

SLATER & GORDON LIMITED
ABN 93 097 297 400

APPENDIX 4E STATEMENT
PRELIMINARY FINAL REPORT
(The accounts are in the process of being audited)

(Listing rule 4.3A)
RESULTS FOR ANNOUNCEMENT TO THE MARKET
YEAR ENDED 30 JUNE 2014

	30 June 2014 \$'000	30 June 2013 \$'000	% change to prior year	
1. Revenues from ordinary activities (Listing rule 4.3A – item 2.1)	418,466	297,963	Up	40.4%
2. Profit from ordinary activities after tax attributable to members (Listing rule 4.3A – item 2.2)	61,105	41,521	Up	47.2%
3. Net profit/(loss) for the period attributable to members (Listing rule 4.3A – item 2.3)	61,105	41,521	Up	47.2%
4. Total dividend per ordinary share (Listing rule 4.3A – item 2.4)				
Interim dividend (fully franked at 30% tax rate) paid 24 April 2014	3.00 cents	2.75 cents		
Final dividend (fully franked at 30% tax rate) declared on 12 August 2014 and to be paid on 24 October 2014	5.00 cents	3.85 cents		
Total dividend per ordinary share	8.00 cents	6.60 cents		
5 Record date for determining entitlements to the final dividend (Listing rule 4.3A – item 2.5)	17 September 2014			
6 A brief explanation of the figures reported above. (Listing rule 4.3A – item 2.6)				

Please refer to the ASX/Media Release dated 12 August 2014 for other information necessary to enable the figures to be understood.

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014
7. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 (Listing rule 4.3A – item 3)

	2014	2013
	\$'000	\$'000
Revenue		
Fee revenue	411,813	294,210
Other income	6,653	3,753
Total revenue and other income	418,466	297,963
Less Expenses		
Salaries and employee benefit expense	(200,270)	(145,517)
Rental expense	(22,005)	(14,095)
Advertising and marketing expense	(32,786)	(23,775)
Administration and office expense	(36,391)	(25,018)
Consultant fees	(4,928)	(2,580)
Finance costs	(8,412)	(7,653)
Bad and doubtful debts	(6,904)	(4,531)
Depreciation and amortisation expense	(6,955)	(4,973)
Costs associated with acquisitions	(4,054)	(282)
Other expenses	(11,312)	(8,198)
Profit before income tax expense	84,449	61,341
Income tax expense	(23,344)	(19,820)
Profit for the year	61,105	41,521
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences - foreign operations	5,695	4,519
Changes in fair value of cash flow hedges, net of tax	(308)	191
Total items that may be reclassified subsequently to profit or loss	5,387	4,710
Other comprehensive income for the year, net of tax	5,387	4,710
Total comprehensive income for the year	66,492	46,231
Profit for the year attributed to:		
Owners of the Company	60,946	41,486
Non-controlling interests	159	35
	61,105	41,521
Total comprehensive income for the year attributed to:		
Owners of the Company	66,326	46,192
Non-controlling interests	166	39
	66,492	46,231
Basic earnings per share (cents)	30.3 cents	23.9 cents
Diluted earnings per share (cents)	29.8 cents	23.3 cents

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014
8. CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 (Listing rule 4.3A – item 4)

	2014 \$'000	2013 \$'000
Current assets		
Cash and cash equivalents	25,270	20,056
Receivables	229,368	130,499
Work in progress	470,609	299,859
Other current assets	12,403	9,554
Total current assets	737,650	459,968
Non-current assets		
Plant and equipment	12,964	12,219
Work in progress	2,730	2,337
Intangible assets	130,190	108,296
Other non-current assets	11,844	16,108
Total non-current assets	157,728	138,960
Total assets	895,378	598,928
Current liabilities		
Payables	194,850	92,003
Short term borrowings	9,467	20,103
Current tax liabilities	1,960	3,941
Other current liabilities	10,103	-
Provisions	16,468	13,883
Total current liabilities	232,848	129,930
Non-current liabilities		
Payables	19,187	6,238
Long term borrowings	116,864	32,032
Deferred tax liabilities	97,619	78,015
Derivative financial instruments	1,020	656
Provisions	4,760	2,850
Total non-current liabilities	239,450	119,791
Total liabilities	472,298	249,721
Net assets	423,080	349,207
Equity		
Contributed equity	233,638	212,373
Reserves	9,090	3,710
Retained profits	180,139	132,963
Total equity attributable to equity holders in the Company	422,867	349,046
Non-controlling interest	213	161
Total equity	423,080	349,207

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014
9. CONSOLIDATED STATEMENT OF CASH FLOWS

(Listing rule 4.3A – item 5)

	2014 \$'000	2013 \$'000
Cash flow from operating activities		
Receipts from customers	443,515	324,279
Payments to suppliers and employees	(375,724)	(285,148)
Interest received	401	281
Borrowing costs	(5,344)	(6,158)
Income tax paid	(8,006)	(537)
Net cash provided by operating activities	54,842	32,717
Cash flow from investing activities		
Payment for software development	(1,619)	(1,253)
Payment for plant and equipment	(3,557)	(1,058)
Costs associated with acquisition of businesses	(4,054)	(282)
Payment for acquisition of businesses, net of cash in subsidiaries	(98,464)	(4,876)
Payment for acquisition of businesses - deferred consideration	(18,309)	(11,309)
Net cash used in investing activities	(126,003)	(18,778)
Cash flow from financing activities		
Proceeds from share issue	-	66,680
Proceeds from non-controlling interests	-	50
Costs of raising equity	(120)	(2,066)
Proceeds from related parties and employees	5,247	4,337
Proceeds from borrowings	154,770	34,439
Repayment of borrowings	(73,695)	(91,835)
Dividends paid	(9,907)	(9,580)
Net cash provided by financing activities	76,295	2,025
Net increase in cash held	5,134	15,964
Effect of exchange rate fluctuations on cash held	80	132
Cash at beginning of financial year	20,056	3,960
Cash at end of financial year	25,270	20,056

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014
NOTES TO THE FINANCIAL STATEMENTS
10. REVENUE

(Listing rule 4.3A – item 3)

	2014 \$'000	2013 \$'000
Fee revenue		
Rendering of services	411,813	294,210
Other income		
Interest	1,829	1,386
Other	4,824	2,367
	<u>6,653</u>	<u>3,753</u>
 (a) Interest from		
Other persons	401	281
VCR share loans to employees	1,428	1,105
	<u>1,829</u>	<u>1,386</u>

11. EXPENSES

(Listing rule 4.3A – item 3)

	2014 \$'000	2013 \$'000
Finance costs expense		
Interest on bank overdraft and loans	4,807	5,573
Interest on deferred consideration payable to vendors on acquisitions	3,068	1,495
Interest on obligations under hire purchases	537	585
	<u>8,412</u>	<u>7,653</u>
 Depreciation and amortisation of non-current assets		
Plant and equipment	4,357	3,623
Software development	1,136	919
Trademarks	1,404	-
Client lists	58	431
	<u>6,955</u>	<u>4,973</u>
 Bad and doubtful debts	6,904	4,531
Share based payments expense	1,180	1,377

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014
12. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(Listing rule 4.3A – item 7)

	2014 \$'000	2013 \$'000
Dividends paid during the year		
<i>Dividends on ordinary shares</i>		
Interim franked dividend at the tax rate of 30% for 2014: 3.00 cents per share (2013: 2.75 cents per share)	6,115	4,681
Final franked dividend at the tax rate of 30% for 2013: 3.85 cents per share (2012: 3.50 cents per share)	7,655	5,966
Total dividends paid during the year	13,770	10,647

13. DETAILS OF DIVIDEND

(Listing rule 4.3A – item 7)

 Date the dividend (distribution) is payable 24 October 2014

 Record date to determine entitlements to the dividend (distribution) (i.e. on the basis of proper instruments of transfers received by 5.00pm if securities are not CHES approved, or security holding balances established by 5.00pm or such later time permitted by SCH Business Rules if securities are CHES approved) 17 September 2014

 Final dividend declared on 12 August 2014
14. DETAILS OF DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS

(Listing rule 4.3A – item 8)

The entity introduced a dividend reinvestment plan on 27 February 2013. Eligible shareholders may elect to take all or part of future dividends in the form of cash or shares in accordance with the plan rules. Shares are provided under the plan free of brokerage and other transaction costs. Applications or notices to participate or withdraw from the dividend reinvestment plan received after 5.00pm (Melbourne time) on 18 September 2014 will not be effective for the final dividend in respect of the current financial year but will be effective for future dividends. Shares issued under the DRP for the final dividend, will be issued at the volume weighted average prices for the pricing period from 19 September 2014 to 16 October 2014.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan: 18 September 2014.

15. RECONCILIATION OF RETAINED PROFITS

(Listing rule 4.3A – item 6)

	2014 \$'000	2013 \$'000
Retained earnings	180,139	132,963
(a) Retained earnings		
Balance at the beginning of year	132,963	102,124
Net profit attributable to ordinary equity holders	60,946	41,486
Total available for appropriation	193,909	143,610
Dividends paid	(13,770)	(10,647)
Balance at end of year	180,139	132,963

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YEAR ENDED 30 JUNE 2014
16. NET TANGIBLE ASSETS PER SECURITY

(Listing rule 4.3A – item 9)

	2014 \$'000	2013 \$'000
Net Tangible Assets	292,890	240,911
	Number of shares	Number of shares
Total number of ordinary shares of the Company	204,338,625	196,809,265
Net tangible asset backing per ordinary security	\$1.43	\$1.22

17. DETAILS OF ENTITIES OVER WHICH CONTROL GAINED OR LOST DURING THE PERIOD

(Listing rule 4.3A – item 10)

Details of legal practices acquired are:

Date	Entity	Nature of transaction
1 August 2013	Gibson & Gibson	Acquisition of the business operations and assets
16 August 2013	Taylor Vinters LLP	Acquisition of the Personal Injuries business operations and assets
30 August 2013	Goodmans Law Limited	Acquisition of the business operations and assets
27 September 2013	Fentons Solicitors LLP	Acquisition of the business operations and assets
29 November 2013	John Pickering and Partners LLP	Acquisition of the business operations and assets
4 December 2013	Chadwick Lawrence LLP	Acquisition of the Personal Injuries business operations and assets
14 February 2014	Pannone Solicitors LLP	Acquisition of the Consumer Law business operations and assets
14 February 2014	Adroit Financial Planning Ltd	Acquisition of the legal entity as part of acquisition of Pannones
14 February 2014	Pannone Trust Corporation Ltd	Acquisition of the legal entity as part of acquisition of Pannones

18. DETAILS OF ASSOCIATES OR JOINT VENTURE ENTITIES

(Listing rule 4.3A – item 11)

Not applicable

19. SIGNIFICANT INFORMATION FOR THE INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE ENTITY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION

(Listing rule 4.3A – item 12)

Refer to ASX/Media Release dated 12 August 2014.

20. ACCOUNTING STANDARDS USED BY FOREIGN ENTITIES

(Listing rule 4.3A – item 13)

International Financial Reporting Standards

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014

21. COMMENTARY ON THE RESULT FOR THE PERIOD, DISCUSSION OF PERFORMANCE TRENDS AND FEATURES OF OPERATING PERFORMANCE
 (Listing rule 4.3A – item 14, item 14.3 and item 14.5)

Refer to ASX/Media Release dated 12 August 2014.

22. THE EARNINGS PER SECURITY AND THE NATURE OF ANY DILUTION ASPECTS

(Listing rule 4.3A – item 14.1)

Earnings per security ("EPS")

	2014	2013
Basic EPS	30.3 cents	23.9 cents
Diluted EPS	29.8 cents	23.3 cents
	\$'000	\$'000
Earnings used in calculating basic and diluted earnings per share	60,946	41,486
	Number of Shares '000	Number of Shares '000
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	201,306	173,258
Effect of dilutive securities:		
VCR Shares	3,437	4,598
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	204,743	177,856

VCR Shares

The Company operates an Employee Ownership Plan. The Plan allows employees to purchase VCR shares in the Company by way of an interest-free loan.

VCR shares are considered to be potentially ordinary shares and have been included in the determination of diluted earnings per share.

The VCR shares vest over a specified period of time. At the time of vesting, VCR shares convert into ordinary shares with disposal restrictions.

Basic and Diluted EPS

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.

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23. RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS

(Listing rule 4.3A – item 14.2)

ISSUED, BUY BACK AND QUOTED SECURITIES AT END OF CURRENT PERIOD

		2014	2014	2013	2013
		Shares	\$'000	Shares	\$'000
Ordinary shares fully paid	(a)	204,338,625	231,103	196,809,265	206,506
VCR shares	(b)	2,629,333	2,535	5,111,334	5,867
Balance at end of the year		206,967,958	233,638	201,920,599	212,373

(a) Movement in ordinary share capital

Balance at the beginning of the year		196,809,265	206,506	168,536,445	137,099
<i>Shares issued as consideration for acquisitions:</i>					
- 29 November 2012		-	-	92,106	175
- 31 October 2013		2,911,498	10,058	-	-
- 2 December 2013		211,835	870	-	-
- 17 February 2014		1,339,886	5,918	-	-
		4,463,219	16,846	92,106	175
<i>Conversion of vested VCR shares to ordinary share</i>					
- 24 September 2012		-	-	1,908,664	3,431
- 26 September 2013		2,037,333	3,851	-	-
- 2 December 2013		83,000	157	-	-
		2,120,333	4,008	1,908,664	3,431
<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
		-	-	26,148,543	66,680
<i>Share capital issued under dividend reinvestment</i>					
- 29 April 2013		-	-	423,507	1,067
- 14 November 2013		428,725	1,586	-	-
- 24 April 2014		517,083	2,277	-	-
		945,808	3,863	423,507	1,067
<i>Employee share scheme buy-back:</i>					
- 27 June 2013		-	-	(300,000)	(507)
		-	-	(300,000)	(507)
Less capital raising costs, net of tax		-	(120)	-	(1,439)
Balance at end of the year		204,338,625	231,103	196,809,265	206,506

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	2014 Shares	2014 \$'000	2013 Shares	2013 \$'000
(b) Movement in VCR share capital				
Balance at the beginning of the year	5,111,334	5,867	4,819,998	5,082
<i>Conversion of vested VCR shares to ordinary shares:</i>				
- 24 September 2012	-	-	(1,908,664)	(3,431)
- 26 September 2013	(2,037,333)	(3,851)	-	-
- 2 December 2013	(83,000)	(157)	-	-
	(2,120,333)	(4,008)	(1,908,664)	(3,431)
<i>VCR shares issued under Employee Ownership Plan:</i>				
- 20 December 2012	-	-	2,294,998	2,797
- 25 February 2013	-	-	130,002	161
	-	-	2,425,000	2,958
<i>Employee share scheme buy-back:</i>				
- 27 June 2013	-	-	(225,000)	(108)
- 24 April 2014	(361,668)	(438)	-	-
	(361,668)	(438)	(225,000)	(108)
Share based payments expense	-	1,180	-	1,377
Equity adjustment for leavers and extension of repayment terms	-	(66)	-	(4)
Less capital raising costs, net of tax	-	-	-	(7)
Balance at end of the year	2,629,333	2,535	5,111,334	5,867

24. SEGMENT RESULTS

(Listing rule 4.3A – item 14.4)

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 Australia ("AUS")** - includes the parent company Slater & Gordon Limited and its subsidiaries in Australia. 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 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.

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014

2014	AUS \$'000	UK \$'000	Total \$'000
Total segment revenue	241,487	182,446	423,933
Inter-segment revenue	(5,467)	-	(5,467)
Revenue from external customers	236,020	182,446	418,466
Earnings before interest tax depreciation and amortisation	56,914	41,073	97,987
Interest revenue	1,584	245	1,829
Interest expense	(5,142)	(3,270)	(8,412)
Depreciation and amortisation	(3,450)	(3,505)	(6,955)
Income tax expense	(16,253)	(7,091)	(23,344)
Net profit after income tax	33,653	27,452	61,105
Segment assets			
Total segment assets*	604,377	417,014	1,021,391
Inter-segment assets	(126,013)	-	(126,013)
Total assets per the balance sheet	478,364	417,014	895,378
Segment liabilities			
Total segment liabilities	221,224	377,087	598,311
Inter-segment liabilities	-	(126,013)	(126,013)
Total liabilities per the balance sheet	221,224	251,074	472,298
*Additions to non-current assets			
Plant and equipment	763	4,238	5,001
Intangibles, including goodwill	2,558	18,626	21,184
Total additions to non-current assets	3,321	22,864	26,185

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014

2013	AUS \$'000	UK \$'000	Total \$'000
Total segment revenue	228,503	70,528	299,031
Inter-segment revenue	(1,068)	-	(1,068)
Revenue from external customers	227,435	70,528	297,963
Earnings before interest tax depreciation and amortisation	58,127	14,454	72,581
Interest revenue	1,356	30	1,386
Interest expense	(5,595)	(2,058)	(7,653)
Depreciation and amortisation	(3,344)	(1,629)	(4,973)
Income tax expense	(16,249)	(3,571)	(19,820)
Net profit after income tax	34,295	7,226	41,521
Segment assets			
Total segment assets*	528,924	131,985	660,909
Inter-segment assets	(61,981)	-	(61,981)
Total assets per the balance sheet	466,943	131,985	598,928
Segment liabilities			
Total segment liabilities	191,672	120,030	311,702
Inter-segment liabilities	-	(61,981)	(61,981)
Total liabilities per the balance sheet	191,672	58,049	249,721
*Additions to non-current assets			
Plant and equipment	433	625	1,058
Intangibles, including goodwill	2,352	7,220	9,572
Total additions to non-current assets	2,785	7,845	10,630

25. SUBSEQUENT EVENTS
 (Listing rule 4.3A – item 12)

Subsequent to the reporting date, the Group announced its intention to purchase the following businesses:

- Schultz Toomey O'Brien, a consumer law firm based in Queensland, with an indicative completion date in November 2014.
- Nowicki Carbone, a specialist personal injuries practice in Victoria, with an indicative completion date in November 2014.

26. ANY OTHER FACTORS WHICH HAVE AFFECTED THE RESULTS IN THE PERIOD WHICH ARE LIKELY TO AFFECT RESULTS IN THE FUTURE, INCLUDING THOSE WHERE THE EFFECT COULD NOT BE QUANTIFIED
 (Listing rule 4.3A – item 14.6)

Refer to ASX/Media Release dated 12 August 2014.

SLATER & GORDON LIMITED
YEAR ENDED 30 JUNE 2014**27. COMPLIANCE STATEMENT**

(Listing rule 4.3A – item 15)

- (i) The financial report is in the process of being audited and is not likely to be subject to audit dispute or qualification.

The entity has a formally constituted audit committee.

Sign here:



Date:

12 August 2014

Print name:

Andrew Grech
Managing Director

28. ANNUAL MEETING

The annual meeting will be held as follows:

Place:

Slater & Gordon
Level 12
485 La Trobe Street
Melbourne VIC 3000

Date: 20 October 2014

Time: 2.00pm

Approximate date the annual report will be available

17 September 2014