

# ASX Announcement

6 December 2017

## ANNUAL GENERAL MEETING

### CHAIRMAN'S ADDRESS

#### **JOHN SKIPPEN, CHAIRMAN:**

Today in addition to considering the ordinary business of the AGM, shareholders are being asked to consider and vote on the recapitalisation of Slater and Gordon on the terms announced to the ASX on 31 August.

The Board understands that the outcome is disappointing for shareholders. Over the past 12 months, the Board has remained focused on delivering the best available proposal in the Company's current financial circumstances and that is what we are putting to our shareholders today.

The recapitalisation provides the only opportunity to secure the future of the firm and its workforce and also provides the potential for some value recovery for shareholders and other stakeholders as Slater and Gordon pursues its strategic plan in Australia.

The recapitalisation is essential for Slater and Gordon to avoid insolvency. The opinion of KPMG as set out in their detailed Independent Expert Report is clear. In the event the recapitalisation is not implemented, Slater and Gordon will become insolvent and shareholders will most likely receive nothing because the assets of Slater and Gordon are not sufficient to fully satisfy its secured debt obligations, let alone creditors or the interests of shareholders. In addition, the value of Slater and Gordon's business may be further eroded by loss of clients and staff as a result of entering into an insolvency process.

In comparison to insolvency, the Recapitalisation is intended to provide Slater and Gordon with a sustainable level of senior secured debt and a stable platform for its future operations.

It is intended that implementation of the Recapitalisation will:

- (a) reduce Slater and Gordon's total Secured Debt to a sustainable level;
- (b) enable Slater and Gordon to continue to trade and operate the Australian Operations; and
- (c) prevent a breach of banking agreements.

In the opinion of the Board, the Recapitalisation represents the best option in the current circumstances in comparison with the likely alternative of insolvency.

I am pleased to report that at the meeting on 28 November 2017, the Senior Lenders unanimously approved the Senior Lenders' Scheme of Arrangement and at a meeting earlier this morning, Shareholder Claimants approved the Shareholder Claimants Scheme of Arrangement. With these important steps completed, we move to the shareholder vote being considered today.

As previously announced, a process of Board and senior management renewal has been agreed as part of the recapitalisation process. When the scheme is implemented, all current directors including myself, will stand down and the new majority owners will appoint their nominated directors to the Board.

In that context, I would like to explain why I am seeking re-election as a Director at this meeting.

If re-elected, I will continue as Chair only until the scheme is implemented. On the current timetable, this will be at the end of December. I previously made a commitment to see the scheme through to implementation. I see no benefit to the Company in resigning weeks before that occurs or to appointing a temporary Chair for a number of weeks, even if a suitably qualified person was prepared to take on that role. I am required to stand for re-election at this AGM because of rotation requirements under the Listing Rules and the Constitution and am doing so only for the purpose of facilitating the implementation of the Recapitalisation.

I would like to take this opportunity to thank James Millar and Tom Brown for their valuable service to the Board. They both came on to the Board in difficult circumstances, well after the PSD transaction was completed and they have stayed the course during the intense last 12 months leading up to the recapitalisation proposal being considered today. We have benefited greatly from their steady guidance and thank them both for their contributions.

I would also like to thank the staff in both the UK and Australia for their hard work and unwavering commitment to serving the needs of their clients. I wish you all every success and hope that as a result of the matters voted on today, you can continue with your work without the uncertainty of the past few years.

Before we move to the formal business of the meeting and the opportunity for questions, I thought I would address a range of matters that have been raised in relation to the remuneration of executives.

The Board tried to balance a conservative approach to remuneration in recognition of the challenges the Company is facing, with the need to retain key personnel to manage the capital restructure process.

The former Group CFO whose role was made redundant was the only key executive to receive any form of short term incentive payment during the financial year.

The Group CFO was assessed by the Board as being critical to managing the financial restructure of the Group. Accordingly, in FY16, the Board approved a one off short term incentive and equity retention plan.

The Group CFO's performance against key performance measures made him eligible for the cash short term incentive payments made.

The performance rights and options granted to the Group CFO did not meet vesting conditions in FY17 and lapsed.

In relation to Andrew Grech's remuneration, contrary to some media reports, his termination payment does not include any additional ex gratia payments.

He will be paid only contractual entitlements including notice and unpaid leave once his resignation as a non-executive Director, becomes effective at the close of this meeting.

Andrew received an allowance to cover the additional costs incurred for the actual additional living expenses he incurred while in the UK for nearly 2 years. This was a temporary allowance to compensate him for the additional actual expenses he incurred and did not represent an ongoing increase to remuneration.

We will now move to the formal business of the meeting, inviting questions from shareholders as we move through each of the items as set out in the notice of meeting.