

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

PRELIMINARY FINAL REPORT
for the half-year ended 31 December 2022

Results for announcement to the market					
	31 December 2022	31 December 2021	% change to prior year		
	\$'000	\$'000			
1. Revenues from ordinary activities	114,125	85,071	Up		34.2%
2. Profit / (Loss) from ordinary activities after tax attributable to members	16,695	(7,547)	Up		Large

Dividend information	
3. Total dividend per ordinary share	No dividends were proposed for the half-year ended 31 December 2022 and 31 December 2021.
4. Record date for determining entitlements to the final dividend	Not applicable.

5. Net tangible asset per security	31 December 2022	30 June 2022
	\$'000	\$'000
Net Tangible Assets	199,326	182,431
	Number of shares	Number of shares
Total number of ordinary shares of the Company	141,073,337	140,196,875
Net tangible asset backing per ordinary security	141.29 cents	130.12 cents

6. Details of entities over which control has been lost	Not applicable.		
7. Loss after tax of entities over which control has been lost	31 December 2022	31 December 2021	
	\$'000	\$'000	
	-	-	

This information should be read in conjunction with 2022 Annual Report and any public announcements made in the period by Slater & Gordon Ltd in accordance with continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Director's report and the condensed consolidated financial report for the half-year ended 31 December 2022.

This report is based on the consolidated financial report which has been independently reviewed by Ernst and Young. The independent auditor's review report provided by Ernst and Young is included in the consolidated financial report for the half-year ended 31 December 2022.



James MacKenzie

Chair



John Somerville

Managing Director and Chief Executive Officer

Melbourne

24 February 2023

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ABN 93097297400

Slater & Gordon Ltd

**Financial Report for the Half-Year Ended - 31
December 2022**

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Slater & Gordon Ltd
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31 December 2022

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Slater & Gordon Ltd
Directors' report
31 December 2022

The Directors of Slater & Gordon Ltd present their report, together with the condensed consolidated half-year financial report consisting of Slater & Gordon Ltd ("the Company") and its controlled entities (jointly referred to as "the Group"), for the half-year ended 31 December 2022 and the review report thereon.

Directors

The Directors in office at any time during the half-year ended 31 December 2022 and up to the date of signing this report are:

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

Review of operations

The Group ended the half-year to 31 December 2022 with:

- total revenue and other income from continuing operations of \$114.2m (31 December 2021: \$85.4m);
- a net profit from continuing operations after tax of \$16.7m (31 December 2021: \$7.7m loss); and
- net operating cash inflows generated from continuing operations of \$0.8m (31 December 2021: \$4.9m outflow).

Revenue was positively impacted by Personal Injury Law ("PIL") Work in Progress ("WIP") growth reflecting increases in matter velocity due to post covid normalisation, catch up and growth in new matters as well as higher fee revenue driven by stronger resolution rate and growth in Emerging and Civil practices. This was partly offset by revenue reduction in the Work and Road practice. Overall costs remained relatively flat on the prior period.

Auditor's independence declaration

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

Rounding of amounts

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

Signed in accordance with a resolution of the Directors.



James MacKenzie
Chair

24 February 2023



John Somerville
Managing Director and Chief Executive Officer



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of Slater & Gordon Ltd for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

David Shewring
Partner
24 February 2023

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Slater & Gordon Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue			
Fee revenue		89,296	78,169
Net movement in work in progress		24,829	6,902
Revenue from contracts with customers	3	114,125	85,071
Other income		49	337
Total revenue and other income		114,174	85,408
Less expenses			
Salaries and employee benefit expense		(56,515)	(59,624)
Administration and office expense		(10,306)	(10,841)
Finance costs		(7,374)	(6,764)
Advertising, marketing and new business development expense		(6,015)	(5,538)
Bad and doubtful debts		(4,157)	(4,827)
Depreciation and amortisation expense	4	(3,346)	(4,123)
Consultant fees		(1,642)	(1,661)
Rental expense		(1,132)	(1,358)
Other benefits / (expenses)		261	(1,378)
Total expenses		(90,226)	(96,114)
Profit / (Loss) before income tax (expense) / benefit from continuing operations		23,948	(10,706)
Income tax (expense) / benefit		(7,253)	3,021
Profit / (Loss) after income tax (expense) / benefit from continuing operations		16,695	(7,685)
Profit after income tax expense from discontinued operations		-	138
Profit / (Loss) after income tax (expense) / benefit for the half-year		16,695	(7,547)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income / (loss) for the half-year		16,695	(7,547)
Total comprehensive income / (loss) for the half-year is attributable to:			
Continuing operations		16,695	(7,685)
Discontinued operations		-	138
		16,695	(7,547)
		Cents	Cents
Earnings / (Loss) per share from continuing operations			
Basic earnings / (loss) per share	3	10.8	(5.1)
Diluted earnings / (loss) per share	3	10.8	(5.1)
Earnings per share from discontinued operations			
Basic earnings per share	3	-	0.1
Diluted earnings per share	3	-	0.1
Earnings / (Loss) per share			
Basic earnings / (loss) per share	3	10.8	(5.0)
Diluted earnings / (loss) per share	3	10.8	(5.0)

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

Slater & Gordon Ltd
Consolidated statement of financial position
As at 31 December 2022

	Note	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		13,802	15,633
Receivables	4(c)	54,966	51,530
Work in progress	4(e)	131,379	118,631
Other assets		5,138	5,150
Total current assets		205,285	190,944
Non-current assets			
Property, plant and equipment	4(b)	1,577	2,138
Receivables	4(c)	38,948	37,143
Work in progress	4(e)	207,028	195,096
Right-of-use assets	4(d)	11,806	13,673
Intangible assets	4(a)	1,421	1,533
Other assets		3,194	3,279
Total non-current assets		263,974	252,862
Total assets		469,259	443,806
Liabilities			
Current liabilities			
Payables	4(c)	54,281	54,557
Financing arrangements	4(c)	521	-
Leases	4(c)	7,016	6,887
Provisions	4(f)	22,178	22,979
Total current liabilities		83,996	84,423
Non-current liabilities			
Payables	4(c)	23,962	21,845
Financing arrangements	4(c)	111,302	108,706
Leases	4(c)	11,875	14,257
Deferred tax		31,289	24,036
Provisions	4(f)	6,088	6,575
Total non-current liabilities		184,516	175,419
Total liabilities		268,512	259,842
Net assets		200,747	183,964
Equity			
Contributed equity	5(b)	1,436,333	1,435,826
Reserves		9,578	9,997
Accumulated losses		(1,245,164)	(1,261,859)
Total equity		200,747	183,964

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

Slater & Gordon Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

	Contributed Equity \$'000	Share-based Payment Reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	1,435,177	9,293	(1,264,015)	180,455
Loss after income tax benefit for the half-year	-	-	(7,547)	(7,547)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(7,547)	(7,547)
Issuance of shares under rights offer	346	(346)	-	-
Performance rights granted under LTIP	-	551	-	551
Balance at 31 December 2021	1,435,523	9,498	(1,271,562)	173,459
	Contributed Equity \$'000	Share-based Payment Reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	1,435,826	9,997	(1,261,859)	183,964
Profit after income tax expense for the half-year	-	-	16,695	16,695
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	16,695	16,695
Issuance of shares under rights offer	507	(507)	-	-
Performance rights granted under LTIP	-	88	-	88
Balance at 31 December 2022	1,436,333	9,578	(1,245,164)	200,747

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

Slater & Gordon Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Receipts from customers		121,061	109,476
Payments to suppliers and employees		(116,706)	(110,739)
Legal cost reimbursement		1,112	250
Interest received		21	1
Borrowing costs paid		(4,732)	(3,911)
Net cash from / (used in) operating activities of continuing operations		756	(4,923)
Net cash from operating activities of discontinued operations		-	198
Net cash from / (used in) operating activities		756	(4,725)
Cash flows from investing activities			
Payment for software development		-	(411)
Payment for plant and equipment	4	(14)	(424)
Proceeds from return of bank guarantees		49	2,095
Net cash from investing activities		35	1,260
Cash flows from financing activities			
Proceeds from borrowings		1,715	31,415
Repayment of borrowings		(1,194)	(15,985)
Payment of principal portion of lease liabilities		(3,143)	(3,543)
Net cash (used in) / from financing activities		(2,622)	11,887
Net (decrease) / increase in cash held		(1,831)	8,422
Cash and cash equivalents at the beginning of the financial half-year		15,633	20,697
Cash and cash equivalents at the end of the financial half-year		13,802	29,119

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

Note 1. Basis of Preparation

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

The financial report was authorised for issue by the Directors as at the date of the Directors’ report on 24 February 2023.

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

(a) Basis of accounting

This half-year general purpose condensed financial report for the six months ended 31 December 2022 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group’s annual financial report as at 30 June 2022. The financial statements present reclassified comparative information where required for consistency with the current period presentation.

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

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

Going Concern

The financial statements have been prepared using the going concern assumption which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group has considered the following factors in determining that the financial statements should be prepared on a going concern basis:

- The Group generated a net operating cash inflow of \$0.8m and profit before tax of \$23.9m in the current period.
- As at 31 December 2022, the Group has a positive net current asset balance of \$121.3m (30 Jun 2022: \$106.5m) and a positive overall net asset balance of \$200.7m (30 Jun 2022: \$184.0m).
- As at 31 December 2022, the Group’s total borrowings (excluding lease liabilities), were \$111.8m (30 Jun 2022: \$108.7m). Of this, \$0.5m (30 Jun 2022: nil) is presented as current liabilities, being due for repayment in the next 12 months. The remaining \$111.3m (30 Jun 2022: \$108.7m) debt, are classified as non-current liabilities. The Group’s borrowings are subject to covenants which have been complied with as at 31 December 2022. These covenants are expected to be complied with in the next 12 months based on the most recent forecast.
- The Directors have assessed the appropriateness of applying the going concern assumption by considering the Group’s balance sheet position including debt maturity profile, covenant requirements and available facilities, forecasts of the Group’s trading and cash flows in line with current experience and forecast outcomes including sensitivities. Various mitigation strategies are able to be deployed to manage cash to appropriate levels in the event an unfavourable outcome occurs.

On this basis, the Directors have concluded that there are reasonable grounds to believe that the Group will continue to be able to pay its debts as and when they become due and payable, and the preparation of the 31 December 2022 financial report on a going concern basis is appropriate.

(b) Significant Accounting Judgements, Estimates and Assumptions

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applying to the consolidated financial statements as at and for the year ended 30 June 2022. Additional significant judgements are outlined in detail within the specific notes to which they relate.

Note 1. Basis of Preparation (continued)

(c) Foreign Currency Translations and Balances

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.

(d) Adoption of New and Amended standards

The Group did not apply any new and/or amended standards as of 1 July 2022 that have a material impact on the financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Note 2. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group has one reportable segment relating to provision of 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 assets are wholly based in Australia. The Group is not reliant on any single customer.

Note 3. Financial Performance

(a) Revenue from contracts with customers

The Group's operations and main revenue streams are those described in the financial statements as at 30 June 2022. The Group derives revenue from the transfer of goods and services over time and at a point in time, in the major product lines of Personal Injury Law and Litigation and Emerging Services and the geographical region of Australia.

	Personal Injury Law \$'000	Litigation and Emerging Services \$'000	Total \$'000
31 Dec 2022			
Type of contract			
No Win - No Fee	99,903	7,297	107,200
Time and Materials	-	5,286	5,286
Contingency fees (Group Cost Order)	-	1,639	1,639
Fixed price	-	-	-
Revenue from contracts with customers	99,903	14,222	114,125
31 Dec 2021			
Type of contract			
No Win - No Fee	71,799	5,614	77,413
Time and Materials	-	6,580	6,580
Contingency fees (Group Cost Order)	-	1,053	1,053
Fixed price	-	25	25
Revenue from contracts with customers	71,799	13,272	85,071

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

Note 3. Financial Performance (continued)

(b) Earnings / (Loss) per Share

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

	31 Dec 2022 \$'000	31 Dec 2021 ⁽¹⁾ \$'000
Profit / (Loss) after income tax (expense) / benefit from continuing operations	16,695	(7,685)
Profit after income tax expense from discontinued operations	-	138
Profit / (Loss) after income tax (expense) / benefit for the year	16,695	(7,547)
Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share	153,872	150,330
Adjusted weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share	153,872	150,330
⁽¹⁾ Potential ordinary shares in relation to the Company's equity-based share-based payment during 31 December 2021 are considered antidilutive due to the loss for that period.		

Note 4. Assets and Liabilities

(a) Intangible assets

The intangible assets balance as at 31 December 2022 is \$1.4m (30 June 2022: \$1.5m). The movement from 30 June 2022 includes additions of nil (30 June 2022: \$0.7m) and amortisation expense of \$0.1m (30 June 2022: \$0.1m).

There was no impairment loss recognised during the half-year for intangible assets.

(b) Property, plant and equipment

The property, plant and equipment balance as at 31 December 2022 is \$1.6m (30 June 2022: \$2.1m). The movement from 30 June 2022 includes additions of \$0.01m (30 June 2022: \$0.6m), disposal of \$0.1m (30 June 2022: \$0.1m) and depreciation expense of \$0.4m (30 June 2022: \$1.1m).

There was no impairment loss recognised during the half-year for property, plant and equipment.

(c) Financial assets and financial liabilities

Set out below is an overview of financial assets and financial liabilities held by the Group as at 31 December 2022 and 30 June 2022. The carrying value of these financial assets and liabilities approximate their fair value.

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Financial Assets		
Trade receivables & other receivables	33,163	32,503
Disbursements receivables	60,751	56,170
Total assets	93,914	88,673
Total current assets	54,966	51,530
Total non-current assets	38,948	37,143
Financial Liabilities		
Payables	38,806	40,864
Third party disbursements	39,437	35,538
Leases	18,891	21,144
Financing arrangements	111,823	108,706
Total liabilities	208,957	206,252
Total current liabilities	61,818	61,444
Total non-current liabilities	147,139	144,808

Note 4. Assets and Liabilities (continued)

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

	31 Dec 2022 \$'000	31 Dec 2022 \$'000 Plant & Equipment	31 Dec 2022 \$'000 Total
Cost			
Balance at the beginning of the period	31,026	272	31,298
Lease adjustments	886	-	886
Balance at the end of the period	31,912	272	32,184
Accumulated depreciation			
Balance at the beginning of the period	(17,497)	(128)	(17,625)
Depreciation charge for the half	(2,707)	(46)	(2,753)
Balance at the end of the period	(20,204)	(174)	(20,378)
Carrying amount	11,708	98	11,806

- The Group has several property lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

Amounts recognised in profit and loss

The amounts shown below are recognised in the consolidated statement of profit or loss.

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Depreciation and amortisation		
Depreciation expense of right-of-use assets	2,753	3,488
Finance costs and income		
Interest expense on lease liabilities	1,195	1,094
Income from sub-leasing of right-of-use assets	(113)	(145)
Rental expense		
Expenses relating to short term leases	422	422
Expenses relating to variable payments not included in lease liability	831	818
Impairment expense		
Impairment expense of right-of-use assets		304

Some of the property leases in which the Group is the lessee contain variable payments that are linked to outgoings. The total variable payments recognised in the profit or loss for the half-year ended 31 December 2022 was \$0.8m.

(e) Work in Progress

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

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

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

The Group maintains a provision to take account of potential errors in the data input of the work in progress of the personal injury law practice.

Note 4. Assets and Liabilities (continued)

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current assets		
Personal injury	118,507	109,990
Litigation and emerging services	14,153	9,844
Provision for impairment	(1,281)	(1,203)
Total current assets	131,379	118,631
Non-current assets		
Personal injury	183,498	175,476
Litigation and emerging services	25,548	21,567
Provision for impairment	(2,018)	(1,947)
Total non-current assets	207,028	195,096

(f) Provisions

Set out below is an overview of provisions held by the Group as at 31 December 2022 and 30 June 2022.

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current liabilities		
Employee benefits	20,233	20,626
Solicitor liability claims	1,193	1,413
Other provisions	752	940
Total current liabilities	22,178	22,979
Non-current liabilities		
Employee benefits	1,364	1,304
Solicitor liability claims	2,733	2,972
Other provisions	1,991	2,299
Total non-current liabilities	6,088	6,575

Note 5. Capital Structure and Financing

(a) Financing arrangements

Debt Facilities

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

- a) Super Senior Facility (\$65.0m) – On 16 August 2022, an amendment to the loan agreement was executed. The amendment extended the termination date of the facility to 31 October 2024. The interest rate increased at 1 July 2022 and will increase every six months thereafter. 50% of the original interest is payable in cash until 31 December 2022. From 1 January 2023 to 30 June 2023, the full monthly interest will be payable in cash, however all interest increases thereafter will be capitalised to the loan balance. Part repayments of the facility may be required based on cash holdings at 31 December 2022 and 30 June 2023. No repayment was required at 31 December 2022 as the cash holdings threshold was not exceeded. The balance is \$86.5m at 31 December 2022 (30 June 2022: \$84.0m). The total undrawn amount of the facility is nil at 31 December 2022 (30 June 2022: nil).
- b) December 2021 Term Loan (\$30.0m) – a new \$30.0m facility was executed in December 2021 with a termination date of 10 December 2024. The facility is secured against a borrowing base of eligible receivables, eligible WIP and a specific bank account. The \$25.0m outstanding facility commitment is a term loan facility which incurs fixed fees and a fixed interest rate, with interest payable monthly in arrears. The balance is \$25.0m as at 31 December 2022 (30 June 2022: \$25.0m). The total available undrawn amount of the facility is \$5.0m as at 31 December 2022 and is available until 31 March 2023, subject to availability of the borrowing base. This was subsequently drawn by the Group in January 2023.

Note 5. Capital Structure and Financing (continued)

Covenants position

The Group was in compliance with all financial covenants as at 31 December 2022.

Net Debt

As at 31 December 2022, the Group has fully drawn its Super Senior Facility.

The Group has cash on hand of \$13.8m (30 June 2022: \$15.6m), offset by debt of \$130.7m (including lease liabilities of \$18.9m), resulting in net debt of \$116.9m (30 June 2022: \$114.2m). The Group's net debt position has increased since 30 June 2022 by \$2.7m due to lower cash on hand and interest capitalised to Super Senior Facility.

	Currency	Maturity	31 Dec 2022 \$'000 Carrying amount	30 June 2022 \$'000 Carrying amount
Super Senior Facility ⁽¹⁾	AUD	31 Oct 2024	86,513	83,972
December 2021 Term Loan ⁽²⁾	AUD	10 Dec 2024	24,789	24,734
Lease liabilities	AUD	Jan 2023 - Jan 2028	18,891	21,144
Insurance Premium Financing	AUD	30 Mar 2023	521	-
Total			130,714	129,850

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

⁽²⁾ Net of capitalised establishment costs

Loan from Immediate Parent Entity

The loan facility is advanced by AIO V Finance (Ireland) DAC (Immediate Parent Entity) as one of the lenders under the Super Senior Facility, on the same terms as those agreed with the other lenders. The facility is unsecured, and repayable in cash on maturity. The loan from Immediate Parent Entity as at 31 December 2022 is \$48.6m (30 June 2022: \$47.2m). The movement from 30 June 2022 is capitalised interest of \$1.4m.

(b) Contributed equity

	31 Dec 2022 Shares	31 Dec 2022 \$'000	30 Jun 2022 Shares	30 Jun 2022 \$'000
Ordinary shares fully paid	141,073,337	1,436,333	140,196,875	1,435,826

Movements in ordinary share capital

	For the half-year ended			
	31 Dec 2022 Shares	31 Dec 2022 \$'000	31 Dec 2021 Shares	31 Dec 2021 \$'000
Balance at the beginning of the period	140,196,875	1,435,826	139,093,565	1,435,177
Issue of shares under LTIP	876,462	507	598,390	346
Balance at the end of the period	141,073,337	1,436,333	139,691,955	1,435,523

Note 5. Capital Structure and Financing (continued)

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the period, the Company issued 876,462 shares for nil consideration as part of the Long Term Incentive Plan ("LTIP").

For the purpose of the Group's capital management, capital includes issued capital. The primary objective of the Group's capital management is to maximise the shareholder value.

(c) Third party disbursement funding

The Group has entered into agreements with two third-party disbursement funders, Equal Access Funding Proprietary Limited ("EAF") and MAF Credit Pty Ltd ("MAF"), who fund disbursements in respect of certain individual matters. They are reimbursed out of any settlement proceeds on the matter. The Group has provided financial guarantees to EAF and 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 of \$9.9m (30 June 2022: \$9.5m) has been recognised against the asset.

Note 6. Unrecognised Items

(a) Guarantees

The Group has provided certain lease rental guarantees with a face value of \$2,740,868 (30 June 2022: \$2,789,374). The Company has also provided lease guarantees for certain offices located in the United Kingdom as detailed below.

The Company and Slater and Gordon (UK) 1 Limited ("S&G UK") entered into certain transitional arrangements that are governed by a business separation agreement ("BSA") to effect the separation of the Group's previous UK operations and subsidiaries from its Australian operations under the Senior Lender Scheme entered into in December 2017.

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

The BSA provides that S&G UK must use reasonable endeavours to have the parent guarantees released and that this must be completed within 18 months of the date of implementation of the Recapitalisation on 15 December 2017 (or such longer period as agreed between the Company and S&G UK). This due date was first extended by agreement until 22 June 2020. Subsequently in June 2020, the Company and S&G UK agreed to extend this period by six further terms of one month each in return for the payment of a guarantee fee equal to 5% of the monthly guaranteed amount, payable in advance of each one month extension. The final extension expired on 22 December 2020 and no further extension has been agreed to. Despite the failure of S&G UK to meet its obligations under the BSA to have the parent guarantees released by the extended due date, S&G UK remains under a continuing obligation to use its reasonable endeavours to have the parent guarantees released.

During the year ended 30 June 2021, S&G UK surrendered its lease of its Watford office and agreed to sub lease three of the eight floors at its Manchester office to a government sub tenant. While the sub lease does not terminate the parent company guarantee in respect of those premises, it does reduce the risk of default.

In December 2021, as part of an agreement in principle to resolve a dispute in relation to the Manchester building, the landlord agreed to a surrender of lease and release of the parent guarantee in respect of the three sublet floors. Formal documents to give effect to the agreement in principle were signed on 25 February 2022.

The remaining Manchester office leases are the only remaining leases for which parent company guarantees have been given by the Company.

If S&G UK defaults on the UK leases subject to the parent guarantees, and those parent guarantees have not yet been released, the Company may be liable for any unpaid amounts under those leases at the time of default. Any contingent liability has the potential to be material in the event that the UK operations were in default and the parent guarantees were called upon and the Company was unable to take steps that are typically commercially available to mitigate its loss, such as sub-leasing. At 31 December 2022, the aggregate unpaid amounts under these lease agreements for the remainder of the lease term expiring on 1 January 2030 are \$39,163,804 (GBP 22,060,759), (30 June 2022: \$43,576,609; GBP 24,689,157).

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

(b) Contingent Liabilities – Class Action Proceedings

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

On 20 June 2017, the Company announced that legal proceedings were filed against it by Babsco Pty Ltd (the "Babsco 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.

Note 6. Unrecognised Items (continued)

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 Babsccay proceedings. The Shareholder Claimant Scheme resolves and compromises all potential shareholder claims against the Company and its officers. The Shareholder Claimant Scheme became legally effective on 15 December 2017. Under the Scheme, shareholder claimants have released the Company and officers from any shareholder claims and the Scheme can be pleaded as a bar to any shareholder claim.

On 14 December 2017 the Federal Court also approved the settlement of the Hall proceeding and dismissed that proceeding. The Company's contribution to this settlement of \$5.0m was recognised as a provision at 30 June 2017. The Hall proceeding settlement is implemented by the Shareholder Claimant Scheme. The Babsccay 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 Babsccay Pty Ltd (the "Babsccay 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.

In September 2019, class action proceedings were commenced against the Company's former solicitors, Arnold Bloch Leibler, by Matthew Hall on behalf of an open class of the Company's shareholders (the "Hall ABL proceedings"). In December 2020, Arnold Bloch Leibler brought a cross claim against the Company and a former director and a former officer of the Company.

In November 2020, the Babsccay Pitcher proceeding was discontinued by the plaintiff and the plaintiff has paid amounts to each of Pitchers and the Company toward their legal costs.

On 20 October 2021, an agreement was reached by the parties to settle the Hall ABL proceedings. A long form Settlement Deed was signed on 16 November 2021 and the Court approved the settlement on 4 March 2022. Under the terms of the settlement, the Company was not required to contribute to the settlement and Arnold Bloch Leibler paid an amount to the Company toward the Company's legal costs.

The trial of the Hall Pitcher Proceedings commenced on 9 November 2021 and concluded on 23 December 2021.

On 29 August 2022, an agreement was reached by the parties to settle the Hall Pitcher proceedings and the Court approved the settlement on 28 October 2022. Under the terms of the settlement, the Company was not required to contribute to the settlement and Pitcher Partners paid an amount to the Company toward the Company's legal costs.

There are no further class action proceedings on foot against the Company.

(c) Contingent Liabilities – Solicitor liability

Entities within the Group are defendants from time to time in legal proceedings arising from the conduct of their business. There are contingent liabilities in respect of claims, potential claims and court proceedings against entities of the Group. Appropriate provisions have been made for identified claims based on historical data, taking into account the nature of the claims. The aggregate of any potential liability in respect of future claims cannot be accurately assessed.

(d) Contingent Liability – Group Cost Orders

The *Justice Legislation Miscellaneous Amendments Act 2000* amended the *Victorian Supreme Court Act 1956* to introduce the Group Cost Order (GCO) regime which enables contingency fee arrangements. A contingency fee arrangement allows the Group to receive a percentage share of the damages awarded to the plaintiffs. In the event of losing a GCO case, the Group is liable to pay a defendant's costs where they are successful in obtaining an Adverse Cost Order.

At 31 December 2022 the Group has three GCO cases. The Group considers it not probable that the Group will be liable for any adverse costs relating to these matters, therefore no provision has been recognised at 31 December 2022.

Note 7. Events after the reporting period

Subsequent events

In January 2023, the remaining \$5.0m of the Term Loan Facility was drawn by the Group. The interest rate and payment terms have not changed.

On 23 February 2023, after market close, the Company signed a Bid Implementation Agreement ("BIA") with a subsidiary of Allegro Funds Pty Ltd ("Allegro"). The BIA provides for a recommended off-market takeover offer at \$0.55 cash per share by Allegro to acquire all of the issued fully paid ordinary shares in the Company. Allegro has also advised that it has made private treaty offers to the holders of the Company's super senior facility debt.

No matters have arisen since the end of the half-year which have significantly affected or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods other than those disclosed above.

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Slater & Gordon Ltd
Directors' declaration
31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



James MacKenzie
Chair

24 February 2023



John Somerville
Managing Director and Chief Executive Officer



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

Conclusion

We have reviewed the accompanying half-year financial report of Slater & Gordon Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

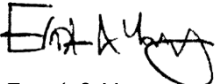
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation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



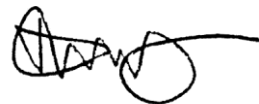
Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Ernst & Young



David Shewring
Partner
Melbourne
24 February 2023

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