

APPENDIX 4D STATEMENT

(Listing rule 4.2A.3)

PRELIMINARY FINAL REPORT for the half year ended 31 December 2020

Results for announcement to the market

	31 December 2020	31 December 2019	% change to prior year	
	\$'000	\$'000		
1. Revenues from ordinary activities	98,293	88,759	Up	10.7%
2. Profit / (Loss) from ordinary activities after tax attributable to members	3,091	(561)	Up	Large

Dividend information

3. Total dividend per ordinary share

No dividends were proposed for the half year ending 31 December 2020 and 31 December 2019.

4. Record date for determining entitlements to the final dividend

Not applicable

5. Net tangible asset per security	31 December 2020	31 December 2019
	\$'000	\$'000
Net Tangible Assets	166,448	156,315
	Number of shares	Number of shares
Total number of ordinary shares of the Company	138,428,817	138,428,817
Net tangible asset backing per ordinary security	120.2 cents	112.9 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 2020	15 December 2019
	\$'000	\$'000
	-	-

This information should be read in conjunction with 2020 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.

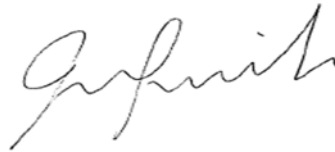
Additional information supporting the Appendix 4D disclosure requirements can be found in the Director's report and the condensed consolidated financial report for the half-year ended 31 December 2020.

This report is based on the consolidated financial report which has been independently reviewed 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 2020.



James MacKenzie

Chair



John Somerville

Managing Director and Chief Executive Officer

Melbourne

25 February 2021

ABN 93097297400

Slater & Gordon Ltd

**Financial Report for the Half Year Ended 31
December 2020**

Slater & Gordon Ltd
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31 December 2020

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Slater & Gordon Ltd
Directors' report
31 December 2020

The Directors of Slater & Gordon Ltd present their report, together with the condensed consolidated half-year financial report consisting of Slater & Gordon Ltd ("the Company") and its controlled entities (jointly referred to as "the Group"), for the half-year ended 31 December 2020 and the review report thereon.

Directors

The directors in office at any time during the half year ended 31 December 2020 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 2020 with:

- total revenue and other income from continuing operations of \$99.3m (31 December 2019: \$89.2m);
- a net profit/ (loss) from continuing operations after tax of \$2.8m (31 December 2019: \$(0.9)m); and
- net operating cash inflows generated from continuing operations of \$6.1m (31 December 2019: \$7.0m).

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

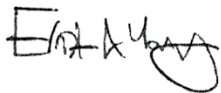
25 February 2021

Auditor's independence declaration to the directors of Slater & Gordon Ltd

As lead auditor for the review of the half-year financial report of Slater & Gordon Ltd and Controlled Entities for the half-year ended 31 December 2020, 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 & Gordon Ltd and the entities it controlled during the financial year.



Ernst & Young



David Shewring
Partner
25 February 2021

Slater & Gordon Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue			
Fee revenue		77,426	75,981
Net movement in work in progress		20,867	12,778
Revenue from contracts with customers	3	98,293	88,759
Other income		1,040	439
Total revenue and other income		99,333	89,198
Less expenses			
Salaries and employee benefit expense		(56,012)	(49,494)
Rental expense		(1,031)	(985)
Advertising, marketing and new business development expense		(6,583)	(5,112)
Administration and office expense		(9,104)	(9,553)
Consultant fees		(2,743)	(6,128)
Finance costs		(6,114)	(6,785)
Bad and doubtful debts		(5,357)	(4,465)
Depreciation and amortisation expense	4	(4,165)	(4,828)
Other expenses		(3,183)	(3,158)
Total expenses		(94,292)	(90,508)
Profit / (Loss) before income tax (expense) / benefit from continuing operations		5,041	(1,310)
Income tax (expense) / benefit		(2,239)	371
Profit / (Loss) after income tax (expense) / benefit from continuing operations		2,802	(939)
Profit after income tax expense from discontinued operations	7	289	378
Profit / (Loss) after income tax (expense) / benefit for the half-year		3,091	(561)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		3,091	(561)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		2,802	(939)
Discontinued operations		289	378
Total comprehensive income for the half-year		3,091	(561)
		Cents	Cents
Earnings per share for profit/(loss) from continuing operations			
Basic earnings per share	3	2.0	(0.8)
Diluted earnings per share	3	1.9	(0.8)
Earnings per share for profit from discontinued operations			
Basic earnings per share	3	0.2	0.3
Diluted earnings per share	3	0.2	0.3
Earnings per share for profit/(loss)			
Basic earnings per share	3	2.2	(0.5)
Diluted earnings per share	3	2.1	(0.5)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Slater & Gordon Ltd
Consolidated statement of financial position
As at 31 December 2020

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		19,734	26,461
Receivables	4.c	56,457	63,894
Work in Progress	4.e	114,192	107,460
Other assets		9,644	11,047
Assets held for sale		-	1,375
Total current assets		200,027	210,237
Non-current assets			
Property, Plant and Equipment	4.b	2,920	3,643
Receivables	4.c	20,003	21,288
Work in Progress	4.e	143,097	131,753
Right-of-use assets	4.d	15,020	19,705
Intangible Assets	4.a	1,325	1,618
Other assets		1,184	318
Total non-current assets		183,549	178,325
Total assets		383,576	388,562
Liabilities			
Current liabilities			
Payables	4.c	51,258	54,833
Financing Arrangements	4.c	359	8,415
Leases	4.c	7,463	8,185
Provisions		19,254	20,333
Total current liabilities		78,334	91,766
Non-current liabilities			
Payables	4.c	10,580	8,889
Financing Arrangements	4.c	85,917	83,435
Leases	4.c	18,849	24,110
Deferred tax		17,458	15,219
Provisions		4,665	2,810
Total non-current liabilities		137,469	134,463
Total liabilities		215,803	226,229
Net assets		167,773	162,333
Equity			
Contributed Equity	5.b	1,434,793	1,434,793
Reserves		8,374	6,025
Accumulated losses		(1,275,394)	(1,278,485)
Total equity		167,773	162,333

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Slater & Gordon Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

	Contributed Equity \$'000	Share-based Payment Reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	1,351,533	9,933	(1,277,314)	84,152
Loss after income tax benefit for the half-year	-	-	(561)	(561)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(561)	(561)
Transfer from share based payments reserve	7,585	(7,599)	14	-
Issuance of shares under rights offer	74,620	-	-	74,620
Balance at 31 December 2019	1,433,738	2,334	(1,277,861)	158,211
	Contributed Equity \$'000	Share-based Payment Reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	1,434,793	6,025	(1,278,485)	162,333
Profit after income tax expense for the half-year	-	-	3,091	3,091
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,091	3,091
Performance rights granted under LTIP	-	2,349	-	2,349
Balance at 31 December 2020	1,434,793	8,374	(1,275,394)	167,773

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Slater & Gordon Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities			
Receipts from customers		118,418	116,631
Payments to suppliers and employees		(111,409)	(106,508)
Interest received		1,049	355
Borrowing costs		(1,938)	(3,440)
Net cash provided by operating activities of continuing operations		6,120	7,038
Net cash from / (used in) operating activities of discontinued operations		289	(161)
Total net cash provided by operating activities		6,409	6,877
Cash flows from investing activities			
Payment for plant and equipment		(389)	(171)
Proceeds from disposal of business - deferred consideration		47	-
Net cash used in investing activities		(342)	(171)
Cash flows from financing activities			
Proceeds from borrowings		5,676	14,000
Proceeds from rights issue		-	244
Repayment of borrowings		(14,264)	(9,428)
Payment of principal portion of lease liabilities		(4,206)	(3,455)
Transaction costs of rights issue		-	(1,248)
Net cash from/(used in) financing activities		(12,794)	113
Net (decrease) / increase in cash held		(6,727)	6,819
Cash and cash equivalents at the beginning of the financial half-year		26,461	12,633
Cash and cash equivalents at the end of the financial half-year		19,734	19,452

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Basis of Preparation

This note sets out the accounting policies adopted by Slater & Gordon Ltd (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 was authorised for issue by the directors as at the date of the Directors’ Report on 25 February 2021.

The Company is limited by shares and is incorporated and domiciled in Australia. Its 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 2020 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 2020. 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.

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 2020, the Group’s total borrowings were \$86.3m (30 Jun 2020: \$91.9m). Of this, \$0.4m (30 Jun 2020: \$8.4m) is presented as current liabilities, being due for repayment in the next 12 months. The remaining \$85.9m (30 Jun 2020: \$83.4m) of debt is non-current. Furthermore, as at 31 December 2020, the Group has a positive net current asset balance of \$121.7m (30 Jun 2020: \$118.5m) and a positive overall net asset balance of \$167.8m (30 Jun 2020: \$162.3m).

The Group’s borrowings are subject to covenants that have been complied with as at 31 December 2020 and are not forecasted to be breached in the next 12 months.

The Directors have assessed the forecasted trading outlook and cash flows. In making this assessment, consideration has been given to potential impacts of COVID-19 on the Group’s operations and forecasted cash flows based on best estimates within a range of future market scenarios, noting that the rapidly evolving nature of COVID-19 makes it inherently difficult to forecast outcomes with certainty. Nevertheless, there are various mitigation strategies which will be deployed to manage cash to appropriate levels in the event unfavourable forecast outcome occurs.

On this basis, the Directors have concluded that there are reasonable grounds to believe that the Group will continue to be able to pay its debts as and when they become due and payable, and the preparation of the 31 December 2020 financial report on a going concern basis is appropriate.

(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 applying to the consolidated financial statements as at and for the year ended 30 June 2020. Additional significant judgements are outlined in detail within the specific notes to which they relate.

Note 1. Basis of Preparation (continued)

(c) Foreign Currency Translations 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 adopted all relevant mandatory standards and interpretations for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position or disclosures of the Group as they did not result in any changes to the Group's existing accounting policies.

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 revenue and expenses that relate to transactions with any of the Group's other components.

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.

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 2020. 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.

	Personal Injury Law \$'000	Litigation and Emerging Services \$'000	Total \$'000
31 Dec 2020			
Type of contract			
Fixed price	-	(36)	(36)
Time and Materials	-	6,616	6,616
No Win - No Fee	83,836	7,877	91,713
Revenue from contracts with customers	83,836	14,457	98,293
31 Dec 2019			
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

Note 3. Financial Performance (continued)

The Group does not incur any high seasonality as considered by AASB 134 Interim Financial Reporting.

(b) Earnings / (Loss) per Share

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

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit / (Loss) after income tax (expense) / benefit from continuing operations	2,802	(939)
Profit / (Loss) after income tax expense from discontinued operations	289	378
Profit / (Loss) after income tax (expense) / benefit for the year	3,091	(561)
Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share	140,514	111,339
Adjusted weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share	147,614	111,339

Note 4. Assets and Liabilities

(a) Intangible assets

The intangible assets balance as at 31 December 2020 is \$1.3m (30 June 2020: \$1.6m). The movement from 30 June 2020 is amortisation expense of \$0.3m (30 June 2020: \$0.6m).

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 2020 is \$2.9m (30 June 2020: \$3.6m). The movement from 30 June 2020 includes additions of \$0.4m (30 June 2020: \$0.3m), disposals of \$0.01m (30 June 2020: \$0.05m), depreciation expense of \$1.1m (30 June 2020: \$3.2m).

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 2020 and 30 June 2020. The carrying value of these financial assets and liabilities equal their fair value.

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Financial Assets		
Trade receivables & other receivables	31,399	39,573
Disbursements	45,061	45,609
Total assets	76,460	85,182
Total current assets	56,457	63,894
Total non-current assets	20,003	21,288

Note 4. Assets and Liabilities (continued)

Financial Liabilities

Payables	40,433	45,878
Third party disbursements	21,405	17,844
Leases	26,312	32,295
Financing arrangements	86,276	91,850
Total liabilities	174,426	187,867
Total current liabilities	59,080	71,433
Total non-current liabilities	115,346	116,434

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

31 Dec 2020
\$'000
Buildings

Cost

Balance at the beginning of the period	25,367
Additions	594
Lease adjustments	(2,494)
Balance at the end of the period	23,467

Accumulated depreciation

Balance at the beginning of the period	(5,662)
Amortisation charge for the half	(2,785)
Balance at the end of the period	(8,447)

Carrying amount	15,020
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The Group leases several buildings with options to extend at the end of the lease term.

Amounts recognised in profit and loss

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Depreciation expense on right-of-use assets	2,785	2,821
Interest expense on lease liabilities	889	1,558
Expenses relating to short-term leases	314	366
Expenses relating to variable payments not included in lease liability	716	766
Income from sub-leasing of right of use assets	(191)	(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 2020 was \$716,000.

(e) Work in Progress

Work in progress represents client cases which have not yet reached a conclusion and comprises personal injury cases, services performed ancillary to personal injury cases, non-personal injury cases and project litigation cases. Refer to Note 3 for further details.

Contracts for legal services are billed based on time incurred or regulated prices. As permitted under AASB 15 *Revenue from Contracts with Customers*, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations under these contracts has not been disclosed.

The Group allocates work in progress between current and non-current classifications based on a historical analysis of the Group's work in progress balances and velocity rates to determine expected timing of settlements.

Note 4. Assets and Liabilities (continued)

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Current assets		
Personal Injury	109,658	105,550
Litigation and emerging services	5,682	2,901
Provision for impairment	(1,148)	(991)
Total current assets	114,192	107,460
Non-current assets		
Personal injury	139,507	130,419
Litigation and emerging services	8,183	5,296
Provision for impairment	(4,593)	(3,962)
Total non-current assets	143,097	131,753

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 31 July 2023. The facility incurs fixed fees and a fixed interest rate, with cash interest not payable until 1 January 2021. From 1 January 2021, a portion of the interest will be payable in cash at regular intervals. The remaining interest owing will be capitalised to the loan balance. From 1 January 2023, all interest will be payable in cash at regular intervals. The balance is \$76.8m at 31 December 2020 (30 June 2020: \$80.5m). The total undrawn amount of the facility is nil at 31 December 2020 (30 June 2020: nil).
- b) Term Loan (\$15.0m) – the facility size increased from \$10.0m to \$20.0m in July 2020, of which \$5m of the facility commitment was lapsed on a voluntary basis as at 31 December 2020. It is secured against a borrowing base of eligible receivables and has a termination date of 6 February 2023. Of the \$15.0m outstanding facility commitment, \$3.0m is revolving credit and \$12.0m is term loan. The facility incurs fixed fees and a fixed interest rate, with interest payable monthly in arrears. The balance is \$10.0m as at 31 December 2020 (30 June 2020: \$5.5m). The total available undrawn amount of the facility is \$5.0m as at 31 December 2020 (30 June 2020: \$4.5m) subject to availability of eligible receivables.

Covenants position

The Group was in compliance with all financial covenants as at 31 December 2020.

Net Debt

As at 31 December 2020, the Group has fully drawn its Super Senior Facility.

The Group has cash on hand of \$19.7m (30 June 2020: \$26.5m), offset by debt of \$112.6m (including lease liabilities of \$26.3m), resulting in net debt of \$92.9m (30 June 2020: \$97.7m). The Group's net debt position has decreased since 30 June 2020 by \$4.8m.

Note 5. Capital Structure and Financing (continued)

	Currency	Maturity	31 Dec 2020 \$'000 Carrying amount	30 June 2020 \$'000 Carrying amount
Super Senior Facility ⁽¹⁾	AUD	31 Jul 2023	76,847	80,507
Term Loan ⁽²⁾	AUD	6 Feb 2023	9,070	4,896
Disbursement asset-backed facility	AUD	29 Dec 2020	-	6,448
Lease liabilities	AUD	Feb 2021 - Jan 2028	26,312	32,294
Insurance Premium Financing	AUD	30 Mar 2021	359	-
Total			112,588	124,145

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

⁽²⁾ Net of capitalised establishment costs

(b) Contributed equity

	31 Dec 2020 Shares	31 Dec 2020 \$'000	30 Jun 2020 Shares	30 Jun 2020 \$'000
Ordinary shares fully paid	138,428,817	1,434,793	138,428,817	1,434,793

Movements in ordinary share capital

	For the half-year ended			
	31 Dec 2020 Shares	31 Dec 2020 \$'000	31 Dec 2019 Shares	31 Dec 2019 \$'000
Balance at the beginning of the period	138,428,817	1,434,793	69,527,235	1,351,533
Transfer from share based payment reserve	-	-	-	160
Conversion of warrants	-	-	3,156,535	7,425
Issuance of shares under rights issue	-	-	65,745,047	74,620
Balance at the end of the period	138,428,817	1,434,793	138,428,817	1,433,738

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.

(c) Third party disbursement funding

The Group has an agreement with third party disbursement funder, Equal Access Funding Proprietary Limited ('EAF'), who funds disbursements in respect of individual matters. EAF is 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 executed 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 \$5,943,000 (30 June 2020: \$4,837,000) has been recognised against the asset.

Note 6. Unrecognised Items

(a) Guarantees

The Group has provided certain lease rental guarantees with a face value of \$4,206,705 (30 June 2020: \$4,177,712).

The Company has also provided lease guarantees for certain offices located in the United Kingdom as detailed below.

The Company and Slater and Gordon (UK) 1 Limited ("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 previous UK operations and subsidiaries from its Australian operations under the Senior Lender Scheme entered into in December 2017.

The transitional arrangements required the parties to the BSA to seek to procure that the Company be 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). This due date was first extended by agreement until 22 June 2020. Subsequently in June 2020, the Company and S&G UK agreed to extend this period by six further terms of one month each in return for the payment of a guarantee fee equal to 5% of the monthly guaranteed amount, payable in advance of each one month extension. The final extension expired on 22 December 2020 and no further extension has been agreed to. Despite the failure of S&G UK to meet its obligations under the BSA to have the parent guarantees released by the extended due date, S&G UK remains under a continuing obligation to use its reasonable endeavours to have the parent guarantees released.

If S&G UK defaults 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 2020, the aggregate unpaid amounts under these lease agreements for the remainder of the lease terms are \$71,960,387 (GBP 40,617,492), (30 June 2020: \$82,200,842; GBP 45,823,188).

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.

(b) 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.

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.

Note 6. Unrecognised Items (continued)

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 Babsco Pty Ltd (the "Babsco 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.

In November 2020, the Babsco Pitcher proceeding was discontinued by the plaintiff and Pitchers and the Company have sought orders that their legal costs be paid.

In September 2019, class action proceedings were commenced against the Company's former solicitors, Arnold Bloch Leibler, by Matthew Hall on behalf of an open class of the Company's shareholders (the "Hall ABL proceedings"). In December 2020, Arnold Bloch Leibler brought a cross claim against the Company and a former director and a former officer of the Company. The Company has not yet filed its Defence to the Cross Claim.

(c) Contingent Liabilities – Solicitor liability

Entities within the Group are defendants from time to time in legal proceedings arising from the conduct of their business. There are contingent liabilities in respect of claims, potential claims and court proceedings against entities of the Group.

(d) Contingent Liabilities – Prior year acquisition (ProLearn)

The Financial Statements for the financial year ending 30 June 2020 referred to a contingent liability relating to a further payment as part of the Pre-Legal acquisition in May 2019. The final payment of \$366,868 excluding GST has now been paid and no contingent liability remains.

Note 7. Discontinued operations

Summary of financial performance of discontinued operations

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

- 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 2018.

Note 7. Discontinued operations (continued)

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue	83	107
Other income	-	2
Total revenue	83	109
Expenses	236	433
Profit before income tax expense	319	542
Income tax expense	-	(164)
Profit after income tax expense	319	378
Net gain/(loss) from disposal of discontinued operations	(30)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(30)	-
Profit after income tax expense from discontinued operations	289	378

Note 8. Events after the reporting period

Subsequent events

There are no subsequent events.

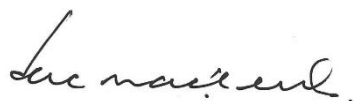
Slater & Gordon Ltd
Directors' declaration
31 December 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



James MacKenzie
Chair



John Somerville
Managing Director and Chief Executive Officer

25 February 2021

Independent auditor's review report to the members of Slater & Gordon Ltd

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Slater & Gordon Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 2020 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 2020 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*.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a stylized, cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Shewring', with a stylized, cursive script.

David Shewring
Partner
Melbourne
25 February 2021