Slater & Gordon Limited
(ACN 097 297 400)
Level 12
485 La Trobe Street
Melbourne VIC 3000

APPENDIX 4D STATEMENT
(Listing rule 4.2A.3)

PRELIMINARY FINAL REPORT
for the half year ended 31 December 2019

Results for announcement to the market

		31 December 2019 $'000	31 December 2018 $'000	% change to prior year	
1.	**Revenues from ordinary activities**	88,759	74,301	Up	19.5%
2.	**Profit / (Loss) from ordinary activities after tax attributable to members**	(561)	(10,279)	Up	94.6%

Dividend information

3. Total dividend per ordinary share

No dividends were proposed for the half year ending 31 December 2019 and 31 December 2018.

4. Record date for determining entitlements to the final dividend

Not applicable

5. Net tangible asset per security	31 December 2019	31 December 2018
	$'000	$'000
Net Tangible Assets	156,315	41,505
	Number of shares	Number of shares
Total number of ordinary shares of the Company	138,428,817	69,527,235
Net tangible asset backing per ordinary security	112.9 cents	59.7 cents

6. Details of entities over which control has been lost

Not applicable

7. Loss after tax of entities over which control has been lost	31 December 2019 $'000	15 December 2018 $'000
	-	-

This information should be read in conjunction with 2019 Annual Report and any public announcements made in the period by Slater and Gordon Limited in accordance with continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Director's report and the condensed consolidated financial report for the half-year ended 31 December 2019.

This report is based on the consolidated financial report which has been independently audited by Ernst and Young. The Independent Audit Report provided by Ernst and Young is included in the consolidated financial report for the half-year ended 31 December 2019.

James MacKenzie	John Somerville
Chair	Managing Director and Chief Executive Officer

Melbourne

27 February 2020

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

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

TABLE OF CONTENTS

Directors' Report

The Directors of Slater & Gordon Limited present their report, together with the condensed consolidated half-year financial report consisting of Slater & Gordon Limited ("the Company") and its controlled entities (jointly referred to as "the Group"), for the half-year ended 31 December 2019 and the review report thereon.

Directors

The directors in office at any time during the half year ended 31 December 2019 and up to the date of signing this report are:

- James MacKenzie – Chair
- Mark Dewar
- Merrick Howes
- Michael Neilson
- Elana Rubin
- John Somerville
- Jacqui Walters

Review of Operations

The Group ended the half-year to 31 December 2019 with:

- total revenue and other income from continuing operations of $89.2m (31 December 2018: $75.1m);
- a net loss from continuing operations after tax of $0.9m (31 December 2018: $9.2m); and
- operating cash inflows generated from continuing operations of $7.0m (31 December 2018: $1.0m).

Auditor's Independence Declaration

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

Rounding of Amounts

The amounts contained in the Directors' Report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is an entity to which the Legislative Instrument applies.

Signed in accordance with a resolution of the Directors.

James MacKenzie
Chair

John Somerville
Managing Director and Chief Executive Officer

Melbourne
27 February 2020

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Building a better working world

Auditor's Independence Declaration to the Directors of Slater and Gordon Limited

As lead auditor for the review of Slater and Gordon Limited and Controlled Entities for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Slater and Gordon Limited and the entities it controlled during the financial period.

Ernst & Young

David Shewring
Partner
Melbourne
27 February 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Note	31 Dec 2019[1] $'000	31 Dec 2018 $'000
Continuing Operations			
Revenue			
Fee revenue		75,981	81,103
Net movement in work in progress		12,778	(6,802)
Revenue from contracts with customers	3(a)	**88,759**	**74,301**
Other income		439	842
Total revenue and other income		**89,198**	**75,143**
Less expenses			
Salaries and employee benefit expense		49,494	48,215
Rental expense		985	4,417
Advertising, marketing and new business development		5,112	4,669
Administration and office expense		9,553	9,791
Consultant fees		6,128	3,600
Finance costs		6,785	6,079
Bad and doubtful debts		4,465	276
Depreciation and amortisation expense	4	4,828	2,273
Other expenses		3,158	3,998
Total expenses		**90,508**	**83,318**
(Loss) from continuing operations before income tax		**(1,310)**	**(8,175)**
Income tax (benefit) / expense		(371)	1,025
(Loss) for the half-year from continuing operations after income tax		**(939)**	**(9,200)**
Discontinued Operations			
Pre-tax gain from discontinued operations	7	542	545
Income tax expense from discontinued operations	7	164	1,505
Net (loss) from disposal of discontinued operations	7	-	(119)
Profit / (loss) from discontinued operations after income tax		**378**	**(1,079)**
(Loss) for the half-year after income tax		**(561)**	**(10,279)**
Profit / (loss) for the half-year attributed to:			
Owners of the Company		(561)	(10,279)
Non-controlling interests		-	-
		(561)	**(10,279)**

[1] The Group has initially applied AASB 16 *Leases* at 1 July 2019. It has taken advantage of the exemption in paragraph C7 of AASB 16 from restating prior periods.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the half-year ended 31 December 2019

	Note	31 Dec 2019[1] $'000	31 Dec 2018[2] $'000
Other comprehensive income / (loss), net of tax			
Other comprehensive (loss) for the half-year, net of tax		**-**	**-**
Total comprehensive income / (loss) for the half-year, net of tax		**(561)**	**(10,279)**
Total comprehensive income / (loss) for the half-year attributed to:			
Owners of the Company		(561)	(10,279)
Non-controlling interests		-	-
		(561)	**(10,279)**
Total comprehensive income / (loss) for the half-year attributed to owners of the Company from:			
Continuing operations		(939)	(9,200)
Discontinued operations		378	(1,079)
		(561)	(10,279)
Earnings / (loss) per share from continuing operations:			
Basic (loss) per share	3(b)	(0.008)	(0.118)
Diluted (loss) per share	3(b)	(0.008)	(0.118)
Earnings / (loss) per share from discontinued operations:			
Basic earnings / (loss) per share	3(b)	0.003	(0.014)
Diluted earnings / (loss) per share	3(b)	0.003	(0.014)

[1] The Group has initially applied AASB 16 *Leases* at 1 July 2019. It has taken advantage of the exemption in paragraph C7 of AASB 16 from restating prior periods.

[2] The earnings/(loss) per share has been restated for the prior period due to the rights issue in the period. Refer to note 5(b).

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019[1] $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents		19,452	12,633
Receivables	4(c)	58,908	64,968
Work in progress		108,762	105,512
Other current assets		10,660	9,383
Total current assets		**197,782**	**192,496**
Non-current assets			
Property, plant and equipment	4(b)	5,071	6,630
Right-of-use assets	4(d)	22,415	-
Receivables	4(c)	23,217	19,019
Work in progress		126,754	118,143
Intangible assets	4(a)	1,896	2,155
Other non-current assets		204	319
Total non-current assets		**179,557**	**146,266**
Total assets		**377,339**	**338,762**
Current liabilities			
Payables	4(c)	48,514	53,576
Short term borrowings	4(c)	93,249	9,852
Lease liabilities	4(c)	7,604	-
Provisions		16,758	17,953
Total current liabilities		**166,125**	**81,381**
Non-current liabilities			
Payables	4(c)	6,965	4,890
Long term borrowings	4(c)	-	148,797
Deferred tax liabilities		13,272	13,901
Lease liabilities	4(c)	28,251	-
Provisions		4,515	5,641
Total non-current liabilities		**53,003**	**173,229**
Total liabilities		**219,128**	**254,610**
Net assets		**158,211**	**84,152**
Equity			
Contributed equity	5(b)	1,433,738	1,351,533
Reserves		2,334	9,933
Accumulated losses		(1,277,861)	(1,277,314)
Total equity attributable to equity holders in the Company		**158,211**	**84,152**
Non-controlling interest		**-**	-
Total equity		**158,211**	**84,152**

[1] The Group has initially applied AASB 16 *Leases* at 1 July 2019. It has taken advantage of the exemption in paragraph C7 of AASB 16 from restating prior periods.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

31 December 2019	Note	Contributed Equity	Accumulated Losses	Share-based Payment Reserve	Total Equity
		$'000	$'000	$'000	$'000
Balance as at 1 July 2019		**1,351,533**	**(1,277,314)**	**9,933**	**84,152**
Total other comprehensive income/(loss) for the half-year		-	(561)	-	(561)
Total comprehensive (loss)/income for the half-year		**-**	(561)	**-**	(561)
Transactions with owners in their capacity as owners					
Transfer from share-based payments reserve	5(b)	7,585	14	(7,599)	-
Issuance of shares under rights offer	5(b)	74,620	-	-	74,620
Total transactions with owners in their capacity as owners		**82,205**	**(547)**	**(7,599)**	**74,059**
Balance as at 31 December 2019		**1,433,738**	**(1,277,861)**	**2,334**	**158,211**

31 December 2018	Note	Contributed Equity	Accumulated Losses	Share-based Payment Reserve	Total Equity
		$'000	$'000	$'000	$'000
Balance as at 1 July 2018		**1,348,581**	**(1,298,171)**	**12,885**	**63,295**
Change in accounting policy			(10,403)	-	(10,403)
Restated total equity at the beginning of the financial year		**1,348,581**	**(1,308,574)**	**12,885**	**52,892**
Total other comprehensive income/(loss) for the half-year		-	(10,279)	-	(10,279)
Total comprehensive (loss)/income for the half-year		**-**	(10,279)	**-**	(10,279)
Transactions with owners in their capacity as owners					
Transfer from share-based payments reserve		259	-	(259)	-
Total transactions with owners in their capacity as owners		**259**	**-**	**(259)**	**-**
Balance as at 31 December 2018		**1,348,840**	**(1,318,853)**	**12,626**	**42,613**

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	31 Dec 2019[1] $'000	31 Dec 2018 $'000
Cash flow from operating activities			
Receipts from customers		90,722	95,118
Payments to suppliers and employees		(80,599)	(89,908)
Interest received		355	152
Borrowing costs		(3,440)	(4,349)
Net cash provided by operating activities of continuing operations		**7,038**	**1,013**
Net cash (used in) operating activities of discontinued operations		(161)	(1,511)
Total net cash provided by/(used in) operating activities		**6,877**	**(498)**
Cash flow from investing activities			
Payment for software development		-	(337)
Payment for plant and equipment		(171)	(1,126)
Deposits for bank guarantees		-	450
Proceeds from disposal of business		-	424
Net cash flow (used in) investing activities of continuing operations		**(171)**	**(589)**
Net cash (used in) investing activities of discontinued operations		-	-
Total net cash (used in) investing activities		**(171)**	**(589)**
Cash flow from financing activities			
Loans/payments to related parties and employees		**-**	139
Proceeds from borrowings		14,000	5,605
Repayment of borrowings		(9,428)	(7,207)
Principal elements of lease payments		(3,455)	-
Proceeds from rights issue		244	-
Transaction costs of rights issue		(1,248)	-
Net cash provided / (used) by financing activities of continuing operations		**113**	**(1,463)**
Net cash provided / (used) by financing activities of discontinued operations		-	-
Total net cash provided / (used) by financing activities		**113**	**(1,463)**
Net increase (decrease) in cash held		6,819	(2,550)
Cash at beginning of half-year		12,633	18,778
Cash at end of half-year		19,452	16,228

[1] The Group has initially applied AASB 16 *Leases* at 1 July 2019. It has taken advantage of the exemption in paragraph C7 of AASB 16 from restating prior periods.

Note 1: Basis of Preparation

This note sets out the accounting policies adopted by Slater and Gordon Limited (the "Company") and its consolidated entities (the "Consolidated Entity" or the "Group") in the preparation and presentation of the financial report. Where an accounting policy is specific to one note, the policy is described within the note to which it relates.

The financial report of Slater and Gordon Limited was authorised for issue in accordance with a resolution of the Directors on 26 February 2020.

The Group is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

(a) Basis of accounting

This half-year general purpose condensed financial report for the six months ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group's annual financial report as at 30 June 2019. The financial statements present reclassified comparative information where required for consistency with the current period presentation.

It is also recommended that the half-year financial report be considered with any public announcements made by the Company up to the date of this report in accordance with the continuous disclosure obligations of the Australian Securities Exchange listing rules.

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less and leases of low value assets (such as laptops, small items of office furniture and telephones)). For these leases, the Group recognises the lease payments as an operating expense.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Note 1: Basis of Preparation (continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Going Concern

The financial statements have been prepared using the going concern assumption which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 31 December 2019, the Group's total borrowings were $93.2m which are presented as current liabilities, being due for repayment in the next 12 months. The Super Senior Facility (SSF), which totals $78.5m, is due to mature on 23 December 2020.

At the date of these financial statements, the Company has issued the SSF lenders with a terms sheet outlining the terms of a proposed extension of the maturity date of the SSF and the SSF lenders have confirmed in writing their support for the Company and their in-principle support for the extension. The Company believes that the extension of the SSF is in the commercial best interests of the shareholders and notes that the SSF lenders own more than 97% of the Company's shares. The SSF lenders have supported the Company through other debt initiatives since the recapitalisation of the Company in December 2017, including sub-underwriting the Company's rights issue which was completed in September 2019. The Company therefore remains confident that the SSF will be extended, but acknowledges that at the date of these financial statements the final binding documentation for an extension has not been executed.

(b) Significant accounting judgements, estimates and assumptions

In preparing these half-year financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019. Additional significant judgements are outlined in detail within the specific notes to which they relate.

(c) Foreign currency transactions and balances

Transactions in foreign currencies of entities are translated into the respective functional currency of each entity at the rate of exchange ruling at the date of transaction. Foreign currency monetary items that are outstanding at the reporting date are translated using spot rate at the end of the financial year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not remeasured unless they are carried at fair value.

(d) New and revised accounting standards

The Group has initially adopted AASB 16 Leases from 1 July 2019. A number of other new amendments and interpretations are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

The key impact arising from the adoption of the new AASB 16 Leases standard is an increase in assets and an increase in liabilities (see below for further details).

Note 1: Basis of Preparation (continued)

Impact of adoption

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate was applied to the lease liabilities.

	$'000
Operating lease commitments as at 30 June 2019	46,315
Discounted using Group's incremental borrowing rate	38,876
Lease liability recognised as at 1 July 2019	38,876

The associated right-of-use assets for property leases were measured on a modified retrospective basis at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and onerous lease provisions relating to that lease recognised in the balance sheet as at 30 June 2019. On 1 July 2019, the right-of-use asset was calculated as follows:

	$'000
Lease liability recognised as at 1 July 2019	38,876
Less: Provision for onerous leases	(3,082)
Less: Lease accruals at the date of transition	(4,574)
Less: Lease receivable recognised for sub-leases	(6,661)
Right-of-use asset recognised as at 1 July 2019	**24,559**

Note 2: Segment Reporting

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.

Following the restructure of the Group in December 2017, the Group has one reportable segment, which provides legal services in Australia. Information provided to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance is consistent with amounts presented in the Consolidated Financial Statements. The Group's revenues and non-current assets are wholly based in Australia. The Group is not reliant on any single customer.

As the Group continues to implement its transformation strategy, it will re-evaluate the information provided to the chief operating decision maker, which may change the Group's operating segments going forward.

Note 3: Financial Performance

(a) Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

The Group's operations and main revenue streams are those described in the financial statements as at 30 June 2019. The Group derives revenue from the transfer of goods and services over time and at a point in time, in the major product lines of Personal Injury Law and Litigation and Emerging Services and the geographical region of Australia.

Half-year ended 31 December 2019	Personal Injury Law $'000	Litigation and Emerging Services $'000	Total $'000
Type of contract:			
Fixed price	-	249	249
Time and materials	-	6,841	6,841
No win – no fee	79,453	2,216	81,669
Revenue from contracts with customers	**79,453**	**9,306**	**88,759**
Half-year ended 31 December 2018			
Type of contract:			
Fixed price	-	354	354
Time and materials	-	4,695	4,695
No win – no fee	65,829	3,423	69,252
Revenue from contracts with customers	**65,829**	**8,472**	**74,301**

The Group does not incur any high seasonality as considered by AASB 134 Interim Financial Reporting, meaning reported results are not seasonally impacted.

(b) Earnings per share

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

	31 Dec 2019	31 Dec 2018[1]
Loss used in calculating basic and diluted earnings per share from continuing operations ($'000)	(939)	(9,200)
Gain / (loss) used in calculating basic and diluted earnings per share from discontinued operations ($'000)	378	(1,079)
Weighted average number of ordinary shares used in calculating basic loss per share ('000's)	111,339	77,870
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share ('000's)	111,339	77,870

[1] The earnings/(loss) per share has been restated for the prior period due to the rights issue in the period. Refer to note 5(b).

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 4: Assets and Liabilities

(a) Intangible assets

The intangible assets balance as at 31 December 2019 is $1.9m (30 June 2019: $2.2m). The movement from 30 June 2019 is amortisation expense of $0.3m (30 June 2019: $0.3m).

There was no impairment loss recognised during the half year.

(b) Property, plant and equipment

The property, plant and equipment balance as at 31 December 2019 is $5.1m (30 June 2019: $6.6m). The movement from 30 June 2019 includes additions of $0.2m (30 June 2019: $2.6m), disposals of $nil (30 June 2019: $1.2m), depreciation expense of $1.7m (30 June 2019: $4.1m).

There was no impairment loss recognised during the half year.

(c) Financial assets and financial liabilities

Set out below is an overview of financial assets and financial liabilities held by the Group as at 31 December 2019 and 30 June 2019. The carrying value of these financial assets and liabilities equal their fair value.

	31 Dec 2019 $'000	30 Jun 2019 $'000
Financial Assets		
Trade receivables & other receivables	36,470	35,238
Disbursements	45,655	48,749
Total assets	**82,125**	**83,987**
Total current assets	**58,908**	**64,968**
Total non-current assets	**23,217**	**19,019**
Financial Liabilities		
Payables	41,994	48,471
Third party disbursement	13,485	9,995
Lease liabilities	35,855	-
Borrowings	93,249	158,649
Total liabilities	**184,583**	**217,115**
Total current liabilities	**149,367**	**63,428**
Total non-current liabilities	**35,216**	**153,687**

(d) Right-of-use assets (leases)

	$'000 Buildings
Cost	
At 1 July 2019	24,559
Additions	696
At December 2019	**25,255**
Accumulated deprecation	
At 1 July 2019	-
Amortisation charge for the half	(2,840)
At December 2019	**(2,840)**
Carrying amount	
At December 2019	**22,415**

The Group leases several buildings with options to extend at the end of the lease term.

Note 4: Assets and Liabilities (continued)

Amounts recognised in profit and loss	31 Dec 2019 $'000
Depreciation expense on right-of-use assets	2,821
Interest expense on lease liabilities	1,558
Expenses relating to short-term leases	366
Expenses relating to variable payments not included in lease liability	766
Income from sub-leasing of right of use assets	(252)

Some of the property leases in which the Group is the lessee contain variable payments that are linked to outgoings. The total variable payments recognised in the profit or loss for the half year ended 31 December 2019 was $766k.

Note 5: Capital Structure and Financing

(a) Financing arrangements

Debt Facilities

At the reporting date, the Group had the following debt facilities:

a) Refinanced Super Senior Facility ($65.0m) with a termination date of 22 December 2020. The facility incurs fixed fees and a fixed interest rate, with interest not payable until the end of the term. There is no amortisation required over the life of this facility. The balance is $78.6m at 31 December 2019 (30 June 2019: $74.8m). The total undrawn amount of the facility is nil at 31 December 2019 (30 June 2019: nil).
b) Disbursement asset backed facility ($33.0m) secured against disbursement assets (security pool). Future receipts of the security pool must be applied in repayment of the facility when they are received, accordingly the amount classified as current is based on expected disbursement receipts. Any outstanding balance is fully repayable on 29 December 2020.The balance is $14.7m at 31 December 2019 (30 June 2019: $9.9m). Interest on the facility is payable annually in advance.

In 2019, the Group renegotiated the disbursement asset backed facility to provide a redraw facility of $15.0m. The redraw facility is available until 30 September 2020 and is limited through the application of loan covenant requirements. As at 31 December 2019, the Group had $2.3m available to redraw.

Covenants position

The Group was compliant with all financial banking covenants as at 31 December 2019.

Net Debt

The Group has cash on hand of $19.5m (30 June 2019: $12.6m), offset by debt of $93.2m, resulting in net debt of $73.7m (30 June 2019: $146.0m). The Group's net debt position has decreased since 30 June 2019 by $72.3m.

	Currency	Maturity	31 December 2019 $'000 Carrying amount	30 June 2019 $'000 Carrying amount
Super Senior Facility (1)	AUD	22 Dec 2020	78,558	74,788
Syndicated Facility Agreement (1)	AUD	-	-	63,805
Deferred restructure fee	AUD	-	-	10,204
Disbursement asset-backed facility (2)	AUD	29 Dec 2020	14,691	9,852
Total interest-bearing liabilities			**93,249**	**158,649**

(1) Includes capitalised interest costs as agreed with the lenders

(2) Prepaid interest of $2.5m has been recognised in Other current assets.

Note 5: Capital Structure and Financing (continued)

(b) Contributed equity

	31 Dec 2019 Shares	31 Dec 2019 $'000	30 Jun 2019 Shares	30 Jun 2019 $'000
Ordinary shares fully paid	138,428,817	1,433,738	69,527,235	1,348,840

Movement in ordinary share capital			For the half-year ended	
	31 Dec 2019 Shares	31 Dec 2019 $'000	31 Dec 2018 Shares	31 Dec 2018 $'000
Balance at the beginning of the period	**69,527,235**	**1,351,533**	**69,527,235**	**1,348,581**
Issued during the year				
• Transfer from share-based payment reserve	-	160	-	259
• Conversion of warrants	3,156,535	7,425	-	-
• Issuance of shares under rights issue	65,745,047	74,620	-	-
• Performance rights	-	-	-	
Balance at the end of the period	**138,428,817**	**1,433,738**	**69,527,235**	**1,348,840**

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.

During the period, the Company issued 65,745,047 shares for $74,620k as part of a rights issue. The proceeds were used to repay loans and associated fees owing under the syndicated facility agreement, thereby strengthening the balance sheet.

There were also 3,156,535 new shares issued on conversation of warrants issued under the Company's syndicated facility agreement. As a result of this $7,425k was transferred from the share-based payment reserve.

(c) Third party disbursement funding

The Group has an agreement with third party disbursement funder, Equal Access Funding Proprietary Limited ('EAF'), who fund disbursements in respect of individual matters and are reimbursed out of any settlement proceeds on the matter. The Group has provided a financial guarantee to EAF for the repayment of clients' obligations in certain circumstances.

In July 2018, the Group entered into an Exclusive Service Provider Deed with MAF Credit Pty Ltd ('MAF') to provide disbursement funding to clients. The funding facility is available for 30 months and can be extended for a further 18 months. The Group has provided a guarantee to MAF for the repayment of clients' obligations in certain circumstances.

Both disbursement funding facilities are presented in the statement of financial position within payables with a corresponding financial asset in receivables. An assessment of the financial asset has been performed in line with AASB 9 and a provision for $3,776k (30 June 2019: $2,327k) has been recognised against the asset.

Note 6: Unrecognised Items

(a) Contingent liabilities – class action proceedings

On 12 October 2016 legal proceedings were filed against the Company in the Federal Court of Australia ("Federal Court") by Matthew Hall on behalf of an open class of the Company's shareholders (the "Hall proceeding"). The class action proceeding asserted that the Company engaged in misleading or deceptive conduct and breached its continuous disclosure obligations during the period from 30 March 2015 to 24 February 2016 and sought compensation or refund of investments, plus interest and costs. This class action proceeding was settled by agreement in July 2017 through a Federal Court mediation, subject to creditor, shareholder and Court approval of a shareholder claimant and senior lender scheme of arrangement.

Note 6: Unrecognised Items (continued)

On 20 June 2017, the Company announced that legal proceedings were filed against it by Babscay Pty Ltd (the "Babscay proceeding") on behalf of persons who acquired an interest in shares of the Company between 24 August 2012 and 19 November 2015. The statement of claim asserted that the Company's financial statements for the financial years ended 30 June 2013, 2014 and 2015 contained false or misleading statements. This claim was later amended to also include the Company's financial statements for the financial year ended 30 June 2012. The allegations focus on the way in which the Company recognised revenue and, in financial year 2015, accounted for acquisitions in accordance with Australian Accounting Standards.

On 14 December 2017 the Federal Court approved a scheme of arrangement between the Company and all shareholder claimants ("Shareholder Claimant Scheme"), including claimants in the Hall and Babscay proceedings. The Shareholder Claimant Scheme resolves and compromises all potential shareholder claims against the Company and its officers. The Shareholder Claimant Scheme became legally effective on 15 December 2017. Under the Scheme, shareholder claimants have released the Company and officers from any shareholder claims and the Scheme can be pleaded as a bar to any shareholder claim.

On 14 December 2017 the Federal Court also approved the settlement of the Hall proceeding and dismissed that proceeding. The Company's contribution to this settlement of $5.0m was recognised as a provision at 30 June 2017. The Hall proceeding settlement is implemented by the Shareholder Claimant Scheme. The Babscay proceeding has not yet been formally dismissed or discontinued, however the Shareholder Claimant Scheme releases the Company and its officers and bars the prosecution of that claim.

The Shareholder Claimant Scheme limits the ability of a shareholder claimant to bring proceedings against third parties and also provides for an indemnity from the shareholder claimants in favour of the Company and its directors and officers in the event that a shareholder claimant brings a permitted claim against a third party and that third party then brings a claim against the Company.

On 1 November 2017, class action legal proceedings were filed against the Company's former auditors, Pitcher Partners, by Babscay Pty Ltd (the "Babscay Pitcher proceeding"). On 23 February 2018, Pitcher Partners served a cross claim on the Company and certain former directors and officers.

On 31 July 2018, further class action legal proceedings were filed against the Company's former auditors, Pitcher Partners, by Matthew Hall (the "Hall Pitcher proceedings"). On 26 October 2018 Pitcher Partners served a cross claim in the Hall Pitcher proceedings on the Company and certain former directors and officers.

The Company has filed defences against both cross claims and has, in turn, filed cross claims against the plaintiffs, claiming the benefit of the indemnity in the Shareholder Claimant Scheme.

In May 2019, Pitcher Partners brought a further cross claim against another party. The discovery process is now underway in both proceedings.

In September 2019, class action proceedings were commenced against the Company's former solicitors, Arnold Bloch Liebler, by Matthew Hall (the "Hall ABL proceedings"). The Company is not a party to the Hall ABL proceedings.

(b) Guarantees for UK lease obligation

In December 2017, the Company and S&G UK entered into certain transitional arrangements that are governed by a business separation agreement ("BSA") to effect the separation of the Group's UK operations and subsidiaries from its Australian operations under the Senior Lender Scheme.

The transitional arrangements required the parties to the BSA to seek to procure that the Company is released from parent guarantees and other forms of security and financial support that it has provided to the UK operations. Any potential material contingent liability relates to parent guarantees for UK leases for the major office premises used by the UK operations.

The BSA provides that S&G UK must use reasonable endeavours to have the parent guarantees released and that this must be completed within 18 months of the date of implementation of the Recapitalisation on 15 December 2017 (or such longer period as agreed between the Company and S&G UK). In June 2019, the Company and S&G UK agreed to extend this period by 12 months until 22 June 2020.

If, during the period to 22 June 2020, the UK operations default on the UK leases subject to the parent guarantees, and those parent guarantees have not yet been released, the Company may be liable for any unpaid amounts under those leases at the time of default. Any contingent liability has the potential to be material in the event that the UK operations were in default and the parent guarantees were called upon and the Company was unable to take steps that are typically commercially available to mitigate its loss, such as sub-leasing. At 31 December 2019, the aggregate unpaid amounts under these lease agreements for the remainder of the lease terms are $87,440,209 (GBP46,154,769), (30 June 2019: $89,105,366; (GBP47,857,224)).

It is not currently possible for the Company to estimate any liability or contingent liability under these guarantees as there would need to be an event of default by the UK operations to cause any liability. In addition, numerous factors would impact the extent of any potential liability in that event, such as when the guarantee would be called and the amounts outstanding at that time, the Company's ability to take steps to mitigate loss, including subleasing the premises, and its capacity to negotiate with the third parties who have the right to call on those guarantees. Liability in respect of these guarantees will only arise if the UK operations default on their obligations under the leases and other material contracts subject to a parent guarantee, prior to an agreement being made to release that guarantee.

Note 7: Discontinued Operations

(a) Summary of financial performance of discontinued operations

This note shows the results of the discontinued operations. Discontinued results represent two major operations:

- Following the implementation of Senior Lender Scheme, effective 15 December 2017, Slater and Gordon separated from all UK operations and UK subsidiaries including S&G UK; and
- Downsize of General Law business, following the internal review on 7 February 2018.

For further information, refer to the Financial Statements for the year ended 30 June 2019.

	Total 31 Dec 2019 $'000	Total 31 Dec 2018 $'000
Revenue	107	799
Other income	2	-
Expenses	433	(254)
Profit (Loss) of discontinued operation before income tax expense	**542**	**545**
Net gain / (loss) from disposal before income tax expense	**-**	**(119)**
Income tax expense:		
Income tax expense / (benefit) from discontinued operations	164	1,505
Income tax (benefit) on disposal of discontinued operations	-	-
Profit / (loss) from discontinued operations net of tax	**378**	**(1,079)**

Note 8: Subsequent Events

On 3 February 2020 the Company executed a loan agreement to provide an additional source of working capital funding. The facility is a $7m 3-year term loan and $3m revolving credit facility both with a maturity date of 3 February 2023, secured against a borrowing base of eligible receivables. Interest is 9.5% and is paid monthly. At the date of this report the full balance of the loan remains unutilised.

In February 2020 Management issued a terms sheet to the SSF lenders outlining the Company's terms for a proposed 31-month extension of the SSF. The SSF lenders have responded positively in writing to that terms sheet, indicating in-principle support, subject to long form documentation.

The Directors are not aware of any other significant events since the end of the reporting period.

Slater and Gordon Limited
Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 4 to 17 are in accordance with the *Corporations Act 2001,* including:

(a). Complying with Australian Accounting Standard AASB *134 Interim Financial Reporting* and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and

(b). Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance and cash flows for the half year ended on that date.

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

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

James MacKenzie	John Somerville
Chair	Managing Director and Chief Executive Officer

Melbourne

27 February 2020

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Review Report to the Members of Slater and Gordon Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Slater and Gordon Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

David Shewring
Partner
Melbourne
27 February 2020