress	10	2,337	1,937
Intangible assets	13	108,296	102,691
Other non-current assets	14	16,108	15,426
Total non-current assets		138,960	134,650
Total assets		598,779	519,699
Current liabilities			
Payables	15	91,910	81,326
Short term borrowings	16	20,103	12,484
Current tax liabilities	6	3,941	659
Provisions	17	13,818	12,031
Total current liabilities		129,772	106,500
Non-current liabilities			
Payables	15	6,238	9,762
Long term borrowings	16	32,032	96,092
Deferred tax liabilities	6	77,718	60,723
Derivative financial instruments		656	948
Provisions	17	2,842	2,368
Total non-current liabilities		119,486	169,893
Total liabilities		249,258	276,393
Net assets		349,521	243,306
Equity			
Contributed equity	18	212,373	142,181
Reserves	19	3,710	(996)
Retained profits	20	133,278	102,050
Total equity attributable to equity holders in the Company		349,361	243,235
Non-controlling interest	21	160	71
Total equity		349,521	243,306

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

2013:	Note	Contributed Equity	Retained Earnings	Hedging Reserve	Translation Reserve	Total	Non- controlling interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2012		142,181	102,050	(664)	(332)	243,235	71	243,306
Net Profit after tax for the year		-	41,875	-	-	41,875	35	41,910
Total other comprehensive income for the year	19,21(a)	-	-	191	4,515	4,706	4	4,710
Total comprehensive income for the year		-	41,875	191	4,515	46,581	39	46,620
Transactions with owners in their capacity as owners								
Ordinary and VCR shares issued (net)	18,21(a)	72,253	-	-	-	72,253	50	72,303
Share buy-back	18	(615)	-	-	-	(615)	-	(615)
Dividends paid	7	-	(10,647)	-	-	(10,647)	-	(10,647)
Costs of equity raising	18	(1,446)	-	-	-	(1,446)	-	(1,446)
Total transactions with owners in their capacity as owners		70,192	(10,647)	-	-	59,545	50	59,595
Balance as at 30 June 2013		212,373	133,278	(473)	4,183	349,361	160	349,521

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

2012:	Note	Contributed Equity	Retained Earnings	Hedging Reserve	Translation Reserve	Total	Non- controlling interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2011		109,809	85,853	(245)	-	195,417	-	195,417
Net Profit after tax for the year		-	24,983	-	-	24,983	9	24,992
Total other comprehensive income for the year	19	-	-	(419)	(332)	(751)	-	(751)
Total comprehensive income for the year		-	24,983	(419)	(332)	24,232	9	24,241
Transactions with owners in their capacity as owners								
Ordinary and VCR shares issued (net)	18	33,459	-	-	-	33,459	-	33,459
Share buy-back	18	(1,042)	-	-	-	(1,042)	-	(1,042)
Dividends paid	7	-	(8,786)	-	-	(8,786)	-	(8,786)
Costs of equity raising	18	(45)	-	-	-	(45)	-	(45)
Acquisition of a controlled entity with non-controlling interests	21(a)	-	-	-	-	-	62	62
Total transactions with owners in their capacity as owners		32,372	(8,786)	-	-	23,586	62	23,648
Balance as at 30 June 2012		142,181	102,050	(664)	(332)	243,235	71	243,306

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Cash flow from operating activities			
Receipts from customers		322,439	202,929
Payments to suppliers and employees		(283,345)	(182,110)
Interest received	4(a)	281	357
Borrowing costs		(6,158)	(5,374)
Income tax (paid)/refunded	6	(537)	157
Net cash provided by operating activities	22(b)	32,680	15,959
Cash flow from investing activities			
Payment for software development		(1,253)	(778)
Payment for plant and equipment		(1,058)	(3,495)
Costs associated with acquisition of businesses		(282)	(1,414)
Payment for acquisition of businesses, net of cash in subsidiaries		(4,876)	(45,619)
Payment for acquisition of businesses - deferred consideration		(11,309)	(19,077)
Net cash used in investing activities		(18,778)	(70,383)
Cash flow from financing activities			
Proceeds from share issue	18	66,680	-
Proceeds from non-controlling interests	21(a)	50	62
Costs of raising equity		(2,066)	(45)
Proceeds from related parties and employees		4,337	6,008
Proceeds from borrowings		34,439	89,089
Repayment of borrowings		(91,835)	(32,068)
Dividends paid		(9,580)	(8,786)
Net cash provided by financing activities		2,025	54,260
Net increase/(decrease) in cash held		15,927	(164)
Effect of exchange rate fluctuations on cash held		132	80
Cash at beginning of financial year		3,948	4,032
Cash at end of financial year	22(a)	20,007	3,948

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 Company is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its controlled entities referred to in Note 29, together referred to as ("the Group") and individually as ("Group Entities"). 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 Group 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

Compliance with Australian Accounting 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) 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.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve with equity attributable to owners of the Company.

(c) 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 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.

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.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within finance costs except when they are deferred in equity as qualifying net investment hedges. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Group companies

The results and financial position of foreign subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement and statement of comprehensive income item are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

(e) 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 reliably 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 is recognised to the extent of costs incurred and 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.

(f) 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 temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements, and for unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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.

Tax consolidation

The Company and its Australian domiciled subsidiaries have formed a tax consolidated group under the tax consolidation legislation. Trilby Misso Lawyers Limited ("TML"), Conveyancing Works (Qld) Pty Limited ("CWQ") and Slater & Gordon Lawyers NSW Pty Limited ("S&G NSW") formed part of the consolidated tax group throughout the financial year. As a consequence, the Company and its controlled entities 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 ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

(g) 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 Consolidated Statement of Financial Position. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding banking overdrafts.

(h) 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 Group's history of amounts not recovered over the previous four years.

(i) Work in progress

Work in progress is carried at either cost or it may include profit recognised to date based on the value of work completed. The following are the methodologies adopted for each practice area in determining the value of work in progress:

Time recording valuation

For 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.

Value pricing and fixed fee valuation

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. 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. 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 twelve months are classified as non current.

(j) 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.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

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	2.50 – 66.67%	Straight Line and 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 sheet 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 Consolidated Statement of Comprehensive Income.

(k) 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 Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

(l) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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 Group are amortised over the useful life of 7-8 years.

Trademarks

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned.

The trademarks are not amortised, but tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Trademarks are carried at fair value at the date they are acquired less accumulated impairment losses.

Customer relationships

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. They are assessed as having a finite useful life and are amortised over their useful life of three years.

(m) 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 indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs 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 AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

(n) 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.

(o) Borrowing costs

All borrowing costs are recognised in the Consolidated 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.

(p) Provisions

Provisions are recognised when the Group 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 Group 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 Consolidated Statement of Comprehensive Income net of any reimbursement.

(q) Employee benefits

Service benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet 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 Group operates an Employee Ownership Plan ("EOP"). The EOP allows employees to purchase Vesting Convertible Redeemable ("VCR") shares in the Company by way of an interest-free loan. The loan has been recorded as a financial instrument as described in policy (s) 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 26.
- 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 Payment, the benefit is expensed on a proportional basis over the period from issue date to the date on which the employee becomes unconditionally entitled to the full benefit of ownership of the shares.

(r) Solicitor liability claims

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

(s) 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 to Note 26 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 is measured at amortised cost using the effective interest rate method. The implied interest expense is recognised in profit and loss.

Derivative financial instruments

The Group designates certain derivatives as either:

- hedges of fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges)

The Group currently has cash flow hedges only, relating to interest rate risk management. At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions are documented.

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 Consolidated Statement of Comprehensive Income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income.

Amounts accumulated in the hedge reserve in equity are transferred to the Consolidated Statement of Comprehensive Income in the periods when the hedged item will affect profit and loss.

The Group currently has cash flow hedges only, relating to interest rate risk management. It is the Group's policy to hedge a portion of its exposure in order to minimise the impact of an adverse change in interest rates that the Group is subject to.

(t) 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 Consolidated Statement of Financial Position.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

(u) 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.

(v) 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.

(w) Comparatives

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

(x) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective and are detailed below. New accounting standards which may have an impact on the financial statements of the Group are detailed below:

- AASB 9 Financial Instruments
- AASB 10 Consolidated Financial Statements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

The directors' assessment of the impact of these standards and interpretations is set out below:

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure* (effective for financial years commencing on or after 1 January 2015)

AASB 9 *Financial Instruments* improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard may change the classification and measurement of financial assets however the directors have determined it will not have a material impact on the consolidated entity.

The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities.

The directors have decided not to early adopt AASB 9 at 30 June 2013.

(ii) AASB 10 *Consolidated Financial Statements* (effective for financial years commencing on or after 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in the consolidated financial statements. It focuses on the need to have power over the investee, rights or exposure to variable returns and ability to use the power to affect the amount of its returns.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION (Continued)

The directors have performed a detailed analysis of the new requirements and have determined AASB 10 will result in the inclusion of Andrew Grech T/A Slater & Gordon Limited into the consolidated group for the year ending 30 June 2014. If this entity had been included in the consolidated group as at 30 June 2013, the consolidated net profit after tax would have been \$41,887,000 and the consolidated net assets would have been \$350,117,000.

The directors have decided not to early adopt AASB 10 at 30 June 2013.

(iii) AASB 12 *Disclosure of Interests in Other Entities* (effective for financial years commencing on or after 1 January 2013)

AASB 12 sets new minimum disclosure requirements for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard will affect the type of information disclosed in relation to the consolidated entity's investments as the new standard requires extensive new disclosures regarding the nature of risk associated with the entity's interest in other entities and the effect of those interests on its financial position, financial performance and cash flows.

The directors have decided not to early adopt AASB 12 at 30 June 2013.

(iv) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective for financial years commencing on or after 1 January 2013)

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity is currently assessing which, if any, of its current measurement techniques will have to change as a result of the new standard. It is not yet possible to provide a reliable estimate of the impact of these new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The directors have decided not to early adopt AASB 13 at 30 June 2013.

(v) AASB 119 *Employee Benefits* (effective for financial years commencing on or after 1 January 2013)

AASB 119 introduces the requirement for an entity to recognise termination benefits when it can no longer withdraw that offer. The directors have determined this will not have a material impact on the consolidated entity.

The directors have decided not to early adopt AASB 119 at 30 June 2013.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group 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 and indefinite life intangibles

Goodwill and indefinite life intangibles are 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 13 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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Work in progress

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

Time recording valuation

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

Value pricing and fixed fee valuation

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 Group measures its interest rate swaps at fair value. These fair values are based on level 2 fair value measurements, as defined in the fair value hierarchy in AASB 7, with reference to market data which can be used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. Whilst management believes the assumptions used are appropriate, a change of assumptions would impact the fair value calculations.

(e) Determination and fair value of intangibles in a business combination

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method (MEEM) whilst the fair value of trademarks acquired in a business combination is based on a relief from royalties approach. These methods require estimates by management of future income streams, applicable royalty rates and discount rates.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: SEGMENT REPORTING

The group has two operating segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately. For each of the 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 ("S&G")** - includes the parent company Slater & Gordon Limited and its subsidiaries Trilby Misso Lawyers Limited, Slater & Gordon Lawyers (NSW) Pty Limited and Conveyancing Works (Qld) Pty Limited. This segment conducts a range of legal services, within the geographical area of Australia. This segment also includes investments in the Group's other segment, and borrowings and capital raising activities to finance investment and operations of the combined Group. There is limited recharge of ongoing management support to the other segment in the Group.
- **Slater & Gordon UK ("UK")** – includes the Group's operations, conducting a range of legal services, in the United Kingdom.

Segment assets are allocated to countries based on where the assets are located. During the year ending 30 June 2013 the Group changed the structure of its internal organisation causing the composition of its reporting segments to change. Corresponding items of segment information have been restated for the year ended 30 June 2012.

2013	Australia	United Kingdom	Total
	\$'000	\$'000	\$'000
Total segment revenue	228,116	70,528	298,644
Inter-segment revenue	(1,068)	-	(1,068)
Revenue from external customers	227,048	70,528	297,576
Earnings before interest tax depreciation and amortisation	58,150	14,454	72,604
Interest revenue	1,356	30	1,386
Interest expense	(5,595)	(2,058)	(7,653)
Depreciation and amortisation	(3,344)	(1,629)	(4,973)
Net profit before income tax	50,567	10,797	61,364
Total segment assets	528,775	131,985	660,760
Inter-segment assets	(61,981)	-	(61,981)
Total assets per the balance sheet	466,794	131,985	598,779
Segment liabilities			
Total segment liabilities	191,209	120,030	311,239
Inter-segment liabilities	-	(61,981)	(61,981)
Total liabilities per the balance sheet	191,209	58,049	249,258

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: SEGMENT REPORTING (Continued)

2012	Australia	United Kingdom	Total
	\$'000	\$'000	\$'000
Total segment revenue	207,021	11,480	218,501
Inter-segment revenue	(797)	-	(797)
Revenue from external customers	206,224	11,480	217,704
Earnings before interest tax depreciation and amortisation	44,299	1,376	45,675
Interest revenue	1,347	3	1,350
Interest expense	(6,604)	(243)	(6,847)
Depreciation and amortisation	(3,340)	(344)	(3,684)
Net profit before income tax	35,702	792	36,494
Items included in segment net profit			
Write off of work in progress and disbursements on the Vioxx Proceedings	10,539	-	10,539
Total segment assets	432,562	109,834	542,396
Inter-segment assets	(22,697)	-	(22,697)
Total assets per the balance sheet	409,865	109,834	519,699
Segment liabilities			
Total segment liabilities	195,341	103,749	299,090
Inter-segment liabilities	-	(22,697)	(22,697)
Total liabilities per the balance sheet	195,341	81,052	276,393

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 4: REVENUE	Note	2013	2012
		\$'000	\$'000
Fee revenue			
Rendering of services		292,696	213,812
Other revenue			
Service and licence fee	28	1,128	840
Interest	4(a)	1,386	1,350
Other		2,366	1,702
		4,880	3,892
<i>(a) Interest from</i>			
Other persons		281	357
VCR share loans to employees		1,105	993
		1,386	1,350
NOTE 5: PROFIT FROM CONTINUING ACTIVITIES			
Finance costs expense			
Interest on bank overdraft and loans		5,573	5,398
Interest on deferred consideration payable to vendors on acquisitions		1,495	1,005
Interest on obligations under hire purchases		585	444
		7,653	6,847
Depreciation and amortisation of non-current assets			
Plant and equipment		3,623	2,336
Software development		919	848
Client lists		431	500
		4,973	3,684
Bad and doubtful debts		4,511	3,738
Share based payments expense		1,377	987
Write off work in progress and disbursements on the Vioxx			
Proceedings (includes bad and doubtful debts expense of \$4,434,000)		-	10,539

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 6: INCOME TAX	Note	2013	2012
		\$'000	\$'000
Income tax expense			
Current tax		3,189	500
Deferred tax		16,354	11,019
Adjustment for current tax of prior periods		(89)	(17)
		<u>19,454</u>	<u>11,502</u>
Income tax recognised in other comprehensive income			
Deferred tax (credit)/charge arising on cash flow hedges		(105)	180
Deferred tax charge arising on foreign exchange gain		964	-
		<u>859</u>	<u>180</u>
Income tax recognised directly in equity			
Deferred tax charge recognised directly in equity		620	19
		<u>620</u>	<u>19</u>
Deferred income tax expense included in income tax			
Decrease/(increase) in deferred tax assets		842	(5,033)
Deferred income tax relating to items charged to other comprehensive income		(105)	180
Deferred income tax relating to items charged directly to equity		620	19
Increase in deferred tax liabilities		16,153	15,839
Recoup prior year tax losses and over/under on prior year		89	-
Exchange differences		(294)	107
Net deferred taxes arising from business combinations		(951)	(93)
		<u>16,354</u>	<u>11,019</u>
The prima facie tax payable on profit differs from the			
Total profit before income tax expense		<u>61,364</u>	<u>36,494</u>
At the statutory income tax rate of 30% (2012: 30%)		18,409	10,948
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
- other non-allowable items		620	439
Other assessable items		964	-
		<u>19,993</u>	<u>11,387</u>
Adjustments in respect to prior periods		55	(17)
Difference in overseas tax rate		(648)	(160)
Deferred tax assets not recognised		54	292
Income tax expense		<u>19,454</u>	<u>11,502</u>
Net current tax (liability)/asset:			
Balance at the beginning of the year		(264)	391
Current income tax expense		(3,189)	(500)
Tax paid/(refunded)		537	(157)
Adjustments in respect to prior periods		(916)	(5)
Exchange differences		(109)	7
Balance at the end of the year		<u>(3,941)</u>	<u>(264)</u>

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 6: INCOME TAX (Continued)

	Note	2013	2012
		\$'000	\$'000
Deferred tax assets			
Provision for impairment		1,307	2,867
Employee benefits		4,987	4,524
Provision for legal costs		169	290
Accruals		2,332	2,099
Non-deducted business related costs		708	364
Fair value of cash flow hedges		179	285
Unbilled acquired WIP and disbursements		795	1,886
Unrendered WIP and disbursements not yet deducted		1,681	838
Plant and equipment		509	-
Other		286	36
Revenue losses carried forward		6,026	5,937
Goodwill		5,701	6,396
		<u>24,680</u>	<u>25,522</u>
Deferred tax liabilities			
Prepayments		(709)	(929)
Work in progress		(83,708)	(69,036)
Unrendered disbursements		(14,609)	(14,989)
Intangibles		(1,066)	(1,066)
Plant and equipment		-	(70)
Other		(2,306)	(155)
		<u>(102,398)</u>	<u>(86,245)</u>
Balance after set off of deferred tax assets and (liabilities)		<u>(77,718)</u>	<u>(60,723)</u>

NOTE 7: DIVIDENDS

Dividends paid during the year

Dividends on ordinary shares

Interim franked dividend at the tax rate of 30% for 2013: 2.75 cents per share (2012: 2.5 cents per share)	4,681	3,793
Final franked dividend at the tax rate of 30% for 2012: 3.5 cents per share (2011: 3.3 cents per share)	5,966	4,993
Total dividends paid during the year	<u>10,647</u>	<u>8,786</u>

Dividends proposed and not recognised as a liability

Dividends on ordinary shares		
Final franked dividend at the tax rate of 30% for the year ended 30 June 2013: 3.85 cents per share (2012: 3.5 cents per share)	7,589	5,898

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:	(623)	1,383
Impact on franking account of dividend recommended by the directors since the year end but not recognised as a liability at year end:	3,252	2,528

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 8: CASH AND CASH EQUIVALENTS	Note	2013	2012
		\$'000	\$'000
Cash at bank	22(a)	20,007	4,373

NOTE 9: RECEIVABLES

Current

Trade debtors		75,291	77,121
Impairment of trade debtors		(5,939)	(4,794)
		<u>69,352</u>	<u>72,327</u>

Disbursements		65,698	63,407
Impairment of disbursements		(5,333)	(9,614)
		<u>60,365</u>	<u>53,793</u>

Receivable from associate - Andrew Grech trading as Slater & Gordon Lawyers in South Australia	28	1,495	1,611
Other receivables		74	217
		<u>131,286</u>	<u>127,948</u>

Impairment of receivables

Balance at beginning of the year		(14,408)	(7,873)
Receivables written off as uncollectible		4,557	1,487
Provision for impairment recognised		(1,421)	(8,022)
Balance at end of the year		<u>(11,272)</u>	<u>(14,408)</u>

NOTE 10: WORK IN PROGRESS

Current

Non-personal injury		7,300	8,471
Personal injury		288,888	233,576
Project litigation		2,790	2,851
		<u>298,978</u>	<u>244,898</u>

Non-current

Project litigation		<u>2,337</u>	<u>1,937</u>
--------------------	--	--------------	--------------

At 30 June 2012 the Group had recognised \$33,791,000 as the provisional fair value of work in progress (WIP) with respect to the acquisition of RJW and its subsidiaries in the UK. The transaction was completed on 30 April 2012. The necessary fair valuation of consideration and net assets acquired has been finalised as at 30 June 2013 resulting in a \$1,308,000 decrease in the fair value of WIP recognised on this transaction to \$32,483,000. Comparative Statement of Financial Position balances as at 30 June 2012 have been restated to reflect the finalisation of provisionally determined fair values of assets and liabilities acquired in relation to this acquisition.

NOTE 11: OTHER ASSETS

Current

Prepayments		6,872	6,895
Other current assets		2,676	540
		<u>9,548</u>	<u>7,435</u>

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 12: PLANT AND EQUIPMENT

	Note	2013	2012
		\$'000	\$'000
Plant and equipment at cost		29,877	30,585
Less accumulated depreciation		(18,198)	(16,541)
	12(a)	<u>11,679</u>	<u>14,044</u>
Low value asset pool at cost		1,618	1,396
Less accumulated depreciation		(1,078)	(844)
	12(b)	<u>540</u>	<u>552</u>
Total plant and equipment		<u>12,219</u>	<u>14,596</u>

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

(a) Plant and equipment

Balance at the beginning of the year	14,044	8,981
Additions	825	3,115
Additions through acquisition of entities	-	4,146
Exchange differences	188	(159)
Depreciation expense	(3,378)	(2,039)
Carrying amount at end of year	<u>11,679</u>	<u>14,044</u>

(b) Low value asset pool

Balance at the beginning of the year	552	438
Additions	233	380
Additions through acquisition of entities	-	31
Depreciation expense	(245)	(297)
Carrying amount at end of year	<u>540</u>	<u>552</u>

NOTE 13: INTANGIBLE ASSETS

Goodwill – at cost	93,504	88,123
Accumulated impairment loss	-	-
Net carrying amount	13(a) <u>93,504</u>	<u>88,123</u>
Software development – at cost	8,144	6,371
Accumulated amortisation	(3,430)	(1,995)
Net carrying amount	13(b) <u>4,714</u>	<u>4,376</u>
Trademarks – at cost	10,020	9,703
Accumulated impairment loss	-	-
Net carrying amount	13(c) <u>10,020</u>	<u>9,703</u>
Customer relationships – at cost	1,397	1,397
Accumulated amortisation	(1,339)	(908)
Net carrying amount	13(d) <u>58</u>	<u>489</u>
Total intangible assets	<u>108,296</u>	<u>102,691</u>

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 13: INTANGIBLE ASSETS (Continued)	Note	2013	2012
		\$'000	\$'000

Movements in carrying amount

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

(a) Goodwill

Opening net book amount		88,123	44,280
Additions in respect to current period acquisitions	30	2,403	44,222
Exchange differences		2,978	(379)
Impairment expense – goodwill		-	-
Closing net book value		<u>93,504</u>	<u>88,123</u>

(b) Software development

Opening net book amount		4,376	4,331
Additions		1,253	778
Addition in respect to current period acquisitions		-	115
Exchange differences		4	-
Amortisation expense		(919)	(848)
Closing net book value		<u>4,714</u>	<u>4,376</u>

(c) Trademarks

Opening net book amount		9,703	5,659
Additions in respect to current period acquisitions		-	4,100
Exchange differences		317	(56)
Closing net book value		<u>10,020</u>	<u>9,703</u>

(d) Customer relationships

Opening net book amount		489	989
Amortisation expense		(431)	(500)
Closing net book value		<u>58</u>	<u>489</u>

Goodwill and indefinite life intangibles acquired through business combinations have been allocated to individual cash generating units (“CGUs”) for the purposes of impairment testing being the operations in the states of New South Wales, Queensland (excluding TML), Victoria, Tasmania, Western Australia, the Australian Capital Territory and the operations of TML. In addition, the operating segment of the UK is considered to be an individual CGU.

The recoverable amount of goodwill and indefinite life intangibles allocated to each of the CGUs has been determined based on a value in use calculation as required by 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 the CGU. If the calculated value in use exceeds the net carrying amount, no impairment loss is recorded.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 13: INTANGIBLE ASSETS (Continued)

				CGU				
	NSW	QLD	VIC	WA	ACT	TML	TAS	UK ⁽¹⁾
2013								
Goodwill recognised (\$'000)	24,414	11,255	5,648	684	226	12,102	376	38,799
Indefinite life intangibles (\$'000)	-	-	-	-	-	5,659	-	4,361

The assumptions used by management in determining the value in use for all CGU's include:

Growth in fees (real)	5.0%
Weighted average cost of capital (Australia)	10.2%
Weighted average cost of capital (UK)	9.4%
Terminal value growth rate (nominal)	3.0%

2012

Goodwill recognised (\$'000)	24,414	11,255	4,824	684	226	12,102	-	34,618
Indefinite life intangibles (\$'000)	-	-	-	-	-	5,659	-	4,044

The assumptions used by management in determining the value in use for all CGU's include:

Growth in fees (real)	5.0%
Weighted average cost of capital (Australia)	10.5%
Terminal value growth rate (nominal)	5.0%

A reasonable change in the assumptions would not result in an impairment of the goodwill or indefinite life intangibles.

⁽¹⁾At 30 June 2012 the Group had recognised \$43,075,000 as provisional goodwill with respect to the acquisition of RJW and its subsidiaries in the UK. The transaction was completed on 30 April 2012. The necessary fair valuation of consideration and net assets acquired has been finalised as at 30 June 2013 resulting in an \$8,457,000 decrease in the goodwill recognised on this transaction to \$34,618,000. Comparative Statement of Financial Position balances as at 30 June 2012 have been restated to reflect the finalisation of provisionally determined fair values of assets and liabilities acquired in relation to this acquisition.

NOTE 14: OTHER NON-CURRENT ASSETS

	Note	2013	2012
		\$'000	\$'000
VCR loans to employees	26	16,108	15,426
		<u>16,108</u>	<u>15,426</u>

NOTE 15: PAYABLES

Current

Unsecured liabilities	
Trade creditors	4,072
Legal creditors and accruals	76,707
Vendor liabilities – acquisitions	11,131
	<u>91,910</u>

Non-current

Unsecured liabilities	
Vendor liabilities – acquisitions	6,238
	<u>9,762</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 16: BORROWINGS

	Note	2013 \$'000	2012 \$'000
Current			
<i>Secured</i>			
Bank overdraft	22(a)	-	425
Cash advances	31	17,379	9,073
Hire purchase liability		2,724	2,986
		<u>20,103</u>	<u>12,484</u>
Non-current			
<i>Secured</i>			
Cash advances	31	26,885	89,361
Hire purchase liability		5,147	6,731
		<u>32,032</u>	<u>96,092</u>

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

The bank overdraft and cash advance facility are part of a syndicated facility provided by Westpac Banking Corporation ("Westpac") and National Australia Bank ("NAB"). They 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 BBSY plus an agreed margin.

(b) A portion of the bills of exchange are the subject of an interest rate swap to hedge the risk of an adverse interest rate movement Note 31 (iv).

NOTE 17: PROVISIONS

Current			
Employee benefits		13,333	11,546
Solicitor liability claims		485	485
		<u>13,818</u>	<u>12,031</u>
Non-current			
Employee benefits		<u>2,842</u>	<u>2,368</u>
(a) Aggregate employee benefits liability		16,175	13,914
(b) Number of employees at year end		1,727	1,648

NOTE 18: CONTRIBUTED EQUITY

	Note	2013 Shares	2013 \$'000	2012 Shares	2012 \$'000
Ordinary shares fully paid	18(a)	196,809,265	206,506	168,536,445	137,099
VCR shares	18(b)	5,111,334	5,867	4,819,998	5,082
Balance at end of the year		<u>201,920,599</u>	<u>212,373</u>	<u>173,356,443</u>	<u>142,181</u>
(a) Movement in ordinary share capital					
Balance at the beginning of the year		<u>168,536,445</u>	<u>137,099</u>	<u>149,178,605</u>	<u>103,994</u>
<i>Shares issued as consideration for acquisitions:</i>					
- 28 November 2011		-	-	424,442	764
- 1 May 2012		-	-	16,681,138	28,691
- 4 May 2012		-	-	187,500	338
- 29 November 2012		92,106	175	-	-
		<u>92,106</u>	<u>175</u>	<u>17,293,080</u>	<u>29,793</u>

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18: CONTRIBUTED EQUITY (Continued)

	2013	2013	2012	2012
	Shares	\$'000	Shares	\$'000
<i>Conversion of vested VCR shares to ordinary share capital:</i>				
- 31 August 2011	-	-	2,129,046	3,389
- 24 September 2012	1,908,664	3,431	-	-
	<u>1,908,664</u>	<u>3,431</u>	<u>2,129,046</u>	<u>3,389</u>
<i>Share capital issued by share placement & SSP:</i>				
- 13 May 2013	23,113,186	58,939	-	-
- 18 June 2013	3,035,357	7,741	-	-
	<u>26,148,543</u>	<u>66,680</u>	<u>-</u>	<u>-</u>
<i>Share capital issued under dividend reinvestment plan:</i>				
- 29 April 2013	423,507	1,067	-	-
	<u>423,507</u>	<u>1,067</u>	<u>-</u>	<u>-</u>
<i>Employee share scheme buy-back:</i>				
- 29 June 2012	-	-	(64,286)	(41)
- 27 June 2013	(300,000)	(507)	-	-
	<u>(300,000)</u>	<u>(507)</u>	<u>(64,286)</u>	<u>(41)</u>
Less capital raising costs, net of tax	-	(1,439)	-	(36)
Balance at end of the year	<u>196,809,265</u>	<u>206,506</u>	<u>168,536,445</u>	<u>137,099</u>
 (b) Movement in VCR share capital				
Balance at the beginning of the year	4,819,998	5,082	5,569,044	5,815
<i>Conversion of vested VCR shares to ordinary shares:</i>				
- 31 August 2011	-	-	(2,129,046)	(3,389)
- 24 September 2012	(1,908,664)	(3,431)	-	-
	<u>(1,908,664)</u>	<u>(3,431)</u>	<u>(2,129,046)</u>	<u>(3,389)</u>
<i>Share capital issued under Employee Ownership Plan:</i>				
- 30 December 2011	-	-	2,390,000	2,679
- 20 December 2012	2,294,998	2,797	-	-
- 25 February 2013	130,002	161	-	-
	<u>2,425,000</u>	<u>2,958</u>	<u>2,390,000</u>	<u>2,679</u>
<i>Employee share scheme buy-back:</i>				
- 29 June 2012	-	-	(1,010,000)	(1,001)
- 27 June 2013	(225,000)	(108)	-	-
	<u>(225,000)</u>	<u>(108)</u>	<u>(1,010,000)</u>	<u>(1,001)</u>
Share based payments expense	-	1,377	-	987
Equity adjustment for extension of repayment terms	-	(4)	-	-
Less capital raising costs, net of tax	-	(7)	-	(9)
Balance at end of the year	<u>5,111,334</u>	<u>5,867</u>	<u>4,819,998</u>	<u>5,082</u>

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 26 for detailed discussion on the rights attached to VCR shares.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: RESERVES

	Note	2013	2012
		\$'000	\$'000
Cash flow hedging	19(a)	(473)	(664)
Foreign currency translation	19(b)	4,183	(332)
		<u>3,710</u>	<u>(996)</u>

Movements in carrying amount

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

(a) Cash flow hedging

Balance at the beginning of the year	(664)	(245)
Gain/(loss) recognised on interest rate hedge, net of tax	191	(419)
Balance at the end of the year	<u>(473)</u>	<u>(664)</u>

(b) Foreign currency translation

Balance at the beginning of the year	(332)	-
Currency translation differences arising during the year	4,519	(332)
Non-controlling interest share in translation reserve	(4)	-
Balance at the end of the year	<u>4,183</u>	<u>(332)</u>

Nature and purpose of other reserves

Cash flow hedging

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

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTE 20: RETAINED PROFITS

Retained earnings	20(a)	<u>133,278</u>	<u>102,050</u>
-------------------	--------------	----------------	----------------

(a) Retained earnings

Balance at the beginning of year		102,050	85,853
Net profit attributable to ordinary equity holders		41,875	24,983
Total available for appropriation		143,925	110,836
Dividends paid	7	(10,647)	(8,786)
Balance at end of year		<u>133,278</u>	<u>102,050</u>

NOTE 21: NON-CONTROLLING INTERESTS

Interest in:

Share capital		112	-
Reserves		4	62
Retained earnings		44	9
Balance at end of year	21(a)	<u>160</u>	<u>71</u>

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 21: NON-CONTROLLING INTERESTS (Continued)	Note	2013	2012
		\$'000	\$'000
(a) Non-controlling interests			
Balance at the beginning of the year		71	-
Capital contributions from non-controlling interests		50	62
Non-controlling interest share in net profit after tax		35	9
Non-controlling interest share in translation reserve		4	-
Balance at the end of the year		<u>160</u>	<u>71</u>

NOTE 22: CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

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

Cash on hand	8	20,007	4,373
Bank overdraft	16	-	(425)
		<u>20,007</u>	<u>3,948</u>

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

Profit after income tax		41,910	24,992
<i>Non-cash flows in profit from ordinary activities</i>			
Notional interest on VCR share loans	4	(1,105)	(993)
Depreciation and amortisation	5	4,973	3,684
Share based payments expenses	5	1,377	987
Costs associated with acquisition		282	1,414
Notional interest on deferred consideration	5	1,495	1,005
Foreign exchange revaluation reserve		3,870	-
<i>Changes in assets and liabilities</i>			
Increase in receivables		(7,739)	(1,815)
Increase in other assets		(1,813)	(234)
Increase in work in progress		(42,149)	(26,078)
Increase/(decrease) in payables		11,851	(384)
(Decrease)/increase in income tax payable		(1,934)	482
Increase in deferred taxes		20,233	11,263
Increase in provisions		1,429	1,636
Cash flows from operations		<u>32,680</u>	<u>15,959</u>

NOTE 23: COMMITMENTS AND CONTINGENCIES

Operating lease commitments

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

Within one year	16,965	14,184
One year or later and not later than five years	37,981	37,871
Greater than five years	10,959	17,163
	<u>65,905</u>	<u>69,218</u>

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 23: COMMITMENTS AND CONTINGENCIES (Continued)	2013	2012
	\$'000	\$'000
Bank guarantees in respect of rental properties and acquisitions	8,271	7,955

Other commitments and contingencies

The Group has entered into agreements with third party disbursement funders, ASK Funding Limited and Equal Access Funding Proprietary Limited ("the Funders") to provide financial guarantees to the Funders with respect to disbursement funding borrowings to the Group's clients. The nature of these agreements is that the Funders 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 the Funders. The total amount funded by the Funders to the Group's clients at 30 June 2013 is \$8,579,653 (2012: \$6,700,697). The maximum exposure of the Group at 30 June 2013 is \$8,579,653 (2012: \$6,700,697) if the individual client matters are not recovered from any other party.

During the financial year to 30 June 2012, ASK Funding Limited ceased funding new work and commenced a run off of its book.

NOTE 24: 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 attributable to ordinary equity holders	41,875	24,983
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	41,875	24,983

Weighted average number of ordinary shares used in calculating basic earnings per share ('000's)	172,796	154,014
--	---------	---------

Effect of dilutive securities:

VCR shares ('000's)	4,598	4,991
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share ('000's)	177,394	159,005

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 26 for a detailed explanation of VCR shares.

NOTE 25: KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Directors:

John Skippen	Director – Non-Executive – Appointed Acting Chair from 16 March 2012 and Chair from 23 August 2012
Andrew Grech	Managing Director
Ian Court	Director – Non-Executive
Ken Fowlie	Executive Director and Head of Australia
Erica Lane	Director – Non-Executive
Rhonda O'Donnell	Director – Non-Executive – Appointed 7 March 2013
Anna Booth	Resigned as Non-Executive Director and Chair on 16 March 2012

Executives:

Wayne Brown	Chief Financial Officer
Neil Kinsella	Head of UK
Cath Evans	Chief Operating Officer - UK
Hayden Stephens	Chief Executive Officer – Personal Injuries

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 25: KEY MANAGEMENT PERSONNEL (Continued)

With effect from 1 July 2012 and due to a consolidation of reporting accountabilities,

- Janine Gregory and James Higgins ceased to meet the definition of “Key Management Personnel” and
- Neil Kinsella meets the definition of “Key Management Personnel”.

(b) Shareholdings of Key Management Personnel

Shares held in Slater & Gordon Limited (number)

Net movement in share capital 2013

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	8,116,613	5,882	(3,000,000)	5,122,495
Ian Court	44,000	5,882	(20,000)	29,882
Ken Fowlie	6,086,221	-	(990,000)	5,096,221
Erica Lane	150,000	-	-	150,000
John Skippen	-	-	-	-
Rhonda O'Donnell	-	-	-	-
Wayne Brown	496,000	51,960	(214,286)	333,674
Neil Kinsella	1,011,639	-	(5,300)	1,006,339
Cath Evans	6,050,476	-	(1,640,000)	4,410,476
Hayden Stephens	5,205,115	-	(500,000)	4,705,115
Total	27,160,064	63,724	(6,369,586)	20,854,202

Key Management Personnel^(a)	VCR shares balance at beginning of year	VCR shares issued	VCR shares vested as Ordinary shares 30 December 2012	VCR shares balance at end of year
Wayne Brown	50,000	-	(50,000)	-
Total	50,000	-	(50,000)	-

Net movement in share capital 2012

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	8,022,356	94,257	-	8,116,613
Ian Court	35,000	9,000	-	44,000
Ken Fowlie	6,086,221	-	-	6,086,221
Erica Lane	150,000	-	-	150,000
John Skippen	-	-	-	-
Wayne Brown	386,477	109,523	-	496,000
Cath Evans	6,050,476	-	-	6,050,476
Janine Gregory	692,858	50,000	(100,000)	642,858
James Higgins	2,000,000	607,118	(1,930,646)	676,472
Hayden Stephens	5,205,115	-	-	5,205,115
Total	28,628,503	869,898	(2,030,646)	27,467,755

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 25: KEY MANAGEMENT PERSONNEL (Continued)

Key Management Personnel^(a)	VCR shares balance at beginning of year	VCR shares issued	VCR shares vested as Ordinary shares 30 December 2011	VCR shares balance at end of year
Wayne Brown	159,523	-	(109,523)	50,000
Janine Gregory	100,000	225,000	(50,000)	275,000
Total	259,523	225,000	(159,523)	325,000

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

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

Details of aggregates of balances with KMP are as follows:

Negative amounts represent a payable of the Group 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
	\$	\$	
2013	478,428	478,428	1
2012	2,939,009	1,125,678	3

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

30 June 2013	Balance at beginning of year	Balance at end of year	Highest balance during the year
Wayne Brown	478,428	478,428	478,428

30 June 2012	Balance at beginning of year	Balance at end of year	Highest balance during the year
Wayne Brown	614,428	478,428	614,428
Janine Gregory	1,055,250	647,250	1,055,250
James Higgins	1,269,331	-	1,269,331

Terms and Conditions of balances to Key Management Personnel:

The balance at the end of the year due to the Company by Wayne Brown is pursuant to the EOP. The terms and conditions of which are disclosed in Note 26. Notional interest of \$40,666 (2012: \$52,226) for Wayne Brown was not charged on this loan balance. In the prior year, notional interest of \$89,696 for Janine Gregory and \$107,893 for James Higgins was not charged on these loan balances.

	2013	2012
(d) Compensation by Category	\$'000	\$'000
Short-term employment benefits	2,797	2,641
Post employment benefits	135	182
Other long term employment benefits	54	61
Share based payments	21	62
Other benefits	236	330
	3,243	3,276

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26: EMPLOYEE OWNERSHIP PLAN (“EOP”)

The EOP provides employees of the Group 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 fair 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.

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 Group 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.

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 Group, 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:

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26: EMPLOYEE OWNERSHIP PLAN ("EOP") (Continued)

They will be required to maintain a minimum level of shareholding for as long as they remain an employee of the Group. 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 Group, 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 2013:

	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	11,857	3,942	2,970	-	18,769
VCR shares which may convert to ordinary shares but are subject to disposal restrictions	6,079	1,668	11,086	-	18,833

Recognition in the Accounts

The VCR Share loan receivable is initially recognised 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	19 February 2008	17 November 2008	21 December 2009	22 February 2011	31 December 2011	20 December 2012 & 25 February 2013
Shares issued	2,625,000	3,721,427	2,880,000	1,830,000	2,390,000	2,425,000
Issue price	\$1.75	\$1.31	\$1.63	\$2.05	\$1.79	\$1.95
Effective interest rate	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Final repayment date	1 July 2011 to 1 July 2014	1 July 2012 to 1 July 2014	1 July 2013 to 1 July 2015	1 July 2014 to 1 July 2016	1 July 2015 to 1 July 2017	1 July 2016 to 1 July 2018

The interest income recognised on VCR Share loans to employees has been disclosed in Note 4.

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 5.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 27: AUDITOR'S REMUNERATION

	2013	2012
	\$'000	\$'000
Amounts received or due and receivable by Pitcher Partners:		
An audit of the financial report of the Group and review of statutory accounts	229	205
The half year review of the financial report of the Group	94	81
Other assurance services	17	-
Due diligence investigations	28	170
IT review	29	-
	397	456
Amounts received or due and receivable by network firms of Pitcher Partners:		
An audit of the financial report of the Group and review of statutory accounts	69	54
Due diligence investigations	-	365
	69	419
Total auditors remuneration	466	875

NOTE 28: RELATED PARTY DISCLOSURES

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

Transactions with Key Management Personnel ("KMP") of the entity or its parent and their personally-related entities

- As outlined in the replacement Prospectus ("the Prospectus") dated 13 April 2007 the South Australian practice is 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 2013 the Service and Licence Fee totalled \$1,128,000 (2012: \$840,000);

The shareholdings of related parties are disclosed in Note 25 and remuneration of KMP are disclosed in the Directors' Report.

Outstanding receivables, if any, between related parties are disclosed in Note 9. Outstanding payables, if any, are disclosed in Note 15.

NOTE 29: GROUP ENTITIES

		2013	2012
	Country of incorporation	Ownership Interest (%)	Ownership Interest (%)
<i>Controlled entities</i>			
Trilby Misso Lawyers Limited	Australia	100	100
Slater & Gordon Lawyers NSW Pty Limited	Australia	100	100
Conveyancing Works (Qld) Pty Limited	Australia	100	100
Slater & Gordon (UK) 1 Limited	United Kingdom	100	100
New Claims Direct Limited	United Kingdom	100	100
4 Legal Limited	United Kingdom	100	100
4 Legal Solutions Limited	United Kingdom	100	100
Slater & Gordon (UK) LLP	United Kingdom	100	100

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 30: BUSINESS COMBINATIONS

2013

Acquisition of business – Hilliard & Associates (“Hilliards”)

On 9 August 2012, the Group acquired the business of Hilliards, a personal injuries law firm based in Hobart, Tasmania, for a total consideration of \$1,286,000. Included in this amount was goodwill of \$376,000

Acquisition of businesses – JSP Solicitors and Marrons Solicitors (“JSP” and “Marrons”)

On 25 January 2013 and 24 May 2013, the Group acquired the businesses of JSP and Marrons respectively, two personal injury law firms based in the UK, for a total consideration of GBP 2,320,000. Included in this amount was goodwill of GBP 726,000.

Acquisition of business – Clark Toop & Taylor (“CTT”)

On 26 March 2013, the Group acquired CTT, a personal injuries law firm based in Melbourne, Victoria, for a total consideration of \$8,500,000. Included in this amount was goodwill of \$823,895.

2012

Finalisation of accounting for acquisition of legal practice - Russell Jones & Walker (“RJW”)

On 30 April 2012, the Group entered into a partnership, Slater & Gordon (UK) LLP (of which the Group owns 100% of capital rights). This partnership acquired certain assets and liabilities of RJW, a leading provider of legal services in the UK. The Group also acquired RJW’s subsidiary companies New Claims Direct Limited, 4 Legal Limited and 4 Legal Solutions Limited.

The strategic rationale for this business combination is to:

- deliver geographic expansion and diversification in a market 4 to 5 times that of Australia’s with a similar legal jurisdiction;
- provide a new platform for growth beyond the current 2015 horizon with strong organic growth expected to continue;
- provide a first mover opportunity to Slater & Gordon under the recent UK legal regulatory change and to capitalise on the Company’s experience as the world’s first listed law firm; and
- enter the UK market via a well aligned, established and investment ready partner.

The initial accounting for the acquisition had been provisionally determined at the date of signing the 30 June 2012 financial statements. The necessary fair valuation of consideration and net assets acquired have now been finalised and are reflected in the amounts detailed below. This revaluation has resulted in a \$8,457,000 decrease in the goodwill recognised on this transaction. Comparative Statement of Financial Position balances as at 30 June 2012 have been restated to reflect the finalisation of provisionally determined fair values of assets and liabilities acquired in relation to this acquisition.

The assets and liabilities assumed at the date of acquisition are as follows:

	\$’000
Consideration	
Cash	40,953
Equity issued (16,681,138 shares at \$1.72 per share on 1 May 2012)	28,692
Fair value of deferred consideration (cash)	12,847
Net present value of total consideration	82,492

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 30: BUSINESS COMBINATIONS (Continued)

Net assets acquired	Fair Value
Assets	
- Cash and cash equivalents	39
- Trade and other receivables	32,588
- Work in progress	32,483
- Plant and equipment	4,025
- Intangible assets	4,213
Total assets acquired	73,348
Liabilities	
- Payables	22,390
- Provisions	765
- Borrowings	2,698
Total liabilities acquired	25,853
Net assets acquired	47,495
Goodwill on acquisition	34,997

All goodwill arising in relation to this acquisition is tax deductible.

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

- the existing business which will be used as a platform for geographic expansion and diversification in a market 4 to 5 times that of Australia's with a similar legal jurisdiction;
- the platform for growth beyond the current 2015 horizon with strong organic growth expected to continue.

Since the acquisition date, RJW contributed a profit after tax of \$480,000 in year ended 30 June 2012, which is included within the consolidated profit. Had the combination been effected at 1 July 2011, net profit after tax for the consolidated entity would have been \$31,513,000 and revenue would have been \$278,064,000. 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.

Contingent Consideration

The Group has agreed to pay cash consideration of up to GBP 2,780,000 subject to an agreed aggregate revenue target being met during the year ending 30 June 2013. This payment represents a net present fair value of GBP 2,351,808 (\$3,560,637) at the date of acquisition. Notional interest of GBP 222,953 has been recognised on this contingent consideration in the current year (2012: GBP 37,261). Deferred consideration payments totalling GBP 6,000,000 were paid during the current year.

Acquisition-related costs for this purchase amounting to \$997,000 have been excluded from the total consideration and have been recognised as an expense in the period ended 30 June 2012, within the 'costs associated with acquisitions' line item in the Statement of Comprehensive Income.

Accounting for acquisition of subsidiary – Conveyancing Works (Queensland) Pty Ltd ("CWQ")

On 25 November 2011, the Company acquired a 100% shareholding in CWQ, the leading provider of conveyancing services in Queensland.

The strategic rationale for this business combination is to:

- continue to diversify outside the personal injury legal market;
- underpin strategic growth for the domestic conveyancing practice in Queensland; and
- provide a platform for further expansion of the conveyancing practice into New South Wales, Victoria and Western Australia.

The initial accounting for the acquisition had been provisionally determined at the date of signing the 30 June 2012 financial statements. The necessary fair valuation of consideration and net assets acquired have now been finalised and are reflected in the amounts detailed below. This revaluation has resulted in no increase or decrease in the goodwill recognised on this transaction.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 30: BUSINESS COMBINATIONS (Continued)

The assets and liabilities assumed at the date of acquisition are as follows:

	\$'000
Consideration	
Cash	2,679
Equity issued (424,442 shares at \$1.80 per share on 28 November 2011)	764
Fair value of deferred contingent consideration (cash)	4,487
Net present value of total consideration	7,930
 Net assets acquired	 Fair Value
Assets	
- Trade and other receivables	226
- Work in progress	840
- Plant and equipment	151
- Deferred taxation	65
- Other	333
Total assets acquired	1,615
Liabilities	
- Short term borrowings	258
- Payables	832
- Provisions	227
Total liabilities acquired	1,317
Net assets acquired	298
Goodwill on acquisition	7,632

No goodwill arising in relation to this acquisition is tax deductible.

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

- the platform for further expansion of the conveyancing practice into New South Wales, Victoria and Western Australia; and
- the existing business to underpin strategic growth for the domestic Conveyancing practice in Queensland.

Since the acquisition date, CWQ contributed a loss after tax of \$468,000 in year ended 30 June 2012, which is included within the consolidated profit. This profit contribution includes set up costs incurred in relation to the rollout of the business nationally. Had the combination been effected at 1 July 2011, net profit after tax for the consolidated entity would have been \$24,895,000 and revenue would have been \$222,078,000. 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.

Acquisition-related costs for this purchase amounting to \$149,000 have been excluded from the total consideration and have been recognised as an expense in the period ended 30 June 2012, within the 'costs associated with acquisitions' line item in the Statement of Comprehensive Income.

Contingent Consideration

The Group had agreed to pay cash consideration of up to \$1,500,000 subject to an agreed target EBIT excluding movement in WIP being met over calendar years 2012 and 2013. A review of the actual EBIT during this period resulted in an adjustment to the cash consideration payable to \$1,313,918. \$500,000 of this was paid during 2013 with the balance to be paid in two instalments during the 2014 financial year. The Group has also agreed to pay additional cash consideration for file growth in the Group's conveyancing business outside CWQ's current operations to 30 June 2016. The total of the contingent consideration is not to exceed \$5,000,000. These payments represent a fair value of \$3,957,000 at the date of acquisition. Notional interest of \$426,955 has been recognised on this contingent consideration in the current year (2012: \$278,445).

Acquisition of business – Bussolletti Lawyers

On 17 February 2012, the Group acquired the business of Bussolletti Lawyers, a personal injuries law firm based in Wollongong, New South Wales, for a total consideration of \$1,887,000. Included in this amount was goodwill of \$1,345,000.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 30: BUSINESS COMBINATIONS (Continued)

Acquisition of business – David Nagle

On 15 December 2011, the Group acquired the business of David Nagle Lawyers, a personal injuries law firm based in Wollongong, New South Wales, for a total consideration of \$575,000. Included in this amount was goodwill of \$248,000.

NOTE 31: FINANCIAL RISK MANAGEMENT

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

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Fair values
- (iv) Interest rate risk
- (v) Foreign exchange risk

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

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet 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 Group's real credit risk is associated with the management of work in progress, particularly when client matters are undertaken on a "no win no fee" basis. To mitigate this risk, the Group has strong screening processes for new client enquiries and then further review by experienced lawyers who are assigned to new client matters. The Group minimises the concentration of this credit risk by undertaking transactions with a large number of clients.

There is also credit risk associated with unrendered disbursements and trade receivables. Once client matters are billed, a significant portion of receivables related to the personal injuries business are considered low risk. This is because these receivables are collected directly from settlements paid by insurers into trust funds held on behalf of the Group's clients. As at 30 June 2013, approximately 77% of trade receivables relate to the personal injuries business.

For the non-personal injuries business, the Group is exposed to the credit risk associated with the client's ability to meet their obligations under the fee and retainer agreement. The Group minimises the concentration of this credit risk by undertaking transactions with a large number of clients.

Management of credit risk

The Group actively manages its credit risk by:

- Assessing the capability of a client to meet its obligations under the fee and retainer agreement;
- Periodically reviewing the reasons for bad debt write offs in order to improve the future decision making process;
- Maintaining an adequate provision against the future recovery of debtors and disbursements;
- Including in 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 portfolios; and
- Where necessary, pursuing the recovery of debts owed to the Group through external mercantile agents and the courts.

(ii) Liquidity risk

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 31: FINANCIAL RISK MANAGEMENT (Continued)

Management of liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. Refer to the Statement of Cash Flows and Note 22: Cash Flow Information, for further information on the historical cash flows and the current borrowing facilities below.

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

	2013	2012
	\$'000	\$'000
Total banking facility		
Banking overdrafts	5,000	5,000
Cash advance facility	134,316	138,931
Other sundry facilities	10,210	10,210
Total credit facility	149,526	154,141
Amount utilised	(58,754)	(105,680)
Unused bank facility	90,772	48,461

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 (2012: \$5,000,000). Interest rates are variable and subject to adjustment.

Cash Advance & Equipment Finance Facility

The Group has a syndicated bank facility originally in the amount of AUD \$108,000,000 and GBP 39,000,000, with a maturity date of 27 April 2015, allocated as follows:

- an AUD \$24,000,000 term loan facility and two revolving interest only facilities totalling AUD \$58,000,000. These loans mature on 27 April 2015 and interest is charged on the loans at BBSY plus an agreed margin;
- a GBP 39,000,000 term loan facility. This loan matures on 27 April 2015 and interest is charged on the loan at LIBOR plus an agreed margin; and
- bilateral facilities totalling AUD \$26,000,000.

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

Maturity analysis

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

	< 12	1-5 years	Total	Carrying
	Months		contractual	amount
	\$'000	\$'000	cash flows	\$'000
			\$'000	\$'000
2013				
Payables	92,667	6,878	99,545	98,148
Borrowings	20,145	33,471	53,616	52,135
Financial liability maturities	112,812	40,349	153,161	150,283
2012				
Payables	82,410	10,364	92,774	91,088
Borrowings	12,582	97,698	110,280	108,576
Financial liability maturities	94,992	108,062	203,054	199,664

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 31: FINANCIAL RISK MANAGEMENT (Continued)

(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 interest rate swaps.

Management of fair value risk in interest rate swaps

The Group measures its interest rate swaps at fair value. These fair values are based on level 2 fair value measurements, as defined in the fair value hierarchy in AASB 7, with reference to market data which can be used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period.

(iv) Interest rate risk

The Group's exposure to interest rate risks and the effective interest rates of non-derivative financial assets and financial liabilities, both recognised and unrecognised at the balance sheet date, are as follows:

Financial Instruments	Weighted average interest rate		Non interest bearing		Variable interest rate		Fixed interest rate		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>(i) Financial assets</i>										
Cash	0.67%	0.32%	-	-	20,007	4,373	-	-	20,007	4,373
Trade debtors			69,352	72,327	-	-	-	-	69,352	72,327
Disbursements			60,365	53,793	-	-	-	-	60,365	53,793
Receivables from related parties			1,495	1,611	-	-	-	-	1,495	1,611
Other receivables			74	217	-	-	-	-	74	217
VCR share loans receivable			16,108	15,426	-	-	-	-	16,108	15,426
Total financial assets			147,394	143,374	20,007	4,373	-	-	167,401	147,747
<i>(ii) Financial liabilities</i>										
Bank overdraft			-	-	-	425	-	-	-	425
Trade creditors			4,072	3,467	-	-	-	-	4,072	3,467
Legal creditors and accruals			76,707	65,805	-	-	-	-	76,707	65,805
Interest bearing vendor liabilities – acquisitions	4.00%	4.00%	-	-	-	-	1,628	2,859	1,628	2,859
Non-interest bearing vendor liabilities - acquisitions			15,741	18,957	-	-	-	-	15,741	18,957
Provisions			16,660	14,399	-	-	-	-	16,660	14,399
Hire purchase liability	7.34%	7.27%	-	-	-	-	7,871	9,717	7,871	9,717
Bills of exchange – fixed	3.02%	4.13%	-	-	-	-	36,572	27,683	36,572	27,683
Bills of exchange – variable	4.01%	4.41%	-	-	7,692	70,751	-	-	7,692	70,751
Total financial liabilities			113,180	102,628	7,692	71,176	46,071	40,259	166,943	214,063

Interest rate swaps

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

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 31: FINANCIAL RISK MANAGEMENT (Continued)

The notional principal amounts of the swap contracts approximate 83% of the Group's outstanding borrowings on the cash advance facility (excluding the working capital facility) at 30 June 2013. The net interest payments or receipt settlements of the swap contracts are matched to the maturity of the cash advance they are hedging. The net settlement amounts are brought into account as an adjustment to interest expense. At the balance sheet 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	
	2013	2012	2013	2012
			\$'000	\$'000
2 to 5 years	3.02%	4.13%	36,572	27,683
			<u>36,572</u>	<u>27,683</u>

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

	Note	2013 \$'000	2012 \$'000
Floating rate instruments			
Bank overdrafts	16	-	425
Unhedged cash advances/bills of exchange		7,692	70,751
		<u>7,692</u>	<u>71,176</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 Consolidated Statement of Comprehensive Income. Given the matching of the hedge settlements with the payment of interest expense on the hedged borrowings, the balance in the reserve attributable to interest rate swaps is generally minimal.

Interest rate sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2013 \$'000	2012 \$'000
+/- 100 basis points		
Impact on profit after tax	-	-
Impact on equity	979	1,325

(v) Foreign exchange risk

The Group has no significant exposures to currency risk other than the translation of its foreign subsidiary S&G UK. Any impacts on the balances relating to S&G UK as a result of movements in the foreign exchange rate are recorded in other comprehensive income as a foreign currency translation reserve. Refer to Note 1(d).

The Group has no other significant exposures to currency risk.

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES**ABN 93 097 297 400****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013****NOTE 32: SUBSEQUENT EVENTS**

Subsequent to the reporting date, the Group has signed, for the total consideration of \$24,360,000, agreements for the acquisition of, in the United Kingdom, the personal injury practice of Taylor Vinters, completion effective 16 August 2013, Goodmans, completion effective 30 August 2013, and in Australia, Gibson & Gibson, completion effective 1 August 2013.

The provisional value of the net assets assumed at the dates of acquisition are as follows:

Consideration:	\$'000
Cash	12,027
Equity issued	3,133
Fair value of deferred consideration (cash)	9,200
Net present value of total consideration	<u>24,360</u>
Estimated fair value of net assets acquired	<u>(15,824)</u>
Goodwill on acquisition	<u>8,536</u>

The fair value of the assets and liabilities acquired have only been determined provisionally as valuations have not been finalised.

In addition to the above the Group has announced its intention to purchase the personal injury practice of Fentons Solicitors LLP, with an indicative completion date in October 2013.

NOTE 33: DEED OF CROSS GUARANTEE

Slater & Gordon Limited, Trilby Misso Lawyers Limited and Slater & Gordon Lawyers NSW Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

A consolidated Statement of Comprehensive Income and Statement of Financial Position, comprising the Company and controlled entities subject to the deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out as follows:

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE: 33 DEED OF CROSS GUARANTEE (Continued)	2013	2012
	\$'000	\$'000
Statement of Comprehensive Income		
Revenue	219,235	202,967
Finance costs	(5,592)	(6,587)
Other expenses	(162,973)	(160,009)
Profit before income tax expense	50,670	36,371
Income tax expense	(15,913)	(11,391)
Profit for the period	34,757	24,980
Changes in fair value of cash flow hedges, net of tax	245	(419)
Total comprehensive income for the period	35,002	24,561
Statement of Financial Position		
Current assets		
Cash and cash equivalents	18,018	2,366
Receivables	158,999	121,055
Work in progress	253,484	210,423
Current tax asset	-	229
Other current assets	5,076	5,216
Total current assets	435,577	339,289
Non-current assets		
Plant and equipment	9,180	10,773
Work in progress	2,337	1,926
Intangible assets	57,323	56,320
Investment in subsidiary	7,678	13,554
Other non-current assets	16,109	15,426
Total non-current assets	92,627	97,999
Total assets	528,204	437,288
Current liabilities		
Payables	59,651	47,009
Short term borrowings	12,298	9,320
Current tax liabilities	2,507	-
Provisions	13,647	12,520
Total current liabilities	88,103	68,849
Non-current liabilities		
Payables	6,238	9,762
Long term borrowings	18,574	51,140
Deferred tax liabilities	73,795	60,734
Derivative financial instruments	598	948
Provisions	2,784	2,290
Total non-current liabilities	101,989	124,874
Total liabilities	190,092	193,723
Net assets	338,112	243,565
Equity		
Contributed equity	212,373	142,181
Reserves	(419)	(664)
Retained profits	126,158	102,048
Total equity	338,112	243,565

SLATER & GORDON LIMITED AND CONTROLLED ENTITIES

ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 34: PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2013 the parent entity of the Group was Slater & Gordon Limited.

	2013	2012
	\$'000	\$'000
Results of parent entity		
Profit for the period	29,701	17,511
Other comprehensive income	245	(419)
Total comprehensive income for the period	<u>29,946</u>	<u>17,092</u>

There has been limited recharge by the parent entity of marketing and advertising, interest expense and associated management services to the subsidiary entities. Profit of the parent entity for the year ended 30 June 2012 includes the impact of the write off of work in progress and disbursements on the Vioxx proceedings totalling \$10,539,000.

Financial position for the parent entity at year end

Current assets	366,814	252,643
Total assets	488,118	390,469
Current liabilities	82,963	56,043
Total liabilities	172,137	163,979

Total equity of the parent company comprising of

Contributed equity	212,373	142,181
Reserves	(419)	(664)
Retained profits	104,027	84,973
Total Equity	<u>315,981</u>	<u>226,490</u>

Other commitments and contingencies

The Company has entered into agreements with third party disbursement funders, ASK Funding Limited and Equal Access Funding Pty Limited ("the Funders") to provide financial guarantees to the Funders with respect to disbursement funding borrowings to the Company's clients. The nature of these agreements is that the Funders 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 the Funders. The total amount funded by the Funders to the Company's clients at 30 June 2013 is \$5,753,431 (2012: \$1,504,670). The maximum exposure of the Company at 30 June 2013 is \$5,753,431 (2012: \$1,504,670) if the individual client matters are not recovered from any other party.

During the financial year to 30 June 2012, ASK Funding Limited ceased funding new work and commenced a run off of its book.

Operating lease commitments

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

Within one year	10,462	7,474
One year or later and not later than five years	28,167	25,050
Greater than five years	10,656	15,151
	<u>49,285</u>	<u>47,675</u>

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

SLATER & GORDON LIMITED

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 19 to 62 and the directors' report 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 consolidated entity as at 30 June 2013 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

- Slater & Gordon Limited will be able to pay its debts as and when they become due and payable.
- the Company and the group entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

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 ended 30 June 2013.

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



John Skippen
Chair



Andrew Grech
Managing Director

Melbourne
17 September 2013

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

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

Report on the Financial Report

We have audited the accompanying financial report of Slater & Gordon Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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.

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

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

Independence

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

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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated 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 10 to 16 of the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Slater & Gordon Limited and controlled entities for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.



M W PRINGLE
Partner

17 September 2013



PITCHER PARTNERS
Melbourne

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

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 28 August 2013.

(a) Distribution of shareholders and option holders.

Holding	Number of Ordinary Shareholders
1 - 1,000	552
1,001 - 5,000	813
5,001 - 10,000	334
10,001 - 100,000	420
100,001 - Over	85
	<u>2,204</u>

There are 162 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	41,557,067	21.12
2 J P Morgan Nominees Australia Limited	28,316,870	14.39
3 National Nominees Limited	26,339,126	13.38
4 RBC Investor Services Australia Nominees Pty Limited	19,984,728	10.15
5 BNP Paribas Nominees Pty Ltd	14,912,595	7.58
6 Citicorp Nominees Pty Limited	7,936,130	4.03
7 Ken Fowle	5,096,221	2.59
8 Andrew Grech	5,028,238	2.55
9 Hayden Stephens	4,705,115	2.39
10 Cath Evans	4,410,476	2.24
11 Australian Executor Trustees SA Limited	1,040,147	0.53
12 Edward Cooper	996,816	0.51
13 Alexander Whitehead	996,816	0.51
14 UBS Nominees Pty Ltd	944,058	0.48
15 Frog Hollow Super Pty Ltd (Frog Hollow Retmt Fund A/C)	933,204	0.47
16 Ian Fletcher	796,393	0.40
17 Amanda McAlister	796,393	0.40
18 Idameneo (No 79) Nominees Pty Limited	716,890	0.36
19 Brispot Nominees Pty Ltd (House Head Nominee No 1 A/C)	692,539	0.35
20 Mark Walter	648,740	0.33
	<u>166,848,562</u>	<u>84.76</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 % *
National Australia Bank Limited and its Associated Companies	21,534,125 11.10%
Perpetual Limited and subsidiaries	19,873,068 10.08%
Mawer Investment Management Limited	17,370,052 9.96%

* 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 5,111,334 held by 95 employee shareholders.

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

Company Particulars

Directors

John Skippen, Chair
Andrew Grech, Managing Director
Ian Court
Ken Fowlie
Erica Lane
Rhonda O'Donnell

Auditors

Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

Share/Security Registers

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

Company Secretaries

Wayne Brown
Kirsten Morrison

Bankers

Westpac Banking
Corporation
Level 7
360 Collins Street
Melbourne Victoria 3000

GPO Box 2975
Melbourne Victoria 3001

**Registered Office and
Corporate Office**

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

National Australia Bank
Level 30
500 Bourke Street
Melbourne Victoria 3000

Telephone
Toll Free 1300 850 505
(Australia)
+61 3 9415 4000
(Overseas)

Investor Centre Website:
www.computershare.com.au

Company Website

www.slatergordon.com.au

Solicitors

Arnold Bloch Leibler
Level 21
333 Collins Street
Melbourne Victoria 3000

Email:
web.queries@computershare.com.au

Company Numbers

ACN 097 297 400
ABN 93 097 297 400

Stock Exchange Listing

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