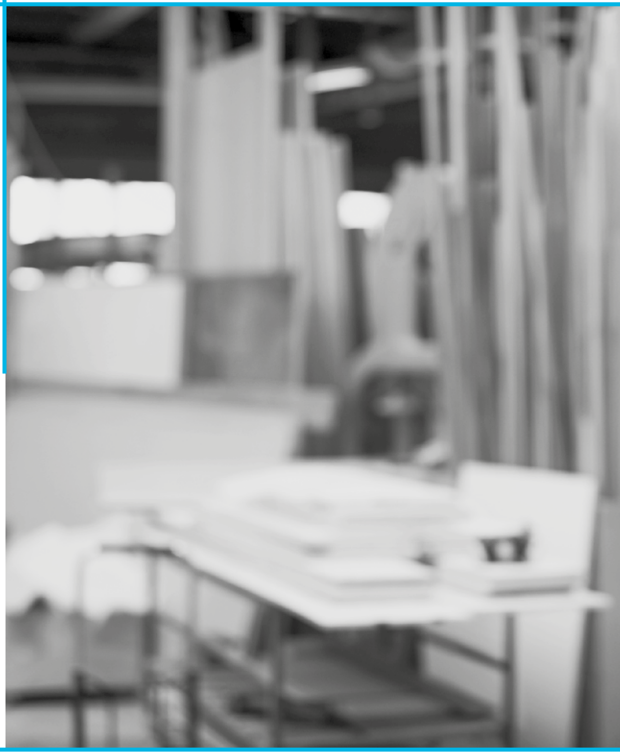
ANNUAL REPORT 2019

Slater & Gordon Limited

Slater Gordon
Lawyers



We have a shared purpose with our clients – our success is their success.

I was dragged under a truck. Very intense. The permanent injury will affect me for the rest of my life, the settlement is going to help me so I can live comfortably and not have to worry so much.

Jerra

CHAIR'S REPORT

The FY19 financial results show a significant shift for Slater & Gordon, which continues to improve its position. The Company reported a net profit after tax for the full year ended 30 June 2019 of $31.3 million, which was positively impacted by the requirement to recognise a deferred tax asset of $37.6 million.

The Company also reported a net loss from continuing operations before tax of $141,000. This compares to a net loss of $29 million for the PCP. The Company also reported positive EBITDAW of $12.8 million (2018: negative $6.0 million).

The Company has continued to improve its expenses, cash flow from operations and net asset position, with total revenue and other income from continuing operations remaining largely flat. These results reflect the business-wide transformation program, mostly completed in the first half of FY19 that resulted in a more streamlined service offering.

There were further changes to the Company's Board, with Hayden Stephens resigning as a Director in September. Slater & Gordon's Chief Executive Officer John Somerville was appointed Managing Director and the Company's General Counsel and Company Secretary Michael Neilson was appointed Executive Director, Legal and Governance. Nils Stoesser resigned as a Director in May and Mark Dewar was appointed as a Director. The Board now comprises Mark Dewar, Merrick Howes, Michael Neilson, Elana Rubin, John Somerville, Jacqui Walters, and me as chair. It is a privilege to Chair a Board with such a wealth of skills and experience and depth of understanding of the Company. They share a deep commitment to our clients, the labour movement and the success of Slater & Gordon. And they are united in our purpose to provide access to justice for all Australians.

I also wanted to thank our shareholders for their unwavering dedication to this purpose and the strong support they have for our people, whose passion for the work they do to achieve the best outcomes for our clients is fundamental to our success.

The results reflect the hard work of our staff across the Company and the absolute care and commitment they have for our clients. Slater & Gordon would not be making this progress without the tireless dedication of our people to our clients. It is their passion, their fierce advocacy and the care they demonstrate that sets us apart. I would like to thank the staff, leadership team and Board for the care and commitment they provide to our clients and their commitment to unlocking justice for all Australians.

I also want to thank our unions, regulators, industry bodies, sponsorship partners and business partners for their ongoing support.

Slater & Gordon was founded in the labour movement and our commitment to it runs deep. It is a commitment that is shared by our staff, board and shareholders.

Next year Slater & Gordon will celebrate its 85th anniversary. From humble beginnings servicing the needs of unions and working people, Slater & Gordon has built a fierce reputation as a firm that will fight for the best outcomes for every one of our clients. The courage to care, the commitment to innovation, the confidence to take a stand is in our DNA and it is that which is shaping our future.

These results represent a significant shift for Slater & Gordon compared to our position 12 months ago. The significant investment we have made in the Company's business-wide transformation program is delivering a more streamlined business model and contemporary service offering. That work and the work that we have undertaken to stabilise and transform the Company is delivering results, and we are now firmly focused on the future. Our clients are at the heart of everything we do, and we will continue to deliver on that purpose to unlock access to justice for the thousands of Australians who need our help.

James MacKenzie
Chair

1. The prior period comparative has been restated in accordance with the requirements of Australian Accounting Standards as a result of the discontinued operations.

CHIEF EXECUTIVE OFFICER'S REPORT

The Company reported a small net loss from continuing operations before tax (underlying loss) of $141,000 compared to a net underlying loss of $29 million in FY18. This represents a significant shift for Slater & Gordon and is being driven by the efforts of our people and the absolute care and commitment they have for our clients.

It is being supported by the hard work we have undertaken together to transform and stabilise the business and reduce costs in line with our revenue profile.

The Company also reported:

- total revenue and other income from continuing operations of $160.4 million, compared to $162.5 million in the Prior Comparative Period (PCP), largely due to reduced income from the Company's personal injury law business, partially offset by improved class action revenues;
- expenses relating to continuing operations of $160.5 million, compared to $191.5 million in the PCP, primarily reflecting the benefits of the Company's transformation program, together with a reduction in the costs of implementing that program;
- operating cash inflows generated from continuing operations of $2 million, which is up from the PCP (cash outflows of $7.8 million) due to improved management of the Company's working capital; and
- a net asset position of $84.2 million (30 June 2018: $63.3 million).

Over the past 12 months our focus has shifted from stabilisation and a return to our core strengths to growth and innovation, to make it easier for our clients to connect with us in their time of need. We are now building the firm for the future.

We still have steps to take as we continue to change and reshape the firm to lead in the legal services market of today and tomorrow; however, we are now firmly looking forward. We have continued to achieve outstanding results for our clients over the past 12 months. It is our commitment to working together and our absolute focus on our clients that makes us strong.

In response to the unacceptable behaviour by big bank-owned superannuation funds, as revealed at the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, Slater & Gordon launched its *Get Your Super Back* campaign – a series of class actions to help get victims their money back. We filed our first class action against the Commonwealth Bank and Colonial First State in October, and the second against AMP in May. To date, more than 25,000 Australians have signed up to get their super back. We also settled the Murray Goulburn and Provident class actions. And we announced a class action on behalf of stonemasons affected by silicosis.

Importantly, it's the thousands of individual wins that we have on behalf of our clients every day that gives us the capacity to have the big fights. We know it's the little things we do that make a difference. We estimate we helped more than 8,000 clients achieve over $1 billion in compensation in FY19 – numbers of which we are very proud.

While FY19 was not without its challenges, we are now firmly looking forward – focusing on growing our business, improving the ways we care for our clients and building the firm for the future.

We have made substantial progress this year. We have invested in our digital platform, we have made significant progress on adjusting our cost base to more appropriately reflect our revenue profile, and we have continued to attract and recruit high-calibre people to join us.

The progress we have made would not be possible without the passion and determination of our people and the care and commitment every person at Slater & Gordon provides to our clients.

There is no doubt the Company's FY19 results show that there is still more work to do, but they also reflect the significant progress we have made. The results show that the Company is moving in the right direction.

Our focus now is on looking forward and working together to build the firm of the future and continue our legacy of providing affordable, high-quality legal services to the thousands of Australians who need our help.

John Somerville
Chief Executive Officer

We were T-boned by another car.
I had two weeks in intensive care.
Then my aneurysm stent got blocked,
and made me a paraplegic.
Slater & Gordon settled my TAC claim,
and made it so we can buy a house.
So hopefully, a good future.

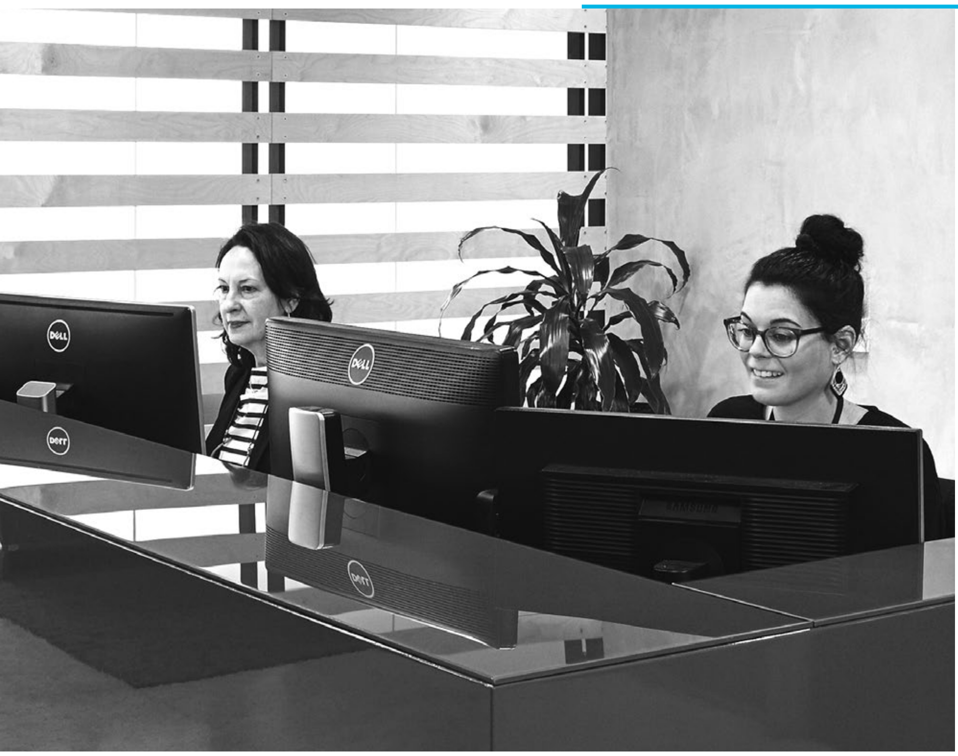
Kelly

PEOPLE AND CULTURE

Our people strategy supports our proud and passionate employees to realise the firm's vision.

Values

Our values underpin our strong culture and the work we do. They guide our people's conduct, decisions and actions to ensure our ways of working are balanced between what we do and how we do it.



Health, Safety and Wellbeing

Embedding a safety culture to provide safe and supportive workplaces for our people has been a focus this year. We've introduced an internal '*Safety Starts With Me*' campaign to begin the conversation about how to keep safe, we've reinvigorated our National Health, Safety and Wellness Committee and created resources to support good mental health practices.

Embracing and Engaging our People

This year, Slater & Gordon returned to conducting an employee engagement survey. 77% of employees completed the survey giving valuable insights into our culture, workplace and workforce.

Our overall engagement score is consistent with organisations that have undergone significant change. Our leadership teams have created engagement action plans to leverage strengths and action opportunities for improvement.

Compared to FY18, the workforce has remained relatively stable with a total of over 800 employees based in 33 locations around the country. Rolling 12-month turnover has decreased significantly in the 12 months ending June 2019.

Developing our Leaders

Slater & Gordon recognises the important role of leaders across the firm in delivering the strategy and creating an engaging and motivating environment that embodies the firm's values.

Over the past year, the firm introduced the Broader Leaders Forum as a highly interactive way to gather together the firms' top 50 leaders. It provides real-time updates about progress towards delivering our strategy, facilitates leader input in the development of initiatives and provides opportunities for our leaders to network with colleagues.

Diversity in Action

The 2019 engagement survey shows Slater & Gordon as being above the 2019 Australian legal industry benchmark for being a company that values diversity including age, ethnicity, language, ideas and perspectives.

We have strong female participation at all levels throughout the firm as reported in the Workplace Gender Equality Agency report submissions and as set out below.

Our annual promotion and remuneration activities continue to include a lens on gender pay equity to ensure that there are no pay gaps attributable to gender for the same or similar positions.

Flexibility continues to be an important way we retain our people. Flexible working practices allow our people with interests outside of work or family responsibilities to continue to pursue their career. Currently, 23% of the workforce is employed on a part-time basis.

The ability to work remotely with ease has been improved by providing mobile phones for all lawyers, significantly increasing the number of laptops across the workforce and improving the remote access technology to match the remote experience to the in-office experience.

Continuous Improvement Focus

A refreshed single point of contact for human resources related matters that provides people information for both employees and managers was launched in May 2019. This has been complemented by improvements throughout the year including enhanced people metrics reporting, compliance activities and policy review as well as health, safety and wellness activities.

	June 2019		**June 2018**	
Employment level	**Female**	**Male**	**Female**	**Male**
Board	29%	71%	33%	67%
Executive management	54%	46%	50%	50%
Senior management	54%	46%	58%	42%
Non-management	83%	17%	85%	15%
Overall organisation	**77%**	**23%**	**79%**	**21%**

I broke my neck, fractured my skull. I was a millimetre off being a quadriplegic. They made us aware of things we didn't even know we were entitled to. Life's a lot better now.

Dan

SOCIAL RESPONSIBILITY

Slater & Gordon is built on social justice values and we are committed to giving back.

Our corporate social responsibility program has three key areas of focus: assisting people with disease and disability, addressing inequality and disadvantage and encouraging people to engage in healthy activity and lifestyles.

One of the defining features of our firm is our relationship with the local communities in which we operate. We encourage and support that relationship through pro bono legal support, as well as giving staff the opportunity to donate a portion of their wage to our Staff Giving Program, which goes towards funding local projects throughout Australia via the Slater & Gordon Community Fund.

Slater & Gordon also gives back through its commitment to philanthropic activity, having established the Community Fund in 2001 and an Asbestos Research Fund in 2004.

In 2014, the firm broadened its commitment to achieving outcomes for people suffering disease and disability by establishing the Health Projects and Research Fund.

The Slater & Gordon Community Fund

Our Community Fund is a philanthropic fund which offers grants to community groups in three key areas of focus:

- assisting people with disease and disability and promoting their participation and inclusion;
- addressing inequality and disadvantage; and
- encouraging young people to engage in healthy activity and lifestyles.

Financial support is given to projects and initiatives which further these objectives. The fund is supported by donations from Slater & Gordon staff via our Staff Giving Program, as well as from the firm itself.

Health Projects and Research Fund

The Slater & Gordon Health Projects and Research Fund is a philanthropic grants initiative focused on improving care and treatment for people with asbestos-related illnesses, occupation-caused cancers or with significant disability caused by a catastrophic injury. The fund also provides small ongoing education grants to medical and health professionals who are dedicated to the prevention, treatment, care and support of people who have an asbestos-related disease, work-related cancer or a catastrophic spinal or brain injury.

Pro Bono Work

Slater & Gordon has a proud history of providing pro bono and public interest legal work in Australia. Our lawyers undertake pro bono work in many areas of law and, through that work, have assisted members of the community, including people with severe disabilities, charities, community and Indigenous groups, as well as volunteering at community legal centres.

FINANCIAL STATEMENTS

Directors' Report

The Directors present their report, together with the financial report of the consolidated entity consisting of Slater & Gordon Limited ("the Company") and its controlled entities (jointly referred to as "the Group"), for the financial year ended 30 June 2019 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ("IFRS").

Directors

The Directors in office at any time during the financial year and up to the date of this report are:

- James MacKenzie – Chair
- Mark Dewar (appointed 23 May 2019)
- Merrick Howes
- Michael Neilson (appointed 25 September 2018)
- Elana Rubin
- John Somerville (appointed 25 September 2018)
- Jacqui Walters
- Hayden Stephens (ceased 25 September 2018)
- Nils Stoesser (ceased 23 May 2019)

Details of the skills, experience, expertise and special responsibilities of each Director are set out in the "Information on Directors and Company Secretary" section of this report.

Principal Activities

The principal activity of the Group during the financial year was the operations of legal practices in Australia.

Review of Operations

The Slater & Gordon vision

The Company's vision is to help everyday Australians secure a better future by being trusted legal advocates for clients and by building strong relationships within the communities in which the Company operates.

The Company does not represent the big end of town. The Company helps unlock justice for everyday Australians who it believes have a right of redress or compensation, where there is a considerable power imbalance. The Company's clients come to the Company at what is often the most vulnerable time of their lives. Without the Company's services, many of the Company's clients would not be able to access justice.

The Company treats clients with compassion and respect and the Company prides itself on delivering the highest quality legal services to them. This absolute focus on client results makes the Company fierce in its representation and permeates the firm. The Company has a shared purpose with its clients – the Company's success is dependent upon their success.

The Company has a history of innovating and is active in protecting and enhancing the legal rights of clients. The Company's advocacy extends beyond individual cases to include the issues of social justice and individual rights more broadly.

The Company's diversity mirrors the diversity of its clients and its communities.

The Company has three core values:

+ **Do it right** – we are passionate about the quality of the work and always achieve the highest professional standards in order to deliver the best outcome for our clients.
+ **Work well with others** – we share knowledge, experience and ideas. We encourage respect and collaboration within the firm and the community.
+ **Take the lead** – we challenge ourselves to be the best, we strive for innovation and we are committed to doing everything that can be done to help our clients.

Strategic pillars

+ Delivering excellent client care.
+ Driving growth.
+ Simplifying business processes.
+ Enhancing our unique culture.

Directors' Report

Managing risks

The following details some of the material business risks that could affect the growth and profitability of the Company's core services. These are not listed in order of significance and do not comprise every risk that the Company may be exposed to.

Description of key risk	Key risk mitigation
Regulatory Environment The Company is subject to significant regulatory and legal oversight in respect to both the conduct of individual legal practitioners employed by the Company and the areas of law in which the Company practises and operates its business. The Company's business operations could be adversely affected by actions of State, Territory and Commonwealth governments. If a legal practitioner employed by SGH commits unsatisfactory professional conduct or professional misconduct, there is the potential for the relevant regulator to take disciplinary action against the individual, the Company's legal practitioner directors and the Company itself. Changes in government legislation, guidelines and regulations associated with the Company's areas of practice, such as decreases in the maximum amount of legal fees which can be recovered or the amount of damages its clients can claim in particular types of matters, could also adversely affect the Company.	The Company has a comprehensive stakeholder engagement program, including informed discussion and government consultation. The Company models the potential impact of changes on its business model. The optimisation of practice management service offerings are initiatives the Company uses to monitor, manage and protect against potential legislative changes and their impacts The Company has established "National Practice Standards" (NPS) which establish minimum legal processes and guidelines. Lawyers must comply with the NPS and an audit of each lawyers' practices against these standards is conducted every second year.
Operations and Systems There are a number of key operational risks which arise directly from the Company's operation as a major participant in the Australian legal services industry and associated with its growth strategy, including implementation of strategic and business decisions, technology and cyber security risk, counterparty performance under outsourcing and referral arrangements, business continuity planning, legal risk, data privacy and integrity risk, information management and security, client default risk and external events. The Company's financial performance and position may be adversely impacted by these risks.	The Company has business performance improvement programs in place designed to standardise, centralise, optimise and promote efficient and innovative operating platforms, IT systems and people strategies. Periodic assessments are undertaken by subject matter experts on the Company's processes and systems to support the development and implementation of required actions plans.
Competition and Growth The Company operates in a competitive market, competing for its offering of personal injury and/or other legal services. Competitive factors include the quality of advice and service, innovation, reputation and price. The Company's service offerings and marketing may not attract clients to support its growth strategy. These risks may adversely impact the Company's financial performance.	The Company has a number of strategic initiatives which have been designed and are being implemented to support its growth strategy, including diversification of service offerings, monitoring of competitive markets to understand competitive activities and continued expansion of marketing and business development initiatives including the use of technology to connect with clients. The Company also seeks to protect and strengthen its brand by maintaining long-standing relationships with trade unions and professional groups which provide a consistent source of new client referrals.
People The Company depends on the talent and experience of its people. In particular, the Company's growth is reliant on its ability to attract, develop and retain high quality lawyers and other professional fee-earning staff. Should any of its key people or a significant number of the other people leave the Company, particularly to work for a competitor, or the development of its staff be unable to deliver the growth for its service offerings, this may have an adverse effect on the Company. It may be difficult to replace key personnel or to do so in a timely manner or at comparable expense.	The Company undertakes a number of people, culture and remuneration initiatives to support, engage and develop its people. Staff engagement is a key performance metric for senior management.
Capital and Funding Management Funding and management of capital and liquidity remains a key focus following the recapitalisation in December 2017 and associated with the significant WIP asset on the Company's balance sheet. It is difficult for the Company to predict with certainty the timing of settlement and recovery. Additional funds may need to be obtained through capital raisings or cash flow may need to be managed through seeking to negotiate current debt arrangements. These factors may adversely impact the Company's working capital management program.	Implementation of a working capital management program and close involvement of the Company's lenders to ensure liquidity is monitored closely and arrangements are put in place where necessary to bridge short term liquidity needs.

Directors' Report

Refer to the Company's Corporate Governance Statement for details of the Company's risk management framework.

Financial review

The Group reported a net loss before tax from continuing operations of $141,000 for the year ended 30 June 2019, an improvement of $28,903,000 from the prior year. The improvement was consistent with the strategy to review the business footprint and substantially driven by a reduction in bad and doubtful debts, finance costs, and employee and rental expense.

The Group increased its outstanding secured debt under the Recapitalisation (refer below). As at 30 June 2019, the Group's total borrowings were $158,700,000. The Group has a positive net current asset balance of $111,100,000 and positive overall net asset balance of $84,200,000.

Significant Changes in the State of Affairs

On 25 September 2018, Hayden Stephens resigned as a Director and Michael Neilson and John Somerville were appointed Directors. On 23 May 2019, Nils Stoesser resigned as a Director and Mark Dewar was appointed a Director.

Events Subsequent to Reporting Date

On 30 July 2019 the Company drew down an additional $4.0m in funding under the disbursement asset backed facility. Refer to note 5.2.2 in the Financial Statements.

Likely Developments

The Group is focused on organically growing its core service areas of Personal Injury Law, Class Actions, Industrial and Employment Law and Commercial and Estate Litigation in Australia.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations or laws in Australia.

Environmental, Social and Corporate Governance

Pursuant to ASX Corporate Governance Principle and Recommendation 7.4, which provides that companies disclose any material exposure to economic, environmental or social sustainability risks, the Company does not consider that the operations are materially exposed to environmental or social sustainability risk, including risks associated with climate change. However, the Company may have some indirect exposure to such risks through the impact of climate change on the market in which the Company operates, its financiers, insurance companies, and its key stakeholders and any associated regulatory changes.

Dividends Paid, Recommended and Declared

The Group has not declared or paid any dividends in respect of the 30 June 2018 financial year.

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

	2019 $'000	2018 $'000
Dividends on ordinary shares		
No interim dividend paid in 2019 (2018: No interim dividend paid)	-	-
No final dividend for 2018 (2017: No final dividend paid)	-	-
	-	-

Share Options

No options over unissued shares or interests in the Company were granted during or since the end of the financial year. There were no options outstanding at the end of the financial year.

Indemnification and Insurance of Directors and Officers and Auditors

During the financial year, the Group has provided an indemnity or entered an agreement to indemnify, and paid insurance premiums for a twelve-month period in respect of Directors, Officers and the Company Secretary of the Company against a liability brought against such an Officer.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

The Group has agreed (in certain circumstances) to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement. No payment has been made to indemnify Ernst & Young during or since the financial year.

Information on Directors and Company Secretary

The skills, experience, expertise and special responsibilities of each person who has been a Director of the Company at any time during or since the end of the financial year is provided below, together with details of the Company Secretary as at the year end.

Directors' Report

James MacKenzie
B.Bus, FCA, FAICD
Chair
Independent Non-Executive Director

Experience

James is the Chair of Slater & Gordon, having joined the organisation in December 2017.

James is an experienced Australian company director. He currently serves as Chairman of Victorian Funds Management Corporation and Development Victoria.

James was previously Chair of the Transport Accident Commission (TAC) and Worksafe Victoria, Managing Director of Funds Management and Insurance at the ANZ Banking Group, Chief Executive Officer of Norwich Union Australia, and TAC Chief Executive Officer. He has been a member of the COAG Business Advisory Forum and a previous director of VFMC.

James has a Bachelor of Business from Swinburne University, and is a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia.

In 2001, he was awarded the Centenary Medal for services to Public Administration.

James is Chair of the Board and is also a member of the Audit and Risk Committee and the People and Culture Committee.

Other directorships of listed companies held in the last three years

None

Mark Dewar
B.Bus. Accounting
Chartered Accountant
Non-Independent Non-Executive Director
Appointed 23 May 2019

Experience

Mark joined the Board of Slater & Gordon in May 2019 and comes from a Consulting background as well as being a Non-Executive Director for other PE backed companies.

Mark is the Australian Practice Leader and is a Senior Managing Director in the Corporate Finance segment at FTI Consulting. His experience is typically focussed in helping clients who are undergoing significant change or embarking on a transformation and specialises in advising companies, private equity investors or lenders across a range of industries including financial services, mining, telecommunications, software, retail, engineering, building and construction, and automotive.

Prior to joining FTI Consulting, Mark spent almost ten years with Ernst & Young, where he commenced his career in Australia in the Audit practice before moving to London where he was a director in the Corporate Finance practice.

Mark is a Chartered Accountant and a member of the Institute of Chartered Accountants of Australia.

Other directorships of listed companies held in the last three years

None

Merrick Howes
BA LLB
Non-Independent Non-Executive Director

Experience

Merrick joined Anchorage Capital Group in Sydney in November 2011. Prior to joining Anchorage, he worked at Aviron Capital, a firm based in Sydney, Australia. Prior to Aviron, Merrick was the Co-founder and Managing Director at Shearwater Capital, where he focused on special situations and distressed debt investments. Prior to Shearwater, he was a Partner and Managing Director in the Principal Investment Area at Goldman Sachs in Australia. Merrick was also a Managing Director and European Head of Global Structured Products at Merrill Lynch in Hong Kong and London. He also worked at Macquarie Bank Limited from 1989 to 1998.

Merrick received a BA in Accounting and a Bachelor of Laws from the Australian National University.

Merrick is Chair of Slater & Gordon's People and Culture Committee.

Other directorships of listed companies held in the last three years

None

Michael Neilson
BA LLB GAICD FGIA
Executive Director and Company Secretary
Appointed 25 September 2018

Experience

Michael is the Executive Director, Legal and Governance, having commenced at Slater & Gordon in April 2018.

Prior to joining Slater & Gordon, Michael was at Crown Resorts Limited, where he was Group General Counsel and Company Secretary for almost ten years and, prior to that, he was General Counsel for Crown Melbourne.

From 1997 to 2004, Michael was at the Lend Lease Group where he was General Counsel and Company Secretary of General Property Trust (which was then managed by Lend Lease) and prior to that General Counsel of Lend Lease Property Management.

Michael started his career in the commercial practice at Herbert Geer & Rundle where he spent ten years before moving in house.

Directors' Report

	Michael has a strong track record in implementing governance, legal and regulatory frameworks in complex, multinational businesses as well as deep experience managing risk and compliance in challenging environments. **Other directorships of listed companies held in the last three years** None
Elana Rubin BA(Hons) MA FFin FAICD FIML Independent Non-Executive Director	**Experience** Elana is a non-executive director at Slater & Gordon, and was appointed to the Board in March 2018. Elana has over 20 year's experience as a non-executive company director, across diverse sectors. She is currently a director of Mirvac and AfterPay Touch Group, as well as a number of unlisted companies and government boards. Elana was previously the chair of Australian Super and WorkSafe Victoria, and a director of the Transport Accident Commission (TAC) in Victoria. Other previous board roles covered the financial services, insurance, infrastructure, professional services, and not-for-profit sectors. Before becoming a full time non-executive director, Elana worked for one of the (then) largest industry funds and the Australian Council of Trade Unions (ACTU). She is a member of Chief Executive Women and Women Corporate Directors International. Her career reflects an understanding of corporate social licence to operate and a deep commitment to culture, diversity, social equity and participation. Elana is a member of the Audit and Risk Committee and the People and Culture Committee. **Other directorships of listed companies held in the last three years** Mirvac Limited (ASX:MGR) (2010 to current) Afterpay Touch Group Limited (ASX:APT) (2017 to current) Touchcorp Limited (ASX:TCH) (2015 to 2017)
John Somerville BSC GDip Applied Information Systems MBA Chief Executive Officer and Managing Director Appointed 25 September 2018	**Experience** John is the CEO of Slater & Gordon, having joined the organisation in February 2018. John is a passionate leader with a history of building and leading successful teams that deliver strong business outcomes and people engagement, most recently as the National Managing Partner of KPMG (Advisory) Australia. Over the last 25 years, he has developed a career advising some of Australia's largest corporations and governments combined with growing and leading businesses within KPMG. He believes business thrives when people help others be successful. This orientation translates into delivering better outcomes for clients. He is passionate about getting the most from diversity by creating an inclusive workforce. John's career has involved regional and global activity, including work in Europe, the US, Asia as well as Australia. **Other directorships of listed companies held in the last three years** None
Jacqui Walters BCom (Accounting and Finance) GAICD Independent Non-Executive Director	**Experience** Jacqui joined the Slater & Gordon Board in March 2018. Jacqui has over 25 years' experience in delivering and leading strategy and change projects in both the public and private sector. She has international experience across many industry sectors. Her work has ranged from whole of organisation transformation and restructuring to highly specific areas such as major capital project delivery, new product introduction, professional services strategy and performance, and post-merger culture alignment. Jacqui is a founding partner of Era Innovation, a boutique advisory firm working with large corporates to identify, select and commercialise growth opportunities. Jacqui is the inaugural Chair of CleanCo Queensland, a Board Member of Development Victoria, and Chair of the Citytrain Response Unit (oversighting the transformation of Queensland Rail and public transport in Queensland). Jacqui is Chair of Slater & Gordon's Audit and Risk Committee. **Other directorships of listed companies held in the last three years** None

Directors' Report

Hayden Stephens BA LLB Non-Independent Non-Executive Director Ceased 25 September 2018	**Experience** Hayden was a Non-Executive Director at Slater & Gordon. Previously, Hayden was Chief Executive Officer, Australia and prior to that held executive leadership positions across group, service and geographic business units. Hayden started at Slater & Gordon in 1993 in Melbourne. In the decade that followed, Hayden specialised in personal injury law and was involved in a number of ground breaking legal cases. His work included acting for persons in public and product liability law, assisting asbestos disease sufferers and acting for victims of child sex abuse in clergy institutions. In late 1999, Hayden was appointed leader of the firm's operations in Western Australia and remained in this role until 2004. Between 2004 - 2009, Hayden held leadership positions in the firm's National Workers' Compensation practice group. Among his achievements in this role, Hayden worked proactively with stakeholders to help shape legislative reform of Victorian personal injuries compensation. Hayden has since continued his work with key stakeholders, State and Federal Government and Regulatory bodies. **Other directorships of listed companies held in the last three years** None
Nils Stoesser MEng, ACA Non-Independent Non-Executive Director Ceased 23 May 2019	**Experience** Nils joined Anchorage Capital Group in May 2016 as a member of the Portfolio Group and left Anchorage in June 2019. As part of the Portfolio Group, Nils was responsible for performing operational due diligence on potential investments and enhancing Anchorage's ability to drive operational and strategic change in companies where Anchorage has a position of influence. Before joining Anchorage, he was Vice Chairman of the Supervisory Board and Advisor to the CEO and Board of Management at Fokker Technologies Group. Prior to his time at Fokker, Nils was a founding partner of Arle Capital Partners, the successor firm to Candover Partners Limited, where he was a Director. Nils started his career at Arthur Andersen. Nils received a Master's in Mechanical Engineering from the University of Newcastle upon Tyne and is a member of the Institute of Chartered Accountants in England and Wales (ICAEW). **Other directorships of listed companies held in the last three years** None

Company Secretary

Michael Neilson	See above

Directors' Report

Directors' Meetings

The number of meetings of the Board of Directors and of each Board committee held during the financial year and the number of meetings attended by each Director were:

	Board of Directors		Audit and Risk Committee		People and Culture Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
J MacKenzie	14	14	4	4	4	4
M Dewar[1]	1	1				
M Howes[2]	14	14			-	-
M Neilson[3]	10	10				
E Rubin	14	14	4	4	4	4
J Somerville[3]	10	10				
J Walters	14	13	4	4		
H Stephens[4]	4	3				
N Stoesser[5]	13	13			4	4

1 Appointed as Director on 23 May 2019

2 Appointed to People and Culture Committee on 23 May 2019

3 Appointed as Director on 25 September 2018

4 Ceased as Director on 25 September 2018

5 Ceased as Director on 23 May 2019

Directors' Interests in Shares

Directors' relevant interests in shares of the Company as at the date of this report are detailed below.

	Ordinary Shares of the Company	Performance Rights
J MacKenzie	-	-
M Dewar	-	-
M Howes	-	-
M Neilson	-	-
E Rubin	-	-
J Somerville	-	-
J Walters	-	-
H Stephens	-	-
N Stoesser	-	-

Directors' Interest in Contracts

Directors' interests in contracts are disclosed in Note 6.1 to the financial statements.

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 audit for the financial year is provided with this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-Audit Services

Written approval for non-audit services is provided by resolution of the Audit and Risk Committee and approval is notified to the Board of Directors. There were no non-audit services provided by the auditors of the Group during the year. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Directors' Report

Rounding of Amounts

The amounts contained in the Directors' Report and 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 Company is an entity to which the Class Order applies.

The Directors' Report and accompanying Audited Remuneration Report is signed in accordance with a resolution of the Directors.

James MacKenzie

Chair

Melbourne

30 August 2019

John Somerville

Managing Director and Chief Executive Officer

Melbourne

30 August 2019

Directors' Report

Audited Remuneration Report

1.0 Introduction

FY19 has been a continued year of renewal for the Company. The results show continued positive improvement, and proactive management and execution of the Company's strategy. For FY19, Executive KMP were awarded an average of 103% of their Short Term Incentive (STIP) target bonus for performance against a balance scorecard of measures compared to FY18 where no Short Term Incentive was paid to Executive KMP. FY19 executive outcomes reflect the positive improvement in results and reflect there is still continued progress to be made. (see 5.0 for more information).

Changes to Remuneration

In FY19 the Company has undertaken a review of its remuneration strategy. The purpose of the review was to:

- Ensure consistency and transparency of remuneration practices for our Individual Employment Agreement (IEA) employees; and
- Align long-term sustainable financial results with shareholders, employees and client interests.

The Company is confident that the new remuneration framework will support the Company's financial and strategic goals. Management is committed to transparency and an ongoing dialogue with shareholders on remuneration and as such the remuneration report remains simple to read and understand. The key changes are outlined below:

Remuneration Strategy

The board endorsed a remuneration strategy for fixed pay for those employees covered by an IEA as well as the use of consistent language when addressing the components of remuneration.

Short Term Incentive Plan (STIP)

A new STIP was implemented in FY19 for IEA employees. The plan includes two critical measures; company performance and individual performance. The incentive opportunity is based on a set percentage (aligned to position classification) of base remuneration. It is a cash payment awarded annually subject to company and individual performance outcomes.

Gateway: Company Performance

Aligns employees focus to EBITDA and cashflow generation in support of sustainable and progressive financial success and becomes the gateway for incentive payments

Individual Performance

Rewards the employee's personal contribution towards Key Performance Indicators and overall company success

Long Term Incentive Plan (LTIP)

As disclosed in the FY18 report, the Company considered an LTIP for implementation in FY19. After further consideration, an LTIP was not offered. In FY20, the Company proposes to offer an LTIP in the form of rights to receive ordinary shares (Rights). The new LTIP has been approved by the Board but the approval of shareholders will be sought at the 2019 Annual General Meeting. Plan details are set out in section 7

Directors' Report

Audited Remuneration Report (continued)

2.0 Remuneration Report Overview

The Directors present the Remuneration Report (the Report) for the Company and its controlled entities for FY19. This Report forms part of the Director's Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. The Report details the remuneration arrangements for the Company's Key Management Personnel (KMP) which is comprised of:

- Non-Executive Directors (NEDs)
- Executive Directors
- Other Executive KMP

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company. The table below outlines the KMP and any changes to KMP during FY19:

Name	Position	Change during FY19
Non-Executive Directors		
James MacKenzie	• Chair of the Board • Non- Executive Director	• Full financial year
Mark Dewar	• Non-Executive Director	• Became Non-Executive Director on 23 May 2019
Merrick Howes	• Non-Executive Director	• Full financial year
Elana Rubin	• Non-Executive Director	• Full financial year
Jacqui Walters	• Non-Executive Director	• Full financial year
Hayden Stephens	• Non-Executive Director	• Ceased as Non-Executive Director on 25 September 2018
Nils Stoesser	• Non-Executive Director	• Ceased as Non-Executive Director on 23 May 2019
Executive Director		
John Somerville	• Chief Executive Officer & Managing Director	• Full financial year as CEO. • Became Managing Director on 25 September 2018
Michael Neilson	• Executive Director, Legal and Governance	• Became Executive Director on 25 September 2018
Other Executive KMP		
Scott Butterworth	• Chief Financial Officer	• Became Chief Financial Officer on 7 November 2018
Belinda Nucifora	• Chief Financial Officer	• Ceased as Chief Financial Officer on 31 August 2018

Directors' Report

Audited Remuneration Report (continued)

3.0 How remuneration is governed

The People and Culture Committee assists the Board to oversee the establishment and operation of appropriate policies and strategies that provide the Company with the capability to achieve its short and long-term business objectives, including recommending remuneration changes to the Board for NEDs, Executive Directors and Other Executive KMP.

3.1 Use of remuneration advisors

During FY19, the Company did not use remuneration advisors as defined under the *Corporations Act 2001*.

3.2 Claw back of remuneration

The claw back policy was introduced in June 2016. This policy enables the Company to claw back certain elements of an Executive Director's or Executive KMP's (collectively Executive KMP) remuneration if there has been a misstatement of the financial statements which resulted in the Executive KMP receiving a reward which exceeds the outcome that would have been achieved had the misstatement not been made. The claw back provisions are designed to further align the interests of the Executive KMP with the long-term interests of the Company and to ensure excessive risk taking is not rewarded.

3.3 Share Trading Policy

The Company's Share Trading Policy (Policy) applies to all Directors, officers, employees, contractors and consultants of the Company. The Share Trading Policy outlines how and when Directors, officers, employees, contractors and consultants' may deal in the Company's securities.

Restricted Person (as defined in the Policy) may only deal in securities in the Company during defined trading windows and provided they do not possess inside information.

If a Relevant Person (as defined in the Policy) acquires securities in the Company, they should not sell or agree to sell any securities of that class for at least 30 days.

Directors are prohibited from entering margin loans under the Company's Share Trading Policy. Relevant Persons require prior approval to enter into a margin loan arrangement where the amount of shares mortgaged, provided as security, lent or charged to a financier, amounts to 1% or more of the issued capital in the Company at the relevant time. A Restricted Persons must notify the Company Secretary immediately if they are given notice by their financier of an intention to make a margin call and sell the Company's securities during a prohibited trading period.

Relevant Persons must not enter into hedging arrangements in relation to securities in the Company that are unvested or subject to disposal restrictions or minimum shareholding requirements.

The Company's Share Trading Policy is available on the Company's website www.slatergordon.com.au.

3.4 Executive KMP employment agreements

The following sets out details of the employment agreements relating to Executive KMP:

Length of Contract	Executive KMP are on rolling contracts, which are ongoing employment contracts until notice is given by either party.			
	Resignation	Termination for cause	Termination in case of retirement, redundancy or notice without cause	Termination payment
CEO notice period	Six (6) months	None	Six (6) months	Six (6) months
Executive Director, Legal and Governance notice period	Six (6) months	None	Six (6) months	Six (6) months
CFO notice period	Six (6) months	None	Six (6) months	Six (6) months
Statutory Entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.			
Post-Employment Restraints	The employment agreement contains a restraint of trade provision which applies for a period of 9 months and 12 months.			

Directors' Report

Audited Remuneration Report (continued)

3.5 Cessation and movement of Executive KMP

Cessation of Non-Executive Director
As disclosed to the ASX, on 25 September 2018 Hayden Stephens resigned as Director.

The following arrangements applied to Mr. Stephens:

- Mr. Stephens, who stepped down as CEO on 7 February 2018, did not receive a Board director fee but continued to receive his CEO remuneration during his notice period which ceased on 28 August 2018.
- In lieu of remuneration post 28 August 2018, the Company funded Mr. Stephens attendance at the Company Directors Course offered by the Australia Institute of Company Directors.
- He received no short-term or long-term incentive payments for FY19.

Cessation of Chief Financial Officer
As disclosed to the ASX, on 31 August 2018 Belinda Nucifora ceased employment as Chief Financial Officer.

The following arrangements applied to Ms. Nucifora:

- She received her Statutory entitlements.
- She received payment in lieu of notice.
- A separation package comprising accommodation and relocation support was provided.
- She received no short term or long-term incentive payments for FY18 or FY19.

3.6 Other transactions and balances with KMP and their related parties

Scott Butterworth's consulting business, Strategic Value Partners, was paid $477,937 (excl. GST) in consulting fees prior to his employment as the Chief Financial Officer.

Directors' Report

Audited Remuneration Report (continued)

4.0 Overview of Executive KMP Remuneration

This section of the Remuneration Report outlines the principles applied to Executive KMP remuneration decisions and the framework used to deliver the various components of remuneration, including explanation of the performance and remuneration linkages.

4.1 How Executive KMP remuneration policies and structures are determined

The Company's remuneration strategy aims to ensure that fixed and variable reward relates directly to the:

- Performance of individuals and the operation or function in which they work; and
- Overall performance of the Company and aligns the interests of clients, employees and shareholders.

The Company applies a disciplined set of guiding principles to fixed and variable reward that provides a level and mix that:

- Will attract, retain and engage employees with the requisite skills, expertise and capabilities that fosters a high-performance culture;
- Aligns company and individual performance outcomes;
- Aligns the interests of shareholders, clients and employees to enhance the Company's performance in a manner that supports the long-term financial soundness of the Company;
- Maintains the integrity of the Company's remuneration principles, strategies and practices; and
- Is compliant with current governance and legislative requirements related to remuneration practices.

4.2 Executive KMP Remuneration Structures

The Company rewards Executive KMP with a level and mix of remuneration that provides an equitable, motivating, competitive and affordable remuneration package in a way that secures quality executives for the long-term success of the Company while fostering a performance-oriented and risk management culture.

Executive KMP receive fixed remuneration and variable remuneration consisting of short term incentive opportunities. Executive KMP remuneration levels are reviewed annually by the People and Culture Committee with reference to the firm's remuneration principles and market movements.

4.3 Elements of remuneration

Fixed remuneration
Fixed remuneration is determined based on the size, scope, complexity and responsibility of the role and is set to attract, retain and engage employees, while also considering company affordability. Fixed remuneration consists of base remuneration, superannuation (statutory guarantee) and other non-monetary benefits.

Fixed remuneration is reviewed annually with approved changes effective 1 July. The following factors are taken into consideration when reviewing executive remuneration:

- Company performance and affordability;
- Individual performance tied to an annual Performance and Development Review;
- The Total Target Reward (fixed remuneration and incentive opportunity) of an individual, including the pay mix of fixed and variable reward;
- Economic climate;
- External market movement; and
- Company and social responsibility.

Adjustments to Executive KMP remuneration are reviewed by the People and Culture Committee and approved by the Board.

STIP
Under the STIP, all Executive KMP have the opportunity to earn an annual incentive award. The plan includes two measures, company performance and individual performance. Company performance centres the executive's focus on sustainable and progressive financial success and individual performance rewards the employee's own contribution towards Key Performance Indicators (KPIs) and company success.

How are bonuses paid?
STIP bonuses are paid in cash.

How much can executives earn?
Executive KMP have a defined target STIP opportunity between 20% - 50% of their Full Time Equivalent 'FTE' base remuneration and a maximum STIP opportunity of 200% of their on-target opportunity.

Directors' Report

Audited Remuneration Report (continued)

Executive	STIP On -Target*	% of Base Remuneration
John Somerville	$264,734	50%
Michael Neilson	$80,000	20%
Scott Butterworth	$90,000	20%

*represents on-target for full plan year.

Executive KMP Total Remuneration Pay Mix % (annualised at target) for FY19

Executive	Total Fixed Remuneration	Short Term Incentive
John Somerville	67.5%	32.5%
Michael Neilson	84.0%	16.0%
Scott Butterworth	83.9%	16.1%

How is performance measured?
The STIP performance measures were chosen based on their ability to deliver sustainable company performance and results for shareholders and clients. Company performance against financial targets (EBITDA and cashflow) act as a gateway for rewarding individual performance against individually set KPI's. For each individual KPI, a target is set.

Performance measures are validated and approved by the Board.

FY19 performance measures are set out below:

	Company Financial Performance	Strategic Measures	People Measures	Risk Measure
Chief Executive Officer & Managing Director	70%	10%	10%	10%
Executive Director, Legal and Governance	70%	10%	10%	10%
Chief Financial Officer	70%	10%	10%	10%

EBITDA and cashflow targets are the measures against which the Board and management assess the Company's short term financial performance.

Who sets STIP performance measures?
Financial performance measures are set by the Board, based on the recommendation of the People and Culture Committee.

KPIs are set for Executive KMP (CFO and Executive Director, Legal and Governance) by the CEO, then reviewed and endorsed by the People and Culture Committee and Board.

CEO KPIs are set and approved by the Board.

When are STIP bonuses paid?
The STIP outcome is determined after the end of the financial year and after announcement of financial statements. The Board approves the final STIP award for the Executive KMP, which is generally paid approximately three months after the end of the performance period. There are no deferral components.

What happens if an Executive KMP leaves?
The following details the treatment of STIP on termination:

Resignation

Any potential STIP payment is forfeited if an employee tenders their resignation prior to payment being made.

Dismissal

Any potential STIP payment is forfeited if an employee is given notice of dismissal prior to payment being made.

Retirement

Any potential STIP will be calculated on a pro-rated basis for portion of year worked within the plan year. Payment will be calculated in accordance with the normal timetable and based on the end of year results.

Death

Directors' Report

Audited Remuneration Report (continued)

Payments will be made to the estate of a deceased employee pro-rated for the eligible period. Payment will be calculated in accordance with the normal timetable and based on the end of year results.

Total & Permanent Incapacity

Employees will be eligible for payments pro-rated for the eligible period. Payment will be calculated in accordance with the normal timetable and based on the end of year results.

Redundancy

If redundancy occurs during:

- quarter 1 or 2, any potential STIP bonus will be forfeited.
- quarter 3 or 4, any potential STIP bonus will be calculated on a pro-rated basis for portion of year worked within the plan year. Payment will be calculated in accordance with the normal timetable and based on the end of year results.

LTIP

As disclosed in the FY18 report, the Company considered an LTIP program for implementation in FY19. After further consideration, an LTIP was not offered. In FY20, the Company proposes to offer an LTIP in the form of rights to receive ordinary shares (Rights).

Key features of LTIP

Directors, executives and key staff of the Company (Participants), who are selected by the Board, will be eligible to participate in the LTIP.

Participants will be granted by the Company a specified number of Rights under the LTIP which are subject to restrictions to be determined by the Board. Each Right represents a right to acquire an ordinary share in the capital of the Company (Share) at no cost i.e. effectively a share option with an exercise price set at zero.

The Board may determine that Rights to be granted to Participants will be subject to:

(a) 'Vesting Conditions'; and

(b) 'Forfeiture Conditions';

which must be detailed in the invitations made to Participants.

The nature and content of the 'Vesting Conditions' are to be determined by the Board and may include conditions relating to any or all of:

(a) continuing employment / engagement of services with the Company;

(b) performance of the Participant; or

(c) performance of the Company;

In addition, the Board has determined for the initial grant that vested Rights may only be exercised to acquire Shares when an 'Exit Event' occurs, being the achievement of an underlying EBITDA hurdle.

This means that a Participant will be able to exercise Rights which have vested at any time between the date the Exit Event is achieved and expiry of the term of the Rights, which will be 7 years after the grant date.

Rights will not carry any dividend or voting rights, however Shares provided to Participants on exercise of a Right will carry the same rights and entitlements as other Shares on issue. The Company will not seek quotation of any Rights on the ASX.

In the event of a 'Change of Control', as defined under the rules of the LTIP, all unvested Rights will automatically vest and the Exit Event exercise restriction will no longer apply.

The new LTIP has been approved by the Board but the approval of shareholders will be sought at the 2019 Annual General Meeting.

Changes for FY19

A new STIP was introduced in FY19. The new STIP is described in detail above. The main changes to the STIP included:

1. Incentive targets – defined target incentives set by employee level and communicated as an 'on-target' opportunity rather than maximum opportunities.

2. Performance Measures – introduction of company performance (EBITDA and cashflow) for all employees as a gateway for STIP payment.

Directors' Report

Audited Remuneration Report (continued)

5.0 FY19 Executive KMP Performance and Remuneration Outcomes

5.1 Actual Remuneration earned by Executive KMP in FY19:

The actual remuneration earned by Executive KMPs in FY19 is set out in section 7 below.

As disclosed in the FY18 Remuneration Report, Executive KMP did not receive incentive payments. The FY19 cash bonus awarded to Executive KMP is set out in section 7 below. The table represents what has been awarded to Executive KMP but which has not yet been paid.

5.2 STIP Performance Measures for FY19

A combination of financial and non-financial measures is used to measure Executive KMP performance for STIP awards which are underpinned by the Company's values and behaviours. A summary of those measures is as follows:

	Company Financial Performance	Strategic Measures	People Measures	Risk Measure
Chief Executive Officer & Managing Director	♦Cash Generation & Business Performance	●Customer & Brand	●Attrition	●Quality & Risk
Executive Director, Legal and Governance	♦Cash Generation & Business Performance	●Customer & Brand	●Attrition	●Quality & Risk
Chief Financial Officer	♦Cash Generation & Business Performance	●Customer & Brand	●Attrition	●Quality & Risk

♦Between threshold and target ● At target ■ Exceed target

Based on this assessment, the average STIP bonus awarded to Executive KMP in FY19 as a percent of target was 103%. Table 7.1 discloses FY19 STIP awarded to Executive KMP.

LTIP Outcomes

As disclosed in the FY18 Remuneration Report, existing LTIP programs were finalised and no further programs were offered in FY19.

5.3 Overview of company performance (FY15 to FY19)

The table below sets out information about the Company's earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

Company Performance	2015 Restated(2)	2016(2)	2017(2)	2018 Restated(3)(6)	2019(3)
Revenue ($'000)	598,185	908,185	611,485	162,501	160,372
Profit / (Loss) before tax from continuing operation ($'000)	85,408	(1,029,468)	(551,149)	(29,044)	(141)
Profit / (Loss) after tax from continuing operation ($'000)	62,374	(1,017,595)	(546,831)	(31,722)	33,010
Basic earnings per share (cents) from continuing operation(4)	2,643.03	(28,877.50)	(15,542.500)	(0.838)	0.475
Diluted earnings per share (cents) from continuing operation (4)	2,624.05	(28,877.50)	(15,542.500)	(0.838)	0.450
EBITDAW(5)	92,586	49,343	(76,095)	(5,977)	12,776
Gross Operating Cash Flow less CAPEX	33,666	(96,383)	(34,308)	(682)	5,230
Dividends per share - paid during financial year (cents)	8.5	5.5	-	-	-
Total dividends paid during financial year (cents)	17,620	19,330	-	-	-
Share price at 30 June ($)(1)	355.6	38.96	8.09	1.92	1.54

(1) Share price stated as at 30 June. As 30 June 2019 was a Sunday, the share price stated in 2019 was at 28 June 2019. As 30 June 2018 was a Saturday, the share price stated in 2018 was as at 29 June 2018. All prior year share prices were restated for the impact of the 100 to 1 share consolidation that took place on 8 December 2017.

(2) Financial performances were not restated for the discontinued operations that occurred in FY2018. However, the basic earnings per share, diluted earnings per share and share price at 30 June have been restated for the 100 to 1 share consolidation that took place on 8 December 2017.

(3) 2019 and 2018 profit before tax, profit after tax and EBITDAW from continuing operations.

(4) Basic earnings per share (cents) and diluted earnings per share (cents) were restated for the impact of the 100 to 1 share consolidation that took place on 8 December 2017. 2019 and 2018 earnings per share is shown excluding discontinued operations. Prior years are shown for the overall business and have not been restated for discontinued operations.

(5) EBITDAW is defined as Earnings before net interest, taxes, depreciation, amortisation, impairment on intangibles and movement in WIP.

(6) The prior period comparative has been restated in accordance with the requirements of Australian Accounting Standards as a result of the discontinued operations.

Directors' Report

Audited Remuneration Report (continued)

6.0 Overview of Non-Executive Director remuneration

6.1 Overview of Non-Executive Director remuneration

The Company's NED fees are designed to attract and retain high caliber directors who can discharge their roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity.

NED remuneration is based on fixed director fees and superannuation contributions and is reviewed annually by the People and Culture Committee. The chair of the Board attends all committee meetings but does not receive any additional committee fees in addition to base fees.

6.2 Maximum aggregate NED fee pool

The maximum aggregate amount that may be paid to NEDs for their services is $950,000 during any financial year, as approved by shareholders at the 2015 AGM held in November 2015. The Board did not seek an increase to the aggregate NED fee pool limit at the 2018 AGM.

The table below summarises Board and Committee fees paid to NEDs for FY19 (inclusive of superannuation).

		1 July 2018 - 30 June 2019
Board Chair Fee		$250,000[(1)]
Board Director Fee		$175,000[(2)]
Committee Fees		
Audit, Compliance & Risk	Chair	Nil
	Member	Nil
Nomination Committee[(3)]	Chair	Nil
	Member	Nil
People and Culture Committee	Chair	Nil
	Member	Nil
Annual Fee Pool		$950,000

(1) Committee fees are not paid to the Chair of the Board. FY18 disclosed a Board Chair Fee of $240,000 pa instead of $250,000 pa which was a typographical error.
(2) Non- Executive Director's Merrick Howes and Nils Stoesser and Executive Directors John Somerville and Michael Neilson do not receive payment of Board director fees from the Company. In place of a Board director fee, Non-Executive Director, Hayden Stephens, transitioned from Chief Executive Officer Australia to a Non-Executive Director on 7 February 2018. He did not receive a Board director's fee. He continued to receive his CEO remuneration during his notice period as part of his termination arrangements. This remuneration does not count towards the total NED Annual Fee Pool.
(3) The Nomination Committee was suspended and did not meet during FY19. There is no intention to bring the Committee out of suspension in FY20.

Directors' Report

Audited Remuneration Report (continued)

6.3 FY19 NED Remuneration

The table below includes entries for short term benefits to Merrick Howes and Nils Stoesser, executives employed by Anchorage Capital Group LLC. The Company does not pay any remuneration to Merrick Howes and Nils Stoesser. Australian Accounting Standards require disclosure of fees for their roles as Directors of the Company, where they are paid by their employer, which is the parent entity of the Group.

		Short-term benefits	Post-employment benefits	
Amounts $	**Year**	**Fees[3]**	**Superannuation benefits**	**Total**
Current NEDs				
James MacKenzie (Chair)	**FY19**	**229,951**	**20,049**	**250,000**
	FY18	120,282	10,487	130,769
Mark Dewar	**FY19**	**16,596**	**1,577**	**18,173**
	FY18	-	-	-
Merrick Howes [1]	**FY19**	**158,375**	**-**	**158,375**
Disclosure required by Australian Accounting Standards – no remuneration was actually paid by the Company	FY18	82,442	-	82,442
Elana Rubin	**FY19**	**159,817**	**15,183**	**175,000**
	FY18	51,633	4,905	56,538
Jacqui Walters	**FY19**	**159,817**	**15,183**	**175,000**
	FY18	51,633	4,905	56,538
Current Executive Directors				
John Somerville [3]	**FY19**	**-**	**-**	**-**
	FY18	-	-	-
Michael Neilson [3]	**FY19**	**-**	**-**	**-**
	FY18	-	-	-
Former NEDs				
Hayden Stephens [2]	**FY19**	**-**	**-**	**-**
	FY18	-	-	-
Nils Stoesser [1]	**FY19**	**141,841**	**-**	**141,841**
Disclosure required by Australian Accounting Standards – no remuneration was actually paid by the Company	FY18	82,442	-	82,442
Total[4]	**FY19**	**566,182**	**51,991**	**618,173**
	FY18	223,548	20,297	243,846

(1) M Howes and N Stoesser are not remunerated by the Company for their services as Non-Executive Directors. The Company was not charged for their services. Amounts in this table are not included in the total NED Annual Fee Pool.

(2) H Stephens transitioned from Chief Executive Officer Australia to a Non-Executive Director on 7 February 2018. He did not receive a Board director's fee. He continued to receive his CEO remuneration during his notice period as part of his termination arrangements. This remuneration does not count towards the total NED Annual Fee Pool. Please refer to table 7.1 KMP Remuneration: Statutory Remuneration Outcomes for H Stephens' remuneration.

(3) J Somerville and M Neilson commenced as Executive Directors on 25 September2018 and do not receive Board director's fees. Their remuneration does not count towards the total NED Annual Fee Pool. Please refer to table 7.1 KMP Remuneration: Statutory Remuneration Outcomes for J Somerville and M Neilson remuneration.

(4) The fees shown attributable to M Howes and N Stoesser are not counted towards the maximum aggregate NED Fee Pool.

Directors' Report

Audited Remuneration Report (continued)

7.0 Actual Executive Director and KMP Remuneration

7.1 Executive Director and KMP Remuneration Table – Statutory Disclosure

		Fixed Remuneration						Variable pay			End of Service				Proportion of Total Remuneration	
		Short-term			Post-employment	Long-term		Short-term	Long-term							
Name	Year	Salary	Non-monetary benefits	Other benefits	Super-annuation benefits	Long service leave	Total	Cash Bonus[6]	Perform-ance Rights / Options	Total	Unused Statutory Leave Balances	Contractual Notice Period	Total	Total Remun-eration	Perform-ance related	Deliver ed as equity
Executive Director																
John Somerville [1]	**FY19**	**529,469**	**-**	**-**	**20,531**	**4,434**	**554,434**	**264,734**	**-**	**264,734**	**-**	**-**	**-**	**819,168**	**32.3%**	**0.0%**
	FY18	209,942	-	-	7,942	2,451	220,335	-	-	-	-	-	-	220,335	0.0%	0.0%
Michael Neilson [2]	**FY19**	**306,336**	**-**	**-**	**15,793**	**1,098**	**323,228**	**88,000**	**-**	**88,000**	-	-	**-**	**411,228**	**21.4%**	**0.0%**
	FY18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive KMP																
Scott Butterworth [3]	**FY19**	**720,245**	**-**	**-**	**11,055**	**1,451**	**732,751**	**48,600**	**-**	**48,600**	**-**	**-**	**-**	**781,351**	**6.2%**	**0.0%**
	FY18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Former Executive KMP																
Hayden Stephens[4]	**FY19**	**93,606**	**-**	**8,745**	**3,582**	-	**105,934**	**-**	**-**	**-**	**254,068**	**-**	**254,068**	**360,002**	**0.0%**	**0.0%**
	FY18	579,014	8,960	-	20,049	61,198	669,221	52,500	-	52,500	-	-	-	721,721	7.3%	0.0%
Belinda Nucifora[5]	**FY19**	**74,331**	**37,255**	**6,510**	**4,738**	**-**	**122,834**	**-**	**-**	**-**	**21,882**	**268,485**	**290,367**	**413,201**	**0.0%**	**0.0%**
	FY18	339,494	-	63,362	14,960	4,238	422,053	-	-	-	-	-	-	422,053	0.0%	0.0%
Total	**FY19**	**1,723,987**	**37,255**	**15,255**	**55,700**	**6,982**	**1,839,181**	**401,334**	**-**	**401,334**	**275,950**	**268,485**	**544,435**	**2,784,950**	**14.4%**	**0.0%**
Total	FY18	1,128,450	8,960	63,362	42,951	67,887	1,311,609	52,500	-	52,500	-	-	-	1,364,109	3.8%	0.0%

(1) J Somerville commenced as Executive Director on 25 September 2018 but was CEO for the entire financial year. These numbers represent payments for the full financial year.

(2) M Neilson commenced as Executive Director on 25 September 2018. In FY18, Mr Neilson was not eligible for a short term incentive payment.

(3) S Butterworth commenced as Chief Financial Officer on 7 November 2018. The salary amount includes consulting fees of $477,937 (excl. GST) paid to his consulting business, Strategic Value Partners. FY19 cash bonus awarded but not yet paid is on a prorated basis.

(4) H Stephens ceased receiving CEO remuneration on 28 August 2018. Mr. Stephens ceased as a Director on 25 September 2018.

(5) B Nucifora ceased as Chief Financial Officer on 31 August 2018.

(6) As disclosed in FY18, Executive KMP did not earn an incentive for the FY18 financial year which resulted in nil payment in FY19. The FY19 cash bonus represents FY19 STIP awarded to Executive KMP which has not yet been paid.

Directors' Report

Audited Remuneration Report (continued)

7.2 Executive KMP Equity Plans

There are no active Executive KMP equity plans.

7.3 Vesting and Exercise of Performance Rights granted as Remuneration

During FY19, no performance rights or options were vested, exercised, or granted.

7.4 Shareholding of Executive KMP and NEDs

In accordance with the *Corporations Act* (section 205G (1)), the Company is required to notify the interests (shares and rights to shares) of directors to the ASX. In the interests of transparency and completeness of disclosure, this information is provided for each NED (as required under the *Corporations Act*) and all Executive KMP. Please refer section 3.3 for more information on prohibition on hedging and margin lending.

The table below indicates shareholdings of the KMP: No current KMP holds shares. Former have the below:

Executive KMP	Number held at 1 July 2018	Acquisitions	Disposals	Number held at 30 June 2019
James MacKenzie	-	-	-	-
Mark Dewar	-	-	-	-
Merrick Howes				
Michael Neilson	-	-	-	-
Elana Rubin	-	-	-	-
John Somerville	-	-	-	-
Jacqui Walters	-	-	-	-
Scott Butterworth	-	-	-	-
Hayden Stephens	12,526	-	12,526	-
Nils Stosser	-	-	-	-
Belinda Nucifora	-	-	-	-
Total	**12,526**	**-**	**12,526**	**-**

7.5 Movement in Executive KMP Holdings: Performance rights over ordinary shares

During FY19, no Executive KMP held or exercised any performance rights over ordinary shares.

End of Remuneration Report

Building a better working world

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

As lead auditor for the audit of Slater and Gordon Limited and Controlled Entities for the financial year ended 30 June 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 audit; and

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

This declaration is in respect of Slater and Gordon Limited and Controlled Entities it controlled during the financial year.

Ernst & Young

Christopher George
Partner
Melbourne
30 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019[1] $'000	Restated[2] 2018 $'000
Revenue			
Fee revenue		156,092	164,413
Net movement in work in progress		3,369	(2,941)
Revenue from contracts with customers	3.1	**159,461**	**161,472**
Other income		911	1,029
Total revenue and other income		**160,372**	**162,501**
Less expenses			
Salaries and employee benefit expense	3.2	93,696	98,490
Share based payment expense to former owners		-	1,364
Rental expense		8,744	10,494
Advertising, marketing and new business development expense		9,584	12,603
Administration and office expense		18,375	21,591
Consultant fees		8,158	7,175
Finance costs	3.2	11,884	16,374
Bad and doubtful debts		(1,290)	11,662
Depreciation and amortisation expense	3.2	4,402	3,752
Other expenses		6,960	8,040
Total expenses		**160,513**	**191,545**
Loss from continuing operations before income tax expense		**(141)**	**(29,044)**
Income tax expense / (benefit)	3.4	(33,151)	2,678
Profit / (Loss) from continuing operations for the year after income tax		**33,010**	**(31,722)**
Discontinued Operations			
Pre-tax income / (loss) from discontinued operations	9.1	332	(61,253)
Income tax expense / (benefit) from discontinued operations	3.4, 9.1	1,980	(2,904)
Net gain / (loss) from disposal of discontinued operations	9.1	(102)	187,591
Income tax (benefit) on disposal of discontinued operations	3.4, 9.1	-	(16,210)
Profit / (loss) from discontinued operations after income tax		**(1,750)**	**145,452**
Profit for the year after income tax		**31,260**	**113,730**
Profit for the year attributed to:			
Owners of the Company		31,260	113,726
Non-controlling interests		-	4
		31,260	**113,730**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		-	(10,414)
Changes in fair value of cash flow hedges		-	(250)
Total items that may be reclassified subsequently to profit or loss		**-**	**(10,664)**
Total comprehensive income / (loss) for the year, net of tax		**31,260**	**103,066**
Total comprehensive income / (loss) for the year attributed to:			
Owners of the Company		31,260	103,067
Non-controlling interests		-	(1)
		31,260	**103,066**

[1] The Group has initially applied AASB 9 at 1 July 2018. It has taken advantage of the exemption in paragraph 7.2.15 of AASB 9 from restating prior periods in respect of AASB 9's classification and measurement (including impairment) requirements. Refer to note 1.4.

[2] The prior period comparative has been restated in accordance with the requirements of Australian Accounting Standards as a result of the discontinued operations. Refer to note 9.1.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019[1] $'000	Restated[2] 2018 $'000
Total comprehensive income / (loss) for the year attributed to owners of the Company from:			
Continuing operations		33,010	(31,722)
Discontinued operations		(1,750)	134,789
		31,260	**103,067**
Earnings per share attributable to parent:			
Basic earnings per share	3.6	0.450	3.004
Diluted earnings per share	3.6	0.425	2.652
Earnings / (loss) per share from continuing operations:			
Basic (loss) / earnings per share	3.6	0.475	(0.838)
Diluted (loss) / earnings per share	3.6	0.450	(0.838)
Earnings / (loss) per share from discontinued operations			
Basic (loss) / earnings per share	3.6	(0.025)	3.842
Diluted (loss) / earnings per share	3.6	(0.025)	3.490

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

[1] The Group has initially applied AASB 9 at 1 July 2018. It has taken advantage of the exemption in paragraph 7.2.15 of AASB 9 from restating prior periods in respect of AASB 9's classification and measurement (including impairment) requirements. Refer to note 1.4

[2] The prior period comparative has been restated in accordance with the requirements of Australian Accounting Standards as a result of the discontinued operations. Refer to note 9.1.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents		12,633	18,778
Receivables	4.2	64,968	74,897
Work in progress	4.3	105,512	110,764
Other current assets		9,383	7,871
Assets held for sale		-	133
Total current assets		**192,496**	**212,443**
Non-current assets			
Property, plant and equipment	4.4	6,630	9,372
Receivables	4.2	19,019	19,018
Work in progress	4.3	118,143	115,029
Intangible assets	4.1	2,155	797
Other non-current assets		319	417
Total non-current assets		**146,266**	**144,633**
Total assets		**338,762**	**357,076**
Current liabilities			
Payables	4.5	53,576	56,963
Short term borrowings	5.2	9,852	11,798
Provisions	4.6	17,953	21,285
Total current liabilities		**81,381**	**90,046**
Non-current liabilities			
Payables	4.5	4,890	4,497
Long term borrowings	5.2	148,797	143,321
Deferred tax liabilities	3.4	13,901	49,531
Provisions	4.6	5,641	6,386
Total non-current liabilities		**173,229**	**203,735**
Total liabilities		**254,610**	**293,781**
Net assets / (liabilities)		**84,152**	**63,295**
Equity			
Contributed equity	5.5	1,351,533	1,348,581
Reserves		9,933	12,885
Accumulated losses		(1,277,314)	(1,298,171)
Total equity attributable to equity holders in the Company		**84,152**	**63,295**
Total equity		**84,152**	**63,295**

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

Consolidated Statement of Changes In Equity

For the Year Ended 30 June 2019

2019	Note	Contributed Equity	Accumulated Losses	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Total	Non-controlling interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2018		**1,348,581**	**(1,298,171)**	**-**	**-**	**12,885**	**63,295**	**-**	**63,295**
Change in accounting policy	1.4	-	(10,403)	-	-		(10,403)	-	(10,403)
Restated total equity at the beginning of the financial year		**1,348,581**	**(1,308,574)**	**-**	**-**	**12,885**	**52,892**	**-**	**52,892**
Net profit after tax for the year		-	31,260	-	-	-	31,260	-	31,260
Total other comprehensive loss for the year		-	-	-	-	-	-	-	-
Total comprehensive loss for the year		**-**	**31,260**	**-**	**-**	**-**	**31,260**	**-**	**31,260**
Transactions with owners in their capacity as owners									
Issuance of shares under Senior Lender Scheme	5.5	-	-	-	-	-	-	-	-
Reclassification to profit or loss on extinguishment of debt		-	-	-	-	-	-	-	-
Reclassification to profit or loss on disposal of discontinued operations		-	-	-	-	-	-	-	-
Transfer from share based payments reserve	5.5	2,952	-	-	-	(2,952)	-	-	-
Performance rights		-	-	-	-	-	-	-	-
Recognition of share based payments expense to former owners		-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners		**2,952**	**-**	**-**	**-**	**(2,952)**	**-**	**-**	**-**
Balance as at 30 June 2019		**1,351,533**	**(1,277,314)**	**-**	**-**	**9,933**	**84,152**	**-**	**84,152**

2018	Note	Contributed Equity	Accumulated Losses	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Total	Non-controlling interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2017		**1,119,235**	**(1,411,897)**	**(598)**	**27,513**	**17,108**	**(248,639)**	**(177)**	**(248,816)**
Net profit after tax for the year		-	113,726	-	-	-	113,726	4	113,730
Total other comprehensive loss for the year		-	-	(250)	(10,409)	-	(10,659)	(5)	(10,664)
Total comprehensive loss for the year		**-**	**113,726**	**(250)**	**(10,409)**	**-**	**103,067**	**(1)**	**103,066**
Transactions with owners in their capacity as owners									
Issuance of shares under Senior Lender Scheme	5.5	221,270	-	-	-	-	221,270	-	221,270
Reclassification to profit or loss on extinguishment of debt		-	-	848	-	-	848	-	848
Reclassification to profit or loss on disposal of discontinued operations		-	-	-	(17,104)	-	(17,104)	178	(16,926)
Transfer from share based payments reserve	5.5	8,076	-	-	-	(8,076)	-	-	-
Performance rights		-	-	-	-	8	8	-	8
Recognition of share based payments expense to former owners		-	-	-	-	3,845	3,845	-	3,845
Total transactions with owners in their capacity as owners		**229,346**	**-**	**848**	**(17,104)**	**(4,223)**	**208,867**	**178**	**209,045**
Balance as at 30 June 2018		**1,348,581**	**(1,298,171)**	**-**	**-**	**12,885**	**63,295**	**-**	**63,295**

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 $'000	Restated[1] 2018 $'000
Cash flow from operating activities			
Receipts from customers		229,295	215,327
Payments to suppliers and employees		(222,197)	(212,200)
Payments to former owners		-	(5,250)
Interest received		261	-
Borrowing costs		(5,299)	(2,483)
Net income tax (paid) / refunded		-	(3,180)
Net cash (used in) from operating activities of continuing operations		**2,060**	**(7,786)**
Net cash (used in) from operating activities of discontinued operations		(1,772)	(40,456)
Total net cash (used in) from operating activities	3.3	**288**	**(48,242)**
Cash flow from investing activities			
Payment for software development		(722)	(820)
Payment for plant and equipment		(1,146)	(2,989)
Costs associated with acquisition of businesses		(24)	-
Deposits for bank guarantees		143	(3,933)
Cash balance transferred on disposal of business		-	(18,439)
Proceeds from disposal of businesses		964	-
Payment for acquisition of businesses – deferred consideration		(982)	(425)
Net cash flow (used in) from investing activities of continuing operations		**(1,767)**	**(26,606)**
Net cash (used in) from investing activities of discontinued operations		-	(7,137)
Total net cash (used in) from investing activities		**(1,767)**	**(33,743)**
Cash flow from financing activities			
Loans repaid / (advanced) to related parties and employees		139	410
Proceeds from borrowings		11,605	62,854
Repayment of borrowings		(16,410)	(5,091)
Net cash provided by financing activities of continuing operations		**(4,666)**	**58,173**
Net cash provided by / (used in) financing activities of discontinued operations		-	8,475
Total net cash provided by financing activities		**(4,666)**	**66,648**
Net decrease in cash held		(6,145)	(15,337)
Net increase / (decrease) in foreign exchange differences		-	812
Cash at the beginning of the financial year		18,778	33,303
Cash at the end of the financial year		**12,633**	**18,778**

The accompanying notes form an integral part of these financial statement

[1] The prior period comparative has been restated in accordance with the requirements of Australian Accounting Standards as a result of the discontinued operations. Refer to note 9.1.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 1: Basis of Preparation

This note sets out the accounting policies adopted by Slater & 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 was authorised for issue by the directors as at the date of the Directors' Report on 28 August 2019.

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

1.1. Basis of Accounting

This financial report is a general purpose financial report, for a 'for-profit' entity, which has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements of Slater & Gordon Limited also comply with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial report has been prepared under the historical cost convention, except where noted.

The consolidated financial statements provide comparative information in respect of the previous period.

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

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.

This is the first set of the Group's annual financial statements in which AASB9 *Financial Instruments* has been applied. Changes to significant accounting policies are described in Note 1.4.

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 30 June 2019, the Group's total borrowings were $158.7m (2018: $155.1m). Of this, $9.9m (2018: $11.8m) is presented as current liabilities, being due for repayment in the next 12 months. The remaining $148.8m (2018: $143.3m) of debt is non-current. Furthermore, as at 30 June 2019, the Group has a positive net current asset balance of $111.1m (2018: $122.4m) and a positive overall net asset balance of $84.2m (2018: $63.3m).

The Directors have assessed the forecast trading results and cash flows, taking into account reasonably possible changes in trading performance. These forecasts, which are based on best-estimate assumptions that are subject to influences and events outside of the control of the consolidated entity, indicate that there are times in the forecast period where cash levels are lower than optimal. There are various mitigating strategies which will be deployed to manage cash to appropriate levels.

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 30 June 2019 financial report on a going concern basis is appropriate.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent entity and of all entities which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Non-controlling interests in the results of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position.

Any changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

1.2. Significant Accounting Judgements, Estimates and Assumptions

In preparing these consolidated 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.

Notes to the Financial Statements

For the Year Ended 30 June 2019

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are outlined in detail within the specific note to which they relate.

1.3. Foreign Currency Translations and Balances

Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars which is also the functional currency of the parent entity and all Australian subsidiaries. The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated group are translated into the respective functional currency of each entity at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date are translated using the 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.

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into the presentation currency of the Group at the closing rate on the reporting date. Income and expenses are translated at average exchange rates for the period, unless the exchange rate fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. All resulting exchange differences are recognised in Other Comprehensive Income and accumulated in the foreign currency translation reserve, a separate component of equity.

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

1.4. Adoption of New and Amended standards

The Group early adopted AASB 15 *Revenue from Contracts with Customers* in the Group's financial statements for the year ended 30 June 2016.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2018:

- AASB 9 Financial Instruments
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

As a result of adopting AASB 9 the Group has made certain adjustments to its financial statements, as outlined below. The adoption of the remaining new standards and amendments did not have any impacts on amounts recognised in prior periods and are not expected to significantly impact future periods.

AASB 9 *Financial Instruments*

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated (for a description of the transition method, see below).

The total impact on the Group's retained earnings as at 1 July 2018 is as follows:

	Impact of adopting AASB 9 on opening balance $'000
Closing retained earnings 30 June 2018 – AASB 139	**(1,298,171)**
Adjustment to retained earnings from adoption of AASB 9 on 1 July 2018	
Recognition of expected credit losses under AASB 9	(14,862)
Related tax	4,459
Total Adjustment	**(10,403)**
Restated total equity at the beginning of the financial year	**(1,308,574)**

Notes to the Financial Statements

For the Year Ended 30 June 2019

(i) Classification and measurement of financial assets and financial liabilities

Financial assets

As a result of adopting AASB 9, from 1 July 2018, the Group assesses which of its financial assets are within the following measurement categories:
- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

All financial assets held by the Group are measured at amortised cost. The disbursements have been assessed as meeting the solely payments of principal and interest (“SPPI”) test.

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements, as described further in note (ii) below.

Financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities.

(ii) Impairment of financial assets and contract assets

The Group has three types of assets that are subject to AASB 9’s new expected credit loss model:

- Financial assets
  - Trade and other receivables
  - Unbilled disbursement assets (“Disbursements”)
- Contract assets i.e. Work In Progress (“WIP”)

The Group has revised its impairment methodology to reflect the requirements of AASB 9 in respect of these asset classes.

The impact of the change in impairment methodology on the Group’s retained earnings and equity is disclosed in the table above.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The expected credit loss (“ECL” or “Provision for impairment”) consists of the following:

- A specific provision is recognised for financial and contract assets that exhibit certain characteristics and is based on management’s judgement of the lifetime expected loss on overdue amounts ; and
- A collective provision is where a financial or contract asset is not covered by specific provision the Group applies the AASB 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables, Disbursements and WIP.

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. ECL is calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward looking information, including macro-economic data:

- For accounting purposes, the lifetime PD represents the expected point-in-time probability of a default, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. Debtors that roll into an above 90 days overdue category are assumed to have a PD of 100%;
- The LGD represents expected loss conditional on default;
- The EAD represents the expected exposure at default, taking into account the repayment of outstanding amounts from the balance sheet date to the default event.

The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are

Notes to the Financial Statements

For the Year Ended 30 June 2019

analysed. The use of forward looking information such as macro-economic forecasts increases the degree of judgement required to assess how changes in these data points will affect ECLs. The assumptions, including any forecasts of future economic conditions, are reviewed regularly.

The WIP and Disbursements relate to unbilled work in progress and have substantially the same risk characteristics as zero days past due trade receivables for the same types of contracts. ECLs related to Disbursements and WIP are discounted at the Group's risk free rate. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 results in an additional impairment allowance as follows:

	$'000
Additional loss allowance at 1 July 2018 under AASB 9:	
Trade and other receivables	5,695
Disbursements	1,423
Work in progress	7,744
Cash and cash equivalents	-
Total additional loss allowance	**14,862**

(iii) Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented as at 30 June 2018 does not reflect the requirements of AASB 9, but rather those of AASB 139.

The following adjustments have been made upon transition:

Notes to the Financial Statements
For the Year Ended 30 June 2019

	30 Jun 2018 $'000	AASB 9 Adjustments $'000	Restated 1 Jul 2018 $'000
Current assets			
Cash and cash equivalents	18,778		18,778
Receivables	74,897	(5,980)	68,917
Work in progress	110,764	(1,549)	109,215
Other current assets	7,871		7,871
Assets held for sale	133		133
Total current assets	**212,443**	**(7,529)**	**204,914**
Non-current assets			
Property, plant and equipment	9,372		9,372
Receivables	19,018	(1,138)	17,880
Work in progress	115,029	(6,195)	108,834
Intangible assets	797		797
Other non-current assets	417		417
Total non-current assets	**144,633**	**(7,333)**	**137,300**
Total assets	**357,076**	**(14,862)**	**342,214**

	30 Jun 2018 $'000	AASB 9 Adjustments $'000	Restated 1 Jul 2018 $'000
Current liabilities			
Payables	56,963		56,963
Short term borrowings	11,798		11,798
Provisions	21,285		21,285
Total current liabilities	**90,046**	**-**	**90,046**
Non-current liabilities			
Payables	4,497		4,497
Long term borrowings	143,321		143,321
Deferred tax liabilities	49,531	(4,459)	45,072
Provisions	6,386		6,386
Total non-current liabilities	**203,735**	**(4,459)**	**199,276**
Total liabilities	**293,781**	**(4,459)**	**289,322**
Net assets / (liabilities)	**63,295**	**(10,403)**	**52,892**
Equity			
Contributed equity	1,348,581		1,348,581
Reserves	12,885		12,885
Accumulated losses	(1,298,171)	(10,403)	(1,308,574)
Total equity	**63,295**	**(10,403)**	**52,892**

Note 2: Segment Reporting

Following the restructure of the Group completed during the prior period, the Group has one reportable segment, which provides legal services in Australia. Information provided to the chief operating decision maker ("CODM") 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 CODM, which may change the Group's operating segments in the future.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 3: Financial Performance

3.1 Revenue from Contracts with Customers

3.1.1 Accounting policies

Provision of Legal Services – Personal Injury Law Claims

The Group early adopted AASB 15 *Revenue from Contracts with Customers* during the year ended 30 June 2016. The personal injury law practice operates on the basis of No Win – No Fee conditional fee arrangements, whereby fees are earned only in the event of a successful outcome of a customer's claim. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Group in delivering these services. Management considers the methods used provide an appropriate depiction of the transfer of goods or services.

The uncertainty around the fees receivable under a contract is generally only resolved when a matter is concluded.

Where the Group has sufficient historical experience in similar contracts to be able to estimate the expected outcome of a group of existing contracts reliably, revenue from the fees from contracts is estimated using the expected value method basis. The estimated amount of variable consideration is based on the expected fee for the nature of the legal service with reference to historical fee levels and relative rates of successful and unsuccessful outcomes. To determine the probability of success of a case, a level of judgement is required to be applied based on past experience and historical performance of similar matters.

Where historical averages are not predictive of the probability of outcomes for a given contract, or where the Group has limited historical experience with similar contracts, the expected amount of variable consideration is estimated using a most likely amount approach on a contract by contract basis. In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

Expected fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded.

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation. The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance.

Estimates of revenues (including interim billing), costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the personal injury revenue streams. This is because in personal injury matters, a substantial amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group.

A receivable in relation to these services is recognised on settlement of the client matter and when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company arranges for the disbursement activities provided by third parties on behalf of the client; however it does not control the output from those activities. The Company cannot influence the content of the medical reports or court filings, therefore no profit margin is recognised on the activities when clients are charged the direct cost incurred by the Company. As such, the Company acts as an agent for disbursements, which are only recognised when it is assessed that a reimbursement will be received from the client or on his or her behalf. The disbursements are treated as a separate asset. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred.

The amount of any expected reimbursement is reduced by an allowance for non-recovery based on past experience.

When new businesses are acquired, there is a transition period during which time the Group's practices and procedures are embedded into the operations of the new business. Therefore the valuation of work in progress acquired in a business combination may be adjusted during the period of provisional accounting for the acquisition.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Provision of Legal Services – Litigation and Emerging Services

The Group also earns revenue from provision of general legal services, incorporating project litigation. Revenue for general legal services is recognised over time in the accounting period when services are rendered.

Fee arrangements from general legal services include fixed fee arrangements, unconditional fee for service arrangements ("time and materials"), and variable or contingent fee arrangements (including No Win – No Fee arrangements for services including project litigation, and some consumer and commercial litigation).

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract by contract basis using a milestone based approach, as explained above.

In fee for service contracts, revenue is recognised up to the amount of fees that the Group is entitled to invoice for services performed to date based on contracted rates.

The Group estimates fees for variable or conditional service fee arrangements using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success of each case. Variable consideration is included in revenue only to the extent that it is highly probable that a significant reversal will not occur (generally when a matter is concluded).

Certain project litigation matters are undertaken on a partially funded basis. The Group has arrangements with third party funders to provide a portion of the fees receivable on a matter over time as services are performed. In such arrangements, the funded portion of fees is billed regularly over time and is not contingent on the successful outcome of the litigation. The remaining portion of fees is variable consideration which is conditional on the successful resolution of the litigation. The variable consideration is included in revenue as services are performed only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved.

As in the case of personal injury claims, estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the Litigation and Emerging Services revenue streams. This has been determined on fee for service and fixed fee arrangements as the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. For No Win - No Fee arrangements this has been determined because a significant amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group.

A receivable in relation to these services is recognised when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of Other Services – Slater Gordon Solutions (has been disclosed as a discontinued operation in the prior year)

Legal Services

Revenue from Road Traffic Accidents ("RTA") and Employer Liability/Public Liability ("EL/PL") files is recognised over the life of the case based on prescribed milestones in a matter.

The legal services practice operates on the basis of No Win – No Fee conditional fee arrangements and applies the same accounting policies as personal injury claims described above. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

Vehicle Hire and Repair

Revenue from the provision of car repair is recognised at a point in time. Revenue from the provision of car hire and cost recovery services are recognised over the time that the services are performed.

For car repair services, revenue is recognised upon completion of all repair work and upon the customer signing a "client satisfaction note" in taking back possession of the car. The amount of revenue recognised is the amount as agreed in writing between the parties prior to the service being provided in the repair contract.

For car hire and cost recovery services, the revenue is recognised over time, being the period between the commencement of the car hire and settlement of costs through the Third Party Insurer ("TPI"). The amount of revenue recognised is the amount as agreed in writing between the parties prior to the service being provided in the hire rental agreement.

Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded. A dilution rate is applied on the invoice to recognise the fact that there may be a settlement adjustment with the insurer if the insurer disputes any costs. This also takes into account the fact that some cases may not be 'no fault'.

A receivable in relation to these services is recognised when a bill has been issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes to the Financial Statements

For the Year Ended 30 June 2019

For car hire and repair services provided for not at fault clients, the Group acts as a principal. Although the services are provided by third party suppliers, the Group has the primary responsibility to ensure that the services have been delivered to the clients. The Group cannot vary the prices set by the supplier, as it is governed by an industry framework and the Group collects the revenue from the customer and bears all credit risk.

Revenue resulting from car hire and repair services within SGS Motor Services is recognised on a gross basis.

Medical Reports and Rehabilitation Services

Revenue from the provision of medical appointments and rehabilitation services is recognised at a point in time.

For medical appointments, the revenue is recognised when the medical report is received from the medical expert. The amount of revenue recognised is based on the average fee per case calculated on a historic basis. This value remains in work in progress until the medical report is issued to the Instructing Party ('IP') at which point the sales invoice is raised, and revenue recognised.

For rehabilitation services, the revenue is recognised when the course of treatment is completed and the final assessment or discharge report is issued to the IP. The amount of revenue recognised is based on the average fee per case calculated on a historic basis. This value remains in work in progress until the final assessment or discharge report is issued to the IP at which point the sales invoice is raised., and revenue recognised.

A receivable in relation to these services is recognised when a bill has been issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract Costs

Applying the practical expedient in paragraph 94 of AASB 15 *Revenue from Contracts with Customers*, the Group recognises the incremental costs of obtaining contracts as an expense when incurred.

Critical Accounting Estimate and Judgements

(i). Identifying the Performance Obligation

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. As referred above, some contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Group in delivering these services. Management considers the methods used provide an appropriate depiction of the transfer of goods or services.

(ii). Estimating the Transaction Price: Variable Consideration – No Win – No Fee Arrangements

As referred to above, the Group provides various services on the basis of No Win – No Fee conditional fee arrangements. The uncertainty around the fees ultimately receivable under these types of contracts is generally only fully resolved when a matter is concluded.

Where the Group has sufficient historical experience in similar contracts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue is estimated using the expected value method. Fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded.

To determine the probability of success of a case using the expected value method, a level of judgement is required to be applied based on past experience and historical performance of similar matters. The estimated amount of variable consideration is based on the expected fee for the nature of the legal service provided with reference to internal historical fee levels and relative rates of successful and unsuccessful outcomes.

Where historical averages are not predictive of the probability of outcomes for a given contract, or where the Group has limited historical experience with similar contracts, the expected amount of variable consideration is estimated using a most likely amount approach on a contract by contract basis. In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

In addition, when new businesses are acquired, there is a transition period during which time the Group's practices and procedures are embedded into the operations of the new business. Therefore the valuation of work in progress acquired in a business combination may be adjusted during the period of provisional accounting for the acquisition.

(iii). Measuring the Stage of Completion

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation. The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage of completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance.

Notes to the Financial Statements

For the Year Ended 30 June 2019

3.1.2. Disaggregation of Revenue from Contracts with Customers

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 regions of Australia:

	Personal Injury Law	Litigation and Emerging Services	Total
Year ended 30 June 2019	**$'000**	**$'000**	**$'000**
Type of contract:			
Fixed price	-	505	505
Time and Materials	-	11,025	11,025
No Win – No Fee	142,934	4,997	147,931
Revenue from contracts with customers	**142,934**	**16,527**	**159,461**
Year ended 30 June 2018 Restated[1]			
Type of contract:			
Fixed price	-	976	976
Time and Materials	-	9,419	9,419
No Win – No Fee	150,831	246	151,077
Revenue from contracts with customers	**150,831**	**10,641**	**161,472**

3.2 Expenses

3.2.1 Accounting Policies

Interest

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Depreciation

The depreciable amounts of all property, plant and equipment, excluding land, are depreciated over their estimated useful lives, commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rates	Depreciation Method
Plant and equipment	5.00 – 66.67%	Straight Line and Diminishing Value
Low value asset pool	18.75 – 37.50%	Diminishing Value

Amortisation

Amortisation is calculated using a straight-line method to allocate the cost of intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use.

The amortisation rates used for each class of assets are:

Class of Intangible Asset	Amortisation Rates	Amortisation Method
Software and development	33.33%	Straight Line and Diminishing Value
Client lists	33.33%	Straight Line and Diminishing Value

Share Based Payments

The accounting policy for share based payments is included in Note 5.6.

[1] The prior period comparative has been restated in accordance with the requirements of Australian Accounting Standards as a result of the discontinued operations. Refer to note 9.1.

Notes to the Financial Statements

For the Year Ended 30 June 2019

3.2.2 Expense Analysis by Nature

Finance costs expense	2019 $'000	Restated(1) 2018 $'000
Interest and fees on bank overdraft and loans (includes costs of borrowing)	11,781	15,938
Interest on deferred consideration payable to vendor on acquisitions	-	5
Interest on onerous leases	79	109
Interest on obligations under hire purchases	24	322
	11,884	16,374
Salaries and employee benefit expense		
Wages and salaries	86,889	88,758
Post-employment benefits	6,790	7,138
Redundancy costs	17	2,636
Share based payments expense	-	(42)
	93,696	98,490
Depreciation and Amortisation		
Property, plant & equipment	4,056	3,729
Software development	346	23
	4,402	3,752

3.3 Cash Flow Information

Reconciliation of profit for the period to cash flows from operating activities	2019 $'000	2018 $'000
Profit / (loss) after income tax	31,260	113,730
Non-cash flows in profit from ordinary activities		
Depreciation and amortisation	4,402	6,386
Share based payment expenses	-	2,182
Bad and doubtful debts	(1,290)	11,612
Non-cash net gain on disposal of discontinued operations	-	(197,093)
Notional FX (gain) / loss	113	(1,402)
Interest Expense Capitalised	7,954	29,958
Items shown in investing activities		
Costs associated with the Scheme	-	5,515
Changes in assets and liabilities		
Decrease / (increase) in receivables	648	32,717
Decrease / (increase) in other assets	(1,417)	5,182
Decrease / (increase) in work in progress	(3,192)	20,001
Increase / (Decrease) in payables	(2,970)	(30,033)
Decrease / (increase) in income tax payable	-	(2,108)
(Decrease) / increase in net deferred tax	(31,171)	(17,285)
(Decrease) in derivatives	-	(1,677)
(Decrease) in other liabilities	-	(1,840)
Increase / (decrease) in provisions	(4,049)	(24,087)
Cash flows (used in) from operating activities	**288**	**(48,242)**

(1) The prior year comparative has been restated in accordance with the requirements of the Australian Accounting Standards as a result of the discontinued operations. Refer to note 9.1.

Notes to the Financial Statements

For the Year Ended 30 June 2019

3.4 Income and Other Taxes

3.4.1. Accounting Policies

Income and other taxes consist of income tax and Goods and Services Tax.

Current income tax expense or benefit for the current and prior periods is measured at the amount expected to be recovered from or paid to the tax authorities. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax for the year are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Critical Accounting Estimates and Judgements

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation in Australia and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised only if management considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Taxation Office ("ATO"), and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

3.4.2. Income Tax Expense

The major components of income tax expense are:

Consolidated statement of profit or loss and other comprehensive income – profit or loss	2019 $'000	2018 $'000
Current income tax expense	374	1,226
Adjustment for current tax (benefit) / expense relating to prior periods	-	(402)
Deferred income tax expense / (benefit)	(31,545)	(17,260)
Income tax (benefit)	(31,171)	(16,436)

	2019 $'000	2018 $'000
Deferred income tax (benefit) /expense included in income tax expense:		
Decrease/(increase) in deferred tax assets	(30,574)	(5,831)
(Decrease) in deferred tax liabilities	(597)	(10,526)
Deferred tax (benefit) / expense from prior periods	-	(903)
	(31,171)	(17,260)

Notes to the Financial Statements

For the Year Ended 30 June 2019

The prima facie tax payable on profit before tax differs from the income tax expense as follows:		
Accounting (loss) before tax of continuing operations	(141)	(29,238)
Profit before tax of discontinued operations	230	126,532
Total accounting profit before tax	**89**	**97,294**
At the Australian statutory income tax rate of 30% (2018: 30%)	27	29,188
Non-deductible expenses	347	148,126
Non-assessable income	-	(136,147)
Adjustments in respect to prior periods	-	(1,305)
Difference in overseas tax rate	-	(66,655)
Utilisation of tax losses and reversal of short term timing differences on which no deferred tax asset was previously recognised	-	(305)
Recognition of prior years deferred tax losses	(31,545)	-
Deferred tax assets not recognised	-	17,503
Tax benefit on scheme transaction	-	(7,428)
Group relief (claimed)/surrendered	-	587
Income tax (benefit)	(31,171)	(16,436)

3.4.3. Recognised Tax Assets and Liabilities

	2019 $'000	2018 $'000
Current tax assets		
Balance at the beginning of the year	-	3
Disposal of UK operations	-	(3)
Balance at the end of the year	-	-

	2019 $'000	2018 $'000
Current tax liability		
Balance at the beginning of the year	-	(8,250)
Disposal of UK operations	-	8,250
Balance at the end of the year	-	-

	2019 $'000	2018 $'000
Deferred tax assets		
Provision for impairment	6,082	5,747
Employee benefits	4,920	5,360
Provision for legal costs	977	1,276
Accruals	3,313	4,176
Non-deducted business related costs	2,357	3,508
Unrendered WIP and disbursements not yet deducted	7,428	7,428
Other	2,675	2,812
Property, plant and equipment	2,431	2,459
Revenue losses carried forward	37,616	-
Total	67,799	32,766
Transfer deferred tax assets balance to deferred tax liabilities	(67,799)	(32,766)
Balance at the end of the year	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2019

Deferred tax liabilities		
Prepayments	(287)	(371)
Work in progress	(68,735)	(67,778)
Unrendered disbursements	(12,325)	(13,458)
Intangibles/Goodwill	76	(755)
Other	(429)	65
Total	(81,700)	(82,297)
Transfer of deferred tax assets balance	67,799	32,766
Net deferred tax liability balance at the end of the year	(13,901)	(49,531)

3.4.4. Unrecognised Deferred Tax Assets

At 30 June 2019 the Group has unrecognised deferred tax assets of nil (2018: $31.5m) relating to unrecognised tax losses.

3.5 Dividends

No interim or final dividend was paid, declared or proposed for the years ended 30 June 2019 or 30 June 2018.

	2019 $'000	2018 $'000
Franking credits available		
Franking credits at year end are adjusted for credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:	-	-

3.6 Earnings / (loss) per Share

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

	2019 $'000	2018[1] $'000
Profit used in calculating basic and diluted earnings / (loss) per share attributable to parent	31,260	113,730
Profit / (Loss) used in calculating basic and diluted earnings / (loss) per share from continuing operations	33,010	(31,722)
Profit / (loss) used in calculating basic and diluted earnings / (loss) per share from discontinued operations	(1,750)	145,452
Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share ('000's)	69,527	37,859
Adjusted weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share ('000's)	73,337	41,673

(1) The prior year comparative has been restated in accordance with the requirements of the Australian Accounting Standards as a result of the discontinued operations.

On 8 December 2017, the Company undertook a share consolidation of 1 ordinary share for every 100 shares on issue (refer Note 5.5). The number of shares used in calculating basic and diluted earnings / (loss) per share has been adjusted retrospectively for the periods presented.

Note 4: Assets and Liabilities

This section shows the assets used to generate the Group's revenue and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are disclosed in Note 5. Deferred tax assets and liabilities are disclosed in Note 3.4.

On the following pages there are notes covering intangible assets, working capital, work in progress, other non-current assets, payables and provisions.

Notes to the Financial Statements

For the Year Ended 30 June 2019

4.1 Intangible Assets

4.1.1. Accounting Policies

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but it is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Effective 1 May 2019, the Group acquired a group of assets from Pre-Legal Pty Ltd. The acquisition was considered a business combination and a provisional goodwill balance of $0.9m has been recognised.

Software Development Costs

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resources and intent to complete the development and its costs can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. See 3.2.1 for amortisation policy.

	Goodwill $'000	Software Development $'000	Client lists $'000	Assets in Course of Construction $'000	Total $'000
Gross Cost	-	13,160	-	542	13,702
Accumulated amortisation	-	(7,839)	-	-	(7,839)
Accumulated impairment loss	-	(5,066)	-	-	(5,066)
At 30 June 2018	**-**	**255**	**-**	**542**	**797**
Gross Cost	879	20,043	102	-	21,024
Accumulated amortisation	-	(18,864)	(5)	-	(18,869)
Accumulated impairment loss	-	-	-	-	-
At 30 June 2019	**879**	**1,179**	**97**	**-**	**2,155**
Movement in carrying amounts					
Balance at 1 July 2017	-	13,112	-	-	13,112
Disposal of UK operations	-	(12,186)	-	-	(12,186)
Additions	-	278	-	542	820
Exchange differences	-	382	-	-	382
Amortisation expense	-	(1,331)	-	-	(1,331)
Balance at 30 June 2018	**-**	**255**	**-**	**542**	**797**
Additions	879	326	102	397	1,704
Reclassifications from assets in course of construction	-	939	-	(939)	-
Exchange differences	-	-	-	-	-
Amortisation expense	-	(341)	(5)	-	(346)
Impairment expense	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2019	**879**	**1,179**	**97**	**-**	**2,155**

4.1.2. Impairment Testing of Goodwill and Indefinite Life Intangible Assets

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable, largely independent, cash inflows (cash generating units "CGU's").

Impairment testing is completed at least annually for goodwill, intangible assets not yet ready for use and indefinite life intangible assets, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset or CGU exceeds its recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its fair value less costs of disposal and value-in-use.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Critical Accounting Estimates and Judgements

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU's to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the CGU and a post-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset in order to calculate present value. A material impairment loss may arise where the present value of future cash flows as currently assessed are less than expected.

4.1.3. Impairment Losses Recognised

As at 30 June 2019, the Group did not recognise an impairment expense (2018: nil).

4.2 Receivables

4.2.1. Accounting Policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year from the reporting date or less they are classified as current assets. If not, they are presented as non-current assets.

Disbursements receivables are only recognised when it is assessed that a reimbursement will be received from the client or on his or her behalf. The disbursements are initially recognised at the amount disbursed. If the collection is expected in more than one year, it is discounted to the reporting date using a risk free rate. The disbursements are treated as a separate asset.

Current	2019 $'000	2018 $'000
Trade receivables	44,751	49,078
Provision for Impairment	(11,013)	(9,749)
	33,738	39,329
Disbursements	32,386	35,872
Provision for Impairment	(2,656)	(3,025)
	29,730	32,847
Other receivables	1,500	2,721
	64,968	**74,897**
Non-current		
Disbursements	29,601	31,117
Provision for Impairment	(10,582)	(12,099)
	19,019	**19,018**

Collectability of trade debtors is reviewed at each reporting period. The Group applies the AASB 9 simplified approach to measuring ECL for all receivables, which uses a lifetime expected loss allowance. Where there is no reasonable expectation of recovery, receivables are written off.

The ECL is based on three main parameters as described within Note 1.4. The ECL as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

Trade Receivables	Total	<30 days	30-60 days	61-90 days	91-180 days	>180 days
30 June 2019						
Gross carrying amount	44,751	20,469	8,198	2,857	2,828	10,399
Provision for impairment	11,013	1,668	751	264	496	7,834
30 June 2018						
Gross carrying amount	49,078	21,106	6,341	2,833	3,478	15,320
Provision for impairment	9,749	593	644	327	604	7,581

Notes to the Financial Statements

For the Year Ended 30 June 2019

The closing loss allowances for receivables as at 30 June 2019 reconcile to the opening loss allowances as follows:

Trade Receivables	2019 $'000	2018 $'000
Opening balance as at 30 June – calculated under AASB 139	(9,749)	(69,437)
Amounts restated through opening retained earnings	(5,695)	-
Opening loss allowance as at 1 July – calculated under AASB 9	(15,444)	-
Receivables written off as uncollectible	2,599	9,125
Provision for impairment recognised	-	(9,053)
Release of provisions	1,832	-
Disposal of UK operations	-	59,616
Closing Balance as at 30 June	**(11,013)**	**(9,749)**

See Note 5.4.4 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

4.3 Work in Progress

4.3.1 Accounting Policies

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 3.1 for further details.

Contracts for legal services are billed based on time incurred. 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.

The ECL is based on three main parameters on this basis described within Note 1.4, the ECL as at 30 June 2019 and 30 June 2018 (on adoption of AASB 9) was determined as follows:

	2019 $'000	2018 $'000
Current		
Personal injury	97,868	98,104
Litigation and emerging services	8,729	12,660
Provision for impairment	(1,093)	-
	105,512	110,764
Non-current		
Personal injury	120,111	114,760
Litigation and emerging services	2,402	269
Provision for impairment	(4,370)	-
	118,143	115,029

The closing loss allowances for work in progress as at 30 June 2019 reconcile to the opening loss allowances as follows:

	2019 $'000	2018 $'000
Opening balance as at 30 June – calculated under AASB 139	-	-
Amounts restated through opening retained earnings	7,744	-
Opening loss allowance as at 1 July – calculated under AASB 9	7,744	-
Release of provisions	(2,281)	-
Closing Balance as at 30 June	5,463	**-**

Notes to the Financial Statements

For the Year Ended 30 June 2019

4.4 Property, Plant and Equipment

4.4.1 Accounting Policies

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period. Any depreciation and impairment losses of an asset are recognised in profit or loss – see Note 3.2.1 for depreciation policy.

Gains and losses on disposal are determined by comparing the proceeds obtained for the disposal with the carrying value of the relevant asset. These gains and losses are included in profit or loss when the asset is derecognised.

	Plant & Equipment $'000	Land & Buildings $'000	Low Value Asset Pool $'000	Total $'000
Gross Cost	31,462	-	2,763	34,225
Less accumulated depreciation	(22,731)	-	(2,122)	(24,853)
At 30 June 2018	**8,731**	**-**	**641**	**9,372**
Gross Cost	26,601	-	3,044	29,645
Less accumulated depreciation	(20,656)	-	(2,359)	(23,015)
At 30 June 2019	**5,945**	**-**	**685**	**6,630**
Movement in carrying amounts				
Balance at 1 July 2017	25,721	249	585	26,555
Additions	3,985	-	365	4,350
Exchange differences	515	8	-	523
Depreciation expense	(5,208)	-	(248)	(5,456)
Disposals	(431)	-	(61)	(492)
Disposal of UK Operations	(15,851)	(257)	-	(16,108)
Balance at 30 June 2018	**8,731**	**-**	**641**	**9,372**
Additions	2,213	-	341	2,554
Depreciation expense	(3,766)	-	(290)	(4,056)
Disposals	(1,233)	-	(7)	(1,240)
Balance at 30 June 2019	**5,945**	**-**	**685**	**6,630**

The carrying amount of plant and equipment under finance lease included above amounted to nil (30 June 2018: $1,000).

4.5 Payables

4.5.1 Accounting Policies

Trade creditors and accruals are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Legal creditors are carried at amortised cost and represent liabilities in relation to disbursements where there is an agreement with the vendor that payment will not be made by the Group, until the Group has received payment from any settlement proceeds on the matter.

Vendor liabilities are carried at net present value and refer to deferred consideration payable to vendors in relation to previous acquisitions.

Unsecured liabilities	2019 $'000	2018 $'000
Current		
Trade creditors and accruals	18,836	22,422
Legal creditors	29,635	29,541
Vendor liabilities – acquisitions	-	128
Third party disbursements	5,105	4,872
Balance at 30 June 2019	**53,576**	**56,963**
Non-current		
Third party disbursements	4,890	4,497
Balance at 30 June 2019	**4,890**	**4,497**

Notes to the Financial Statements

For the Year Ended 30 June 2019

The Group has an agreement with a third party disbursement funder, Equal Access Funding Proprietary Limited ('EAF'), who funds 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 financial 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 has been recognised against the asset.

The Group previously accounted for third party disbursement funding by recognising a provision. The accounting treatment has been changed as outlined above to align treatment to both facilities. The prior year comparative balances have been restated, resulting in an increase of both receivables and payables of $9.4m. The provision for third party disbursements of $2.4m has been reclassified from provisions to reduce third party disbursement asset.

4.6 Provisions

4.6.1 Accounting Policies

Non-employee provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result in an amount that can be reliably measured.

Solicitor Liability Claims – Critical Accounting Estimates and Judgements

A provision for solicitor liability claims is made for the potential future cost of claims brought against the Group by former clients. The provision relates to open claims and potential future claims as identified at the end of the reporting period. The provision is determined based on historical data, taking into account the nature of the existing claim, includes the estimated maximum amount payable by the Group under its Professional Indemnity Insurance Policy on all claims notified to its insurer.

Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. Liabilities arising later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. These estimated future cash flows have been discounted using market yields, at the reporting date, on high quality corporate bonds with matching terms to maturity.

A bonus provision is recognised when it is payable in accordance with the employee's contract of employment and the amount can be reliably measured.

A provision for termination benefits is recognised when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

Employee benefit obligations are presented as current liabilities if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Onerous Contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. The economic benefits expected to be received include direct and indirect benefits under the contract and contractual and non-contractual benefits.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. For leased premises, the provision also includes any costs associated with remediating the premises to the condition agreed in the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract if applicable.

Notes to the Financial Statements

For the Year Ended 30 June 2019

4.6.2 Provisions

Current	2019 $'000	2018 $'000
Employee benefits	14,894	15,322
Solicitor liability claims	1,893	3,291
Provision for onerous contracts	1,166	2,672
	17,953	21,285
Non-current		
Employee benefits	1,506	2,497
Provision for onerous contracts	2,771	2,929
Solicitor liability claims	1,364	960
	5,641	6,386

Note 5: Capital Structure and Financing

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

5.1. Cash and Cash Equivalents

5.1.1. Accounting Policies

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding banking overdrafts.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

5.2. Financing Arrangements

5.2.1. Accounting Policies

Borrowing Costs

Borrowing costs can include interest expense, finance charges in respect of finance leases, amortisation of discounts or premiums, ancillary costs relating to borrowings, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

5.2.2. Financing Arrangements

Debt Facilities

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

a) Refinanced Super Senior Facility ($65m) with a termination date of 22 December 2020. The facility incurs fixed fees and a fixed interest rate, with interest being capitalised and is not payable until the end of the term. There is no amortisation required over the life of this facility. The total undrawn amount of the facility is nil at 30 June 2019 (2018: nil).

b) Restated Syndicated Facility Agreement ($60m) with a termination date of 22 December 2022. Interest is capitalized and is not payable until the end of the term. There is no amortisation required over the life of this facility. The total undrawn amount of the facility is nil at 30 June 2019 (30 June 2018: nil).

   Payment of the deferred restructure fee relating to the previous restructure of the facility in May 2016, which comprised warrants and cash of $1.6m and GBP 5.3m, has been deferred and is due at the termination date.

c) Disbursement asset backed facility ($28m) secured against disbursement assets (the 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. Interest on the facility is payable annually in advance.

   In November 2018, the Group renegotiated the disbursement asset backed facility to provide a maximum additional facility of $15.0m. In May 2019, the Group amended the agreement to extend the availability period for a transitional facility of $10m until 31 December 2019 from the previously agreed date of 30 June 2019. The additional facility is available until 31 December 2019 and is limited through the application of loan covenant requirements. The line fee of 1.5% per annum is payable in arrears each month. In May 2019, a decision was made to draw down an additional $6m. As at 30 June 2019, the remaining undrawn facility totals $4m.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Watchstone Receivable

As partial consideration for the transfer of Slater & Gordon (UK) 1 Limited (S&G UK) shares from the Group to Slater & Gordon UK Holdings Limited on 15 December 2017, the Group has recourse to the first $40.0m of any proceeds that S&G UK receives (after payment of all costs of the litigation) from successful settlement of the Watchstone-related claims (refer to Note 7.2). These are required to be applied to reduce the Super Senior Facility. This amount represents a contingent asset, and has not been recognised as a receivable as the inflow of economic benefits is not considered virtually certain.

Security

The security that was provided over the Australian Operations in respect of secured facilities of the UK Operations was released in full on implementation of the Senior Lender Scheme in December 2017. No ongoing security has been provided by the Australian Group for UK debt. For details of other security provided to S&G UK by the Australian Operations, please refer Note 7.

Net Debt

As at 30 June 2019, the Group has fully drawn its Syndicated Facility Agreement and Super Senior Facility.

The Group had cash on hand of $12,633,000 (30 June 2018: $18,778,000), offset by debt of $148,445,000 and deferred restructure fees of $10,204,000 resulting in net debt of $146,016,000 (30 June 2018: $136,341,000).

Covenants position

The Group was in compliance with all financial banking covenants as at 30 June 2019.

Debt reconciliation	Super senior facility $'000	Syndicated Facility Agreement $'000	Fees $'000	Disbursement asset backed facility $'000	Finance Lease Liability $'000	Total
Balance at 30 June 2018	**69,514**	**61,265**	**11,417**	**12,922**	**1**	**155,119**
Drawdowns	-	-	-	11,000	-	11,000
Repayments	(1,678)	-	(1,600)	(14,126)	(1)	(17,405)
Foreign currency translation movement	-	-	114	-	-	114
Borrowing cost unwind	-	-	-	56	-	56
Accrued interest	6,952	2,540	273	-	-	9,765
Balance at 30 June 2019	**74,788**	**63,805**	**10,204**	**9,852**	**-**	**158,649**

5.2.3. Summary of Borrowing Arrangements

At reporting date, the following banking facilities had been executed and were available.

Total banking facilities		2019 $'000	2018 $'000
Super senior facility		65,000	65,000
Syndicated facility agreement		60,000	60,000
Disbursement backed asset facility		28,000	13,000
Finance lease facility		0	1
Total credit facilities		153,000	138,001
Facilities utilised	**Maturity**		
Current			
Disbursement asset backed facility	Ongoing until 29 Dec 2020	9,852	8,519
Super senior facility(1)	24 Dec 2018	-	1,678
Underwriter fees	24 Dec 2018	-	1,600
Finance lease liability	2 Jul 2018	-	1
		9,852	11,798
Non-current			
Disbursement asset backed facility	Ongoing until 29 Dec 2020	-	4,403
Super senior facility(2)	22 Dec 2020	74,788	67,836
Deferred restructure fee	22 Dec 2022	10,204	9,817
Syndicated facility agreement(2)	22 Dec 2022	63,805	61,265
		148,797	143,321

(1) 30 June 2018 balance includes accrued interest capitalised prior to Recapitalisation of $1,678,000. The interest has been repaid during the financial year ended 30 June 2019.

(2) Includes capitalised interest costs as agreed with the lenders.

Notes to the Financial Statements

For the Year Ended 30 June 2019

A portion of the bills of exchange was the subject of interest rate swaps to hedge the risk of an adverse interest rate movement. Hedging was discontinued on implementation of the Senior Lender Scheme.

5.3. Leasing

5.3.1. Accounting Policies

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if the right is not explicitly specified in the arrangement. The lease is classified at the inception date as a finance lease or an operating lease.

Finance Leases

A lease that transfers substantially all of the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease, at the inception date fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the Statement of Profit or Loss and Other Comprehensive Income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the Group will obtain ownership of the asset, or if not, over the shorter of the estimated useful life of the asset and the term of the lease.

The Group leased a certain number of its fixed assets under finance leases. These were settled during the year prior year.

Operating Leases

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the relevant taxation authority. Future minimum rentals payable under non-cancellable operating leases as at 30 June are, as follows:

	2019 $'000	2018 $'000
Within one year	10,358	13,525
One year or later and not later than five years	30,535	24,531
Greater than five years	5,422	8,250
	46,315	46,306

Standards issued but not yet effective as at 30 June 2019 impacting leases

AASB 16 Leases (effective 1 July 2019) represents a significant change to how lessees account for leases.

See Note 6.4 for further details of impacts on the transition date of 1 July 2019.

5.4. Financial Risk Management

5.4.1. Accounting Policies

The Group's principal financial instruments comprise cash and cash equivalents, loans and trade receivables, disbursements, work in progress, trade payables and loans. The classification of financial instruments depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial Assets

From 1 July 2018, under AASB 9, the Group assesses which of its financial assets are measured at fair value through other comprehensive income, fair value through profit or loss, or amortised cost. The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

Based on the necessary assessments, the Group has designated all its financial assets to be measured at amortised cost, which does not result in a reclassification relative to the comparative reporting period. The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements, as described in notes 1.4 and 4.2.1.

Loans and receivables are non-interest bearing, non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised based on fair value plus directly attributable transaction costs that are subsequently measured using the effective interest method at amortised cost and are subject to impairment.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Financial assets are tested for impairment on a forward-looking basis to calculate the associated ECL and to establish whether there is any objective evidence of resulting impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

Financial Liabilities

From 1 July 2018, under AASB 9 the Group assesses which of its financial liabilities are measured at either fair value through profit or loss or at amortised cost. Financial liabilities include trade payables, other creditors and loans from third parties including loans from or other amounts due to director-related entities.

Based on the necessary assessments, the Group has designated all its financial liabilities to be measured at amortised cost which does not result in a reclassification relative to the comparative reporting period. AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. As such, the adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

Financial liabilities are recognised at amortised cost, comprising original debt, net of directly attributable transaction costs less principal payments and amortisation using the effective interest rate method. The implied interest expense is recognised in profit or loss.

5.4.2. Interest Rate Risk

The Group's exposure to interest rate risk and the effective interest rates of non-derivative financial assets and financial liabilities both recognised and unrecognised at the end of the reporting period are as follows:

	Variable interest rate		Fixed interest rate		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets						
Financial assets held at amortised cost						
Cash and bank guarantees on deposit(1)	16,807	22,711	-	-	16,807	22,711
Total financial assets	16,807	22,711	-	-	16,807	22,711
Financial liabilities						
Financial liabilities held at amortised cost						
Other current liabilities	-	-	-	-	-	-
Finance lease liability	-	-	-	1	-	1
Disbursement backed asset facility	-	-	9,852	12,922	9,852	12,922
Super senior facility	-	-	74,788	69,514	74,788	69,514
Debt raising costs under the SFA	-	-	10,204	9,817	10,204	9,817
Syndicated facility agreement	63,805	61,265	-	-	63,805	61,265
Total financial liabilities	63,805	61,265	94,844	92,254	158,649	153,519

(1) This includes cash and cash equivalents of $12,633,000 and restricted bank guarantees on deposit of $4,174,000.

The Group manages the exposure through the ongoing monitoring of interest rates.

5.4.3. Foreign Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk relates primarily to amounts payable in foreign currency (GBP4,863,000 at 30 June 2019). The Group's investment in the UK operations was transferred under the Senior Lender Scheme on 15 December 2017. At 30 June 2018, the balance accumulated in the foreign currency translation reserve ($17,104,000 gain) was reclassified from equity to profit or loss on transfer of the UK operations.

The Group has no other significant exposures to foreign exchange risk.

Foreign Exchange Rate Sensitivity

If foreign exchange rates were to increase/decrease by 10 per cent from rates used to determine fair values as at the end of the reporting period, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year would be as follows:

Notes to the Financial Statements

For the Year Ended 30 June 2019

	2019 $'000	2018 $'000
Impact on profit after tax – 10% decrease in AUD/GBP exchange rate	(666)	(583)
Impact on profit after tax – 10% increase in AUD/GBP exchange rate	545	530

5.4.4. Credit Risk

Credit risk arises from the financial assets of the Group. The main exposure to credit risk in the Group is represented by receivables (debtors and disbursements) owing to the Group. The Group's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements.

The Group held cash and cash equivalents and restricted bank guarantees on deposit of $16,807,000 at 30 June 2019 (30 June 2018: $22,711,000). The credit risk associated with cash and cash equivalents is considered minimal as the cash and cash equivalents are held with reputable financial institutions in Australia.

Receivables

There is also credit risk associated with unrendered disbursements and trade receivables. Once client matters are billed, a significant portion of receivables related to the personal injuries business are considered low risk. This is because these receivables are collected directly from settlements paid by insurers into trust funds held on behalf of the Group's clients. For the non-personal injury law business, the Group is exposed to the credit risk associated with the client's ability to meet their obligations under the fee and retainer agreement. The Group minimises the concentration of this credit risk by undertaking transactions with a large number of clients. The Group applies the AASB 9 simplified approach to measuring the ECL for receivables, which uses a lifetime expected loss allowance for ECL for all receivables – see notes 1.4 and 4.2.1 for further details.

Management of Credit Risk

The Group actively manages its credit risk by:

- assessing the capability of a client to meet its obligations under the fee and retainer agreement;
- periodically reviewing the reasons for bad debt write-offs in order to improve the future decision making process;
- maintaining an adequate provision against the future recovery of debtors and disbursements;
- including in Management and lawyers' key performance indicators (KPIs) measures in respect of debtors, disbursements and collections;
- providing ongoing training to staff in the management of their personal and practice group debtor portfolios; and
- where necessary, pursuing the recovery of debts owed to the Group through external mercantile agents and the courts.

Due to the nature of the "No Win No Fee" arrangements applicable to the majority of the legal matters managed by the Group there can be considerable time between initiation and settlement of a matter. While time increases in the ageing profile of receivables, particularly disbursements, it does not always increase the associated credit risk.

Management performs periodic assessment of the recoverability of receivables, and provisions are calculated based on historical write-offs of the receivables as well as any known circumstances relating to the matters in progress.

5.4.5. Liquidity Risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities. The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. Refer to the statement of cash flows and Note 3.3 Cash Flow Information, for further information on the historical cash flows. Further information in relation to bank facilities available and utilised are outlined in Note 5.2 Financing Arrangements. KPIs are set for practitioners relating to budgeted fee events, which are closely monitored by senior management.

Maturity Analysis

The table below represents the estimated and undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities. Cash flows for floating rate financial instruments have been presented based on the rate prevailing at the balance date.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2019	< 12 Months	1-5 years	Total contractual cash flows	Carrying amount
Non-derivative financial liabilities	$'000	$'000	$'000	$'000
Payables	53,576	4,890	58,466	58,466
Borrowings	8,909	170,972	179,881	158,649
Financial liability maturities	62,485	175,862	238,347	217,115
2018				
Non-derivative financial liabilities				
Payables	56,963	4,497	61,460	61,460
Borrowings	14,026	175,599	189,625	155,119
Financial liability maturities	70,989	180,096	251,085	216,579

5.5. Contributed Equity

	2019 Shares	2019 $'000	2018 Shares	2018 $'000
Ordinary shares fully paid	69,527,235	1,351,533	69,527,235	1,348,581
Balance at the end of the year	**69,527,235**	**1,351,533**	**69,527,235**	**1,348,581**
Movement in Ordinary Share Capital				
Balance at the beginning of the year	**69,527,235**	**1,348,581**	**347,245,601**	**1,119,235**
Issued during the year				
• Consolidation of share prior to Recapitalisation(1)	-	-	(343,769,240)	-
• Issuance of shares under Senior Lender Scheme	-	-	66,050,874	221,270
• Transfer from share-based payment reserve	-	2,952	-	8,076
Balance at the end of the year	**69,257,235**	**1,351,533**	**69,527,235**	**1,348,581**
Total Share Capital balance at the end of the year	**69,257,235**	**1,351,533**	**69,527,235**	**1,348,581**

(1) On 8 December 2017, the Company undertook a share consolidation of 1 ordinary share for every 100 on issue.

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.

The Company did not pay any dividends during the financial year ended 30 June 2019 (30 June 2018: $Nil).

5.6. Share-Based Payment Arrangements

5.6.1. Accounting Policies

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The consolidated entity operated share-based payment employee share and option schemes.

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Notes to the Financial Statements

For the Year Ended 30 June 2019

5.6.2. Employee Equity Incentive Plan ("EIP")

The liability for cash-settled share-based payment transactions needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

The Company introduced a broad based equity incentive plan which was approved by the Shareholders at the 2014 Annual General Meeting.

(i). Exempt Share Save Scheme ("SSS")

In 2015 the Group introduced an offer for Exempt Shares in the EIP. The SSS gave the Company's employees the opportunity to acquire shares in the Company. Each year, participating employees could make contributions from their pre-tax salary to acquire $500 worth of shares. Such employee contributions were matched by the Company with an additional $500 worth of shares being acquired for each participating employee. All employees who were Australian tax residents with at least 6 months service were entitled to participate in this Plan. Shares acquired under the SSS were subject to a holding period of 3 years. During FY19, SSS shares were sold on market by the SSS trustee unless participants opted out, in which case their shares were transferred to them. The proceeds of sale were paid to the participants who had not opted out. The SSS has now concluded.

(ii). Share Incentive Plan ("SIP")

The EIP also incorporated a tax-approved scheme for employees in the UK. The SIP gave the Company's employees the opportunity to acquire shares in the Company. Employees could make contributions from their pre-tax salary to acquire shares to a maximum value of £375. Such employee contributions were matched by the Company with a free share for every share purchased by the employee. All employees of the Group in the UK with at least 6 months service were entitled to participate in the SIP. Shares acquired under this plan are held in trust by MM&K Share Plan Trustee Ltd for a period of five years from the date of acquisition. The SIP is in runoff and no further shares will be issued. There was no issue of shares under this plan during the year ended 30 June 2019 (30 June 2018: Nil shares).

5.6.3. Share Based Payment Arrangements to Former Owners

Included in the terms of a number of purchase agreements entered into by the Group is an arrangement whereby the payment of cash consideration to and/or the retention of share-based consideration by the vendors of acquired entities is contingent upon the relevant vendors remaining with the Group for a defined period. If a vendor ceases to remain with the Group for the prescribed period, the vendor may forfeit its entitlement to payment of the cash consideration and/or its ability to retain its share-based consideration, at the discretion of the Group.

These arrangements are treated as a share-based payment transaction with the former owners. The transaction is measured at the fair value of the equity instruments granted and then recognised as an expense over the vesting period as agreed per each contract. The relevant expense is disclosed in the statement of profit or loss and other comprehensive income.

5.6.4. Share Based Payment Arrangements under the Syndicated Facility Agreement ("SFA")

As referred to in Note 5.2.2, in May 2016, the terms of the multicurrency SFA in place at that time were revised. Under the revised terms, the Group is required to pay a deferred restructure fee to its lenders on refinancing or maturity of the debt in the form of cash or warrants, at the irrevocable option of the lender. As reported to the market on 6 June 2016, 58.4% of lenders elected to be paid in cash whilst 41.6% elected to be paid in warrants.

The deferred restructure fee was accounted for as a compound share-based payment within the scope of AASB 2, including a debt and equity component. The total value of the restructure fee was measured directly, with reference to the fair value of the debt establishment services, being $17,821,000. This was determined by proxy as the present value of the cash settlement option amounted to $20,175,000. Therefore the initial liability was recognised at $17,821,000 and the residual equity component was initially measured at nil.

Partial settlement of the deferred restructure fee liability occurred in June 2016 when 41.6% of the lenders elected to take the warrant payment option. This resulted in a reclassification from liability to share based payment reserve in equity of $7,413,000 with no gain or loss recognised on reclassification. Despite not being due until at least 29 May 2018, the warrants vested immediately, as there are no conditions attached to the exercise of the warrants. This equity component is not remeasured after vesting and no gain or loss will be recognised when the share capital is issued on settlement. The remaining cash payment was treated as a cash-settled share-based payment, and is due to paid upon refinancing and maturity of the debt.

As a result of the revision of the SFA under the Senior Lender Scheme on 22 December 2017, the deferred restructure fee was further deferred. It is now due at the end of the new 5 year term, and the cash portion of the deferred restructure fee was remeasured to fair value at that date. The liability recognised for the remaining cash component as at 30 June 2019 is $10,204,000 (30 June 2018: $9,817,000) and is included in the net long term borrowings amounts as detailed in Note 5.2.3.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 6: Other Notes

6.1. Related Party Disclosures

6.1.1. Equity Interests in Related Parties

The table below lists the primary operating controlled entities of the Group. Individual controlled entities that are dormant have not been listed. All are owned 100% unless noted.

	% Equity Interest	
Country of Incorporation	**2019**	**2018**
Australia		
Trilby Misso Lawyers Limited	100%	100%
Slater & Gordon Lawyers NSW Pty Limited	100%	100%
Conveyancing Works (Qld) Pty Limited	100%	100%
Schultz Toomey O'Brien Pty Ltd	100%	100%
All States Legal Co Pty Ltd	100%	100%
SG NSW Pty Ltd	100%	100%

The Immediate Parent Entity of the Group is AIO V Finance (Ireland) DAC, incorporated in Ireland. The Ultimate Parent Entity is Anchorage Capital Group LLC incorporated in the United States of America.

6.1.2. Guarantees for UK lease obligations

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 endeavors 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).

If, during the transition period, 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. This agreement was extended during the year for two of S&G UK's remaining leases for a further 12 months, until 22 June 2020. At 30 June 2019, the aggregate unpaid amounts under these lease agreements for the remainder of the lease terms are $89,105,366 (GBP47,857,224), (30 June 2018: $87,762,000; GBP49,219,009).

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.

6.1.3. Deed of Cross Guarantee

All Australian entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Corporations Instrument 2016/785 dated 17 December 2016 issued by the Australian Securities and Investments Commission.

Notes to the Financial Statements

For the Year Ended 30 June 2019

6.1.4. Key Management Personnel Compensation

	2019 $	2018 $
Compensation by category		
Short-term employment benefits(1)	2,691,503	2,325,760
Post-employment benefits	107,691	108,655
Other long term employment benefits	6,982	67,887
Termination benefits	544,435	356,592
Share based payments	-	-
Other benefits	15,255	63,362
	3,365,866	2,922,256

(1) The amounts do not include fees attributable to Merrick Howes and Nil Stoesser as the Company does not pay them any fees or remuneration.

6.1.5. Transactions with AIO V Finance (Ireland) DAC (Immediate Parent Entity)

AIO V Finance (Ireland) DAC became the Immediate Parent Entity of the Group on implementation of the Senior Lender Scheme, obtaining 53.36% of the Group's ordinary shares. The following transactions are shown from 22 December 2017, the date from which AIO V Finance (Ireland) DAC was a related party.

	2019 $'000	2018 $'000
Loans from Immediate Parent Entity		
Opening balance	76,524	-
Debt balance on becoming related party	-	59,149
Additional drawdowns	-	14,042
Interest charged	5,370	3,275
Foreign exchange movement	40	58
Closing balance outstanding 30 June	81,934	76,524

	2019 $	2018 $
Transactions with Immediate Parent Entity		
Issue of new ordinary shares by SGL under the Senior Lender Scheme	-	118,072,528

In addition to the above, AIO V Finance (Ireland) DAC has holds $7,334,846 (30 June 2018: $7,767,686) of warrants issued under the equity component of the deferred restructure fee (see Note 5.6.4). This was recognised as a share based payment expense in the period ended 30 June 2016.

The loan facilities are advanced by the Immediate Parent Entity as one of the members of the Senior Lender Scheme, on the same terms as those agreed with the other lenders. The facilities are unsecured, and repayable in cash on maturity. Further details of the terms of the facilities are provided in Note 5.2.2.

6.1.6. Transactions with Other Related Parties

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

Effective 7 November 2018, Scott Butterworth was appointed Chief Financial Officer (CFO) of the Company. Mr. Butterworth is the sole proprietor of Strategic Value Partners which provided strategic consulting services to the Company, during the period prior to his appointment as CFO. The contract was based on normal commercial terms and conditions and was for a value of $477,937 (excl. GST).

Effective 24 May 2019, Mark Dewar was appointed as a Director of the Company. Mr Dewar is the Senior Managing Director in Australia of the independent business advisory firm, FTI Consulting. The firm provided interim Chief Transformation Officer role services for a value of $124,529.07 (excl. GST). Outstanding receivables, if any, between related parties are included in Note 4.2. Outstanding payables, if any, are included in Note 4.6.

Notes to the Financial Statements

For the Year Ended 30 June 2019

6.2. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was Slater & Gordon Limited. Investments in subsidiary are accounted for at cost, less any impairment recognised since acquisition.

	2019 $'000	2018 $'000
Results of parent entity		
Loss for the year	(10,657)	(173,682)
Other comprehensive income	-	597
Total comprehensive loss for the year	(10,657)	(173,085)
Financial position for the parent entity at year end		
Current assets	105,962	130,526
Total assets	241,305	256,349
Current liabilities	76,169	80,116
Total liabilities	239,973	271,577
Total equity of the Parent		
Contributed equity	1,351,484	1,348,528
Reserves	9,933	12,885
Accumulated losses	(1,360,085)	(1,376,641)
Total Equity	1,332	(15,228)

6.3. Auditor's Remuneration

The auditor of the Group for the year ended 30 June 2019 is Ernst & Young (30 June 2018: Ernst & Young).

	2019 $	2018 $
Audit Services		
Ernst & Young		
Audit and review of financial reports	560,000	710,000
Other assurance services – trust account audit	89,800	90,000
Other regulatory services	-	59,500
Overseas Ernst & Young firms		
Audit and review of financial reports	-	947,019
	649,800	1,806,519
Other Services		
Ernst & Young		
Other – consulting services	-	-
	649,800	**1,806,519**

6.4. Accounting Standards issued but not yet effective at 30 June 2019

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective, and which have not been early adopted, are listed below. A formal and detailed assessment of the expected impacts of these standards and interpretations is currently underway with the initial findings for each new accounting standard noted in the relevant sections below.

Reference	Title	Application date of Standard	Application date for Group
AASB Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019	1 July 2019

Notes to the Financial Statements

For the Year Ended 30 June 2019

The interpretation clarifies the application of the recognition and measurement criteria in AASB 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatment by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Group does not expect that the impact of applying AASB Interpretation 23 will be material.

Reference	Title	Application date of Standard	Application date for Group
AASB 16	*Leases*	1 January 2019	1 July 2019

AASB 16 replaces the following standards and interpretations:

- AASB 117 Leases,
- IFRIC 4 Determining whether an Arrangement Contains a Lease
- SIC-15 Operating leases incentives
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The key features of AASB 16 are as follows:

Lessee Accounting

- Lessees are required to recognise assets and liabilities on the Statement of Financial Position for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the Statement of Profit and Loss. This will replace operating lease expense under the current lease standard AASB 117 *Leases*.
- AASB 16 contains additional disclosure requirements for lessees.

Lessor Accounting

- AASB 16 substantially carries forward the lessor accounting requirements in the current lease standard AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The Company is currently examining the impact of AASB 16, which applies from 1 January 2019. The Company has selected and implemented a system solution to capture all leases in scope, maintain lease data subsequently and calculate accounting entries continuously for all reporting period in compliance with all aspects of the standard. The Company is in the final stages of the assessment determining the impact on its financial statements.

The Company expects to adopt AASB 16 using the modified retrospective transition approach with application of the option to measure the right-of-use asset at an amount equal to the lease liability.

Furthermore, the Company plans to apply the following transitional practical expedients:

- No adjustments will be made on transition for leases for which the underlying asset is low value;
- The Company will rely on its assessment of whether leases are onerous applying AASB 137 *Provisions; Contingent liabilities and Contingent Assets* at 30 June 2019 as an alternative to performing an impairment review;
- Use of hindsight with regards to determination of the lease term;
- Lease arrangements with a short remaining period from the date of the initial application are recognized on a straight line basis over the lease term.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Estimated impact on the Consolidated Statement of Financial Position:

Statement of Financial Position line item	30 June 2019 under AASB 117 Leases $'000	1 July 2019 under AASB 16 Leases $'000[1]
Right-of-use asset	-	24,787
Sublease receivable	-	6,661
Lease liability	-	(39,104)
Accrual for lease incentive	(4,574)	-
Onerous lease provision	(3,207)	(125)[2]
Make good provisions	(731)	(731)
Net assets / (liabilities)	**(8,512)**	**(8,512)**

[1] The estimated impact reflects that the Group is in the final stages of assessing the impact on its financial statements
[2] Equals to onerous leases of short term leases

Note 7: Unrecognised Items

7.1. Guarantees

The Group has entered into lease rental guarantees and performance guarantees with a face value of $4,174,000 (30 June 2018: $3,933,000). Refer to Note 6 for details of the guarantees the Company has provided for the UK leases.

7.2. Contingent Asset – Claims against Watchtone plc (Watchstone – formerly Quindell plc)

As part of the consideration provided for the implementation of the Senior Lender Scheme, the Company was provided with a $40.0m receivable giving it recourse to the first $40m of the net proceeds that S&G UK receives (after payment of all costs of the litigation) from successful settlement of the claims against Watchstone Group plc ("Watchstone") (formerly Quindell plc). Such claims were brought by S&G UK against Watchstone arising from its acquisition of Watchstone's Professional Services Division in May 2015. On 29 November 2016, the Company obtained a positive merit based opinion of its claims from an independent barrister, in accordance with the provisions of the Share Sale Agreement ("SSA") between the Group and Watchstone. Having met this threshold requirement, under the SSA provisions, an escrow amount of £50.0m will not be released until such time as the claim made against Watchstone is resolved through proceedings or settlement. The Group notified Watchstone of these claims on 19 September 2016, and on 13 June 2017, S&G UK filed and served a claim in the English High Court against Watchstone for approximately £600.0m. The claim is based upon serious allegations against Watchstone and its then senior management, including fraudulent misrepresentation, concerning the purchase by the Company of Watchstone's Professional Services Division in 2015. Watchstone filed its defence on 12 October 2017.

Subsequent to this there have been no further significant developments in the claim proceedings, other than the exchange of further pleadings under the Court's rules, the undertaking of the discovery process and the exchange of witness statements. A trial date has been set for October 2019.

7.3. 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.

Notes to the Financial Statements

For the Year Ended 30 June 2019

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.

On 26 November 2018, some of the former directors and officers filed an application seeking orders to strike out the cross claims bought against them by Pitcher Partners in both the Babscay Pitcher proceedings and the Hall Pitcher proceedings, but that application was dismissed by the Court.

On 2 May 2019, Pitcher Partners was granted leave to bring a cross claim against another party. Pending the service of that cross claim, the discovery process has been put on hold.

7.4. 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. Where appropriate, provisions have been made. The aggregate of any potential liability in respect thereof cannot be accurately assessed.

7.5. Contingent Liabilities – Pre-Legal acquisition

As part of the Pre-Legal business acquisition effective 1 May 2019, the seller is eligible for an additional earn-out payment depending on meeting certain post acquisition Legal Cost Agreements Returned (LCAR) targets. The aggregate of the subsequent payment is capped at $1,000,000. The Group recognised the capped amount as a contingent liability for the financial year ended 30 June 2019.

Note 8: Subsequent Events

On 30 July 2019 the Company drew down an additional $4.0m in funding under the Disbursement asset backed facility. Refer to note 5.2.2.

Note 9: Discontinued operations

9.1. 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, the Company 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 on the implementation of Senior Lender Scheme in relation to the UK operation and UK subsidiaries, refer to the Financial Statements for the year ended 30 June 2018.

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2019 $'000	Restated(1) 2018 $'000
Revenue	821	171,777
Other income	256	2,940
Expenses	(745)	(235,970)
Pre-tax income / (loss) from discontinued operations	332	(61,253)
Net gain / (loss) from disposal before income tax expense	(102)	187,591
Income tax expense:		
Income tax expense / (benefit) from discontinued operations	1,980	(2,904)
Income tax (benefit) on disposal of discontinued operations	-	(16,210)
Profit / (loss) from discontinued operations after income tax	(1,750)	145,452

9.2 Gain from discontinued operations

The gain arising on implementation of the Senior Lender Scheme including disposal of the UK operations is determined as follows.

	2018 $'000
Carrying value of net assets disposed	(324,162)
Derecognition of non-controlling interests	(178)
Consideration received	40,000
Fair value of equity instruments issued by SGL	(221,270)
Extinguishment of debt	693,864
Recycling of cash flow hedge reserve balance	(848)
Acceleration of UK share based payments expense to former owners	(1,662)
Transaction costs relating to scheme of arrangement	(7,094)
Reclassification of foreign currency translation reserve upon disposal	17,104
Income tax benefit	15,993
Net gain on implementation of the Senior Lender Scheme and disposal of the UK operations	**211,747**

(1) The prior period comparative has been restated in accordance with the requirements of Australian Accounting Standards as a result of the discontinued operations.

Slater & Gordon Limited

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 22 to 58 and the directors' report are in accordance with the *Corporations Act 2001* and:

(a). Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b). As stated in Note 1, the financial statements also comply with International Financial Reporting Standards;

(c). Give a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that:

- Slater & Gordon Limited will be able to pay its debts as and when they become due and payable.
- the Company and the group entities identified in Note 6.1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations Instrument 2016/785.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

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

James MacKenzie
Chair

John Somerville
Managing Director and Chief Executive Officer

Melbourne
30 August 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the 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 30 June 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 year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Going concern

Why significant	How our audit addressed the key audit matter
As disclosed in Note 1.1 to the financial report the Directors concluded that in their opinion, despite the Group continuing to generate operating losses there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due. The financial report has been prepared on a going concern basis. The going concern assumption is fundamental to the basis of preparation of the financial report. Given the judgment involved in the preparation of cash flow forecasts to support the going concern conclusion, this was considered a Key Audit Matter.	Our procedures included the following: ▸ Evaluated the assumptions made in the budget and the cash flow forecasts approved by the Board. ▸ Assessed the consistency of the assumptions included in the cash flow model with statements related to future plans and commitments contained in the directors report. ▸ Considered the historical accuracy of the Group's cash flow forecasting by reference to actual results in prior periods compared to Board approved budgets. ▸ Considered the impact of a range of sensitivities to the cash flow model to assess the breakeven position, including reference to financial covenants related to the Group's borrowing facilities. ▸ Assessed the adequacy of the going concern disclosures contained in Note 1.1.

Work in Progress and Associated Revenue Recognition

Why significant	How our audit addressed the key audit matter
Work in progress (WIP) is significant to the Group, comprising 66% of total assets. Movements in WIP are included in revenue recognised for the year. The Group's disclosures regarding WIP and the associated revenue recognised are included in Notes 3.1 and Note 4.3 of the financial report. The Directors' determination of the carrying value of WIP and its associated revenue streams involves significant judgement, data analysis and complexity. The Group considers each revenue stream in isolation and makes judgements in relation to: ▸ The identification of a contract ▸ The identification of the performance obligations as part or within a contract ▸ Determination of the transaction price, particularly for revenue streams accounted under a "no win no fee" basis ▸ Allocation of the transaction price	Our procedures included the following: ▸ Considered whether the Groups' accounting policy for WIP complied with Australian Accounting Standards, in particular AASB 15 *Revenue from Contracts with Customers*. ▸ Obtained details of WIP recognised for each revenue stream at balance date and applied sampling techniques to select individual legal matters ("cases") for testing. ▸ Obtained evidence to support the case status that had been allocated to each of these case files by the responsible legal professional. Evidence obtained was assessed against the coding guidelines of the Group. ▸ Considered the assumptions supporting the key judgements that were made in the data models. ▸ Assessed the movements in the legal case profile including changes in status and ageing. ▸ Involved our data quality specialists to assess the mathematical accuracy of the models. This involved data analytic procedures to reperform, re-calculate and test key calculations.

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Why significant	How our audit addressed the key audit matter
▸ Recognition of revenue when a performance obligation is satisfied To validate the judgements made in relation to WIP, the Group develops a series of data models based on historical information over a two year period. Data included in these models provides a methodological approach to determine the valuation status. Accordingly, this was considered a Key Audit Matter.	▸ Considered the adequacy of the disclosures contained in Notes 3.1 and Note 4.3, of the financial report, in particular those regarding assumptions to which the outcome of the data models is most sensitive.

Recoverability of Trade Receivables and Disbursements and Associated Provisioning

Why significant	How our audit addressed the key audit matter
Trade receivables and disbursements are significant to the Group, comprising 24.8% of total assets, net of provisions for impairment. The recoverability of trade receivables and disbursements is a highly subjective area due to the nature of the legal case profile and the level of judgement applied by the Group in determining provisions. The timing of the recognition of trade receivables is also subject to judgement as it is related to the progress and expectation of successful case outcomes. The Group adopted Australian Accounting Standard AASB 9 *Financial Instruments*, effective from 1 July 2018. As a result, a forward-looking expected loss impairment model was applied by the Group. This involved judgement as to expected credit losses. The Group's disclosures are included in Note 1.4 and Note 4.2.1 of the financial report which outlines the accounting policy for determining the allowance for doubtful debts and details of the period on period movement in gross and net trade receivables. Accordingly, this was considered a Key Audit Matter.	Our procedures included the following: ▸ Considered whether the Group's provisioning policy was in accordance with the requirements of AASB 9 ▸ Assessed the assumptions used to calculate the trade receivables and disbursements provisions for impairment. ▸ For a sample of disbursements we obtained evidence to support the case status for ongoing matters. ▸ We performed analyses of the ageing of receivables and disbursements, collection history, future collections strategies and assessment of significant overdue individual trade receivables and disbursements. ▸ Considered the adequacy of the associated disclosures contained in Note 1.4 and Note 4.2.1 of the financial report.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. The Company's 2019 Annual Report is expected to be made available to us after the date of this auditor's report. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 21 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Slater and Gordon Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Christopher George
Partner
Melbourne
30 August 2019

Additional ASX Information

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 30 August 2019.

(a) Distribution of shareholders and option holders.

Holding		Number of Ordinary Shareholders
1	- 1,000	11,469
1,001	- 5,000	399
5,001	- 10,000	78
10,001	- 100,000	41
100,001	- Over	9

There are 10,711 shareholders holding less than a marketable parcel of 334 shares each (i.e. less than $500 per parcel of shares).

(b) Twenty largest shareholders

	Shareholder	Number of Shares held	% held
1.	AIO V FINANCE (IRELAND) DAC	37,100,244	53.36
2.	TCA OPPORTUNITY INVESTMENTS SARL	6,190,736	8.90
3.	YORK GLOBAL FINANCE BDH LLC	5,802,877	8.35
4.	CITICORP NOMINEES PTY LIMITED	4,477,064	6.44
5.	MERRILL LYNCH (AUSTRALI) NOMINEES PTY LIMITED	4,324,093	6.22
6.	PERPETUAL CORPORATE TRUST LIMITED	3,591,500	5.17
7.	RIVER BIRCH MASTER FUND LP	2,872,374	4.13
8.	VARDE INVESTMENT PARTNERS LP	1,167,332	1.68
9.	PA VIEW OPPORTUNITY IV LIMITED	460,611	0.66
10.	MR STUART JAMES MATTHEWS	73,069	0.11
11.	MR PETER JOHN KLASEN	67,514	0.10
12.	MISS SHUHONG YANG	64,076	0.09
13.	MR GREGORY WILLIAM SEDGMAN	55,941	0.08
14.	NATIONAL NOMINEES LIMITED <DB A/C>	53,873	0.08
15.	MR PENG REN	49,500	0.07
16.	MR STEVEN NEIL TIERNEY	43,500	0.06
17.	JBWERE (NZ) NOMINEES LIMITED <43941 A/C>	42,976	0.06
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	40,445	0.06
19.	ARCM MASTER FUND III LTD	38,086	0.05
20.	CHAWLA FAMILY PTY LTD <CHAWLA FAMILY A/C>	36,800	0.05
	TOTAL: Top 20 holders of Fully Paid Ordinary Shares	**66,552,611**	**95.72**

(c) Substantial Shareholders

A substantial shareholder is one who has a relevant interest in 5 per cent or more of the total issued shares in the Company. Following are the substantial shareholders in the Company based on notifications provided to the Company under the *Corporations Act 2001*:

	Shareholder	Number	Ordinary Shares % *
1.	AIO V FINANCE (IRELAND) DAC	37,100,244	53
2.	TCA OPPORTUNITY INVESTMENTS SARL	6,190,736	9
3.	YORK GLOBAL FINANCE BDH LLC	5,802,877	8
4.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,324,276	6
5.	PERPETUAL CORPORATE TRUST LIMITED	3,591,500	5

* Percentage of shares in which a relevant interest is held based on total issued capital of the Company at the time a substantial shareholder notice was provided to the Company.

(d) Voting Rights

All issued ordinary shares carry one vote per share.

(e) Corporate Governance Statement

The Company's Corporate Governance Statement can be found on the Company's website at: https://www.slatergordon.com.au/the-firm/governance

Corporate Directory

Directors
James MacKenzie, Chair
Mark Dewar
Merrick Howes
Michael Neilson
Elana Rubin
John Somerville
Jacqui Walters

Company Secretary
Michael Neilson

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Company Website
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Company Numbers
ACN 097 297 400
ABN 93 097 297 400

Auditors
Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Bankers
Macquarie Bank
Level 23
101 Collins Street
Melbourne Victoria 3000

Solicitors
Minter Ellison
Level 23
525 Collins Street
Melbourne Victoria 3000

Securities Exchange Listing
Slater and Gordon Limited shares are listed on the Australian Securities Exchange. The Home Exchange is Melbourne.
ASX Code: SGH

Share/Security Registers
The Registrar
Computershare Investor Services Pty Ltd
Yarra Falls
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Slater Gordon
Lawyers