Slater Gordon Lawyers

Slater & Gordon Limited

Annual Report 2020

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

We are united in our purpose to make tomorrow better than today for the thousands of Australians who need our help to access justice.

CHAIR'S REPORT

I would like to start my report this year by thanking our people for their incredible efforts during the disruption caused by the COVID-19 pandemic. Their dedication to the Company's clients and to continuing to achieve great outcomes for them during this period goes to the very core of who we are at Slater & Gordon.

The Company has responded well to the COVID-19 pandemic and has taken actions to protect the health and wellbeing of its employees and clients and to protect its business. There are more details about this in the CEO's Report and the Directors' Report.

The Board and Executive Leadership Team continue to monitor the COVID situation closely and to take actions in response as appropriate and as recommended by governments and health authorities.

The FY20 results show the ongoing work to transform the Company is delivering continued improvement, despite reporting a net loss after tax for the full year ended 30 June 2020 of $1.2 million. This result includes transformation costs, as well as the cost of incentive programs. This result compares to a net profit after tax for the full year ended 30 June 2019 (PCP) of $31.3 million which was positively impacted by a deferred tax asset of $31.5 million.

Although the Company reported a small net loss after tax, it also reported improved revenue, EBITDA and cashflow performance, driven largely by strong organic growth and increasing active file stock.

The Company has benefited from stronger management of its working capital and a strengthened balance sheet, including the completion of a $75.6 million, fully underwritten, non-renounceable entitlement offer, repaying the Company's $64.4 million syndicated facility and associated fees; and in April 2020 executing the extension of the Company's Super Senior Facility from December 2020 to 31 July 2023. These actions show we continue to take sensible steps to strengthen the Company's balance sheet for the long term.

> The Company continues to make positive progress as we execute on our transformation program and build and shape the Slater & Gordon of the future.

In April 2020, the Company also completed an opt-out unmarketable parcel sale facility for shareholders who owned less than $500 of fully paid ordinary SGH shares, enabling those shareholders to sell their shares, simplifying the Company's share register and saving costs.

The Company continues to make positive progress as we execute on our transformation program and build and shape the Slater & Gordon of the future. We know we have more to do, but we are on the right track and making good progress.

As I said at the beginning of my report, none of this progress would be possible without our people, our clients and our many supporters. I would like to thank our people, leadership team and Board for their care and deep commitment to our clients, to justice and to the labour movement. It is that care and commitment that sets Slater & Gordon apart and is determining our future. Most importantly we are united in our purpose to make tomorrow better than today for the thousands of everyday Australians who need our help to access justice.

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

This year Slater & Gordon celebrated its 85-year anniversary. While the COVID-19 pandemic prevented us from the celebrations we had planned, we are grateful to the many people who reached out to provide their best wishes and support and to share with us what Slater & Gordon has meant to them.

Our 85th year is a time to celebrate our proud history and embrace the future. Our shared history, our purpose and our values run deep within our people and these are shaping the next 85 years.

James MacKenzie
Chair

CHIEF EXECUTIVE OFFICER'S REPORT

I start by thanking our people for their efforts for the whole year and particularly during the COVID-19 pandemic. The way they came together to support each other, our clients and the business demonstrates the commitment of our people to our values and our clients. What's more, the significant progress we have made over the past 12 months is a direct result of their hard work on behalf of, and commitment to, our clients.

The financial report shows continued improvement for the Company despite reporting a net loss after tax for the full year ended 30 June 2020 of $1.2 million, which includes the costs invested in transforming the Company, as well as the cost of normalising its incentive programs. This compares to a net profit after tax for the full year ended 30 June 2019 (PCP) of $31.3 million which was positively impacted by the requirement to recognise a deferred tax asset of $31.5 million.

The Company also reported EBITDA[1] before specified items[2] of $28.1 million, compared to $17.5 million in FY19. Revenue on this basis increased by 12%, and costs increased by 6%.

At the same time, the Company has benefited from stronger management of its working capital and a strengthened balance sheet. Gross Operating Cashflow[1,2] was $24.1 million, compared to $16.4 million in FY19.

The Company also reported:

- Total revenue and other income from continuing operations of $178.3 million, compared to $160.4 million in the PCP.
- Expenses relating to continuing operations of $178.5 million, compared to $160.5 million in the PCP, the increase primarily reflecting the recognition of the value of the Slater & Gordon Rights Plan, finance costs, an uplift in labour expenses and depreciation and amortisation.
- A net loss from continuing operations before tax of $199,000 (PCP: net loss of $141,000).
- Operating cash inflows generated from continuing operations of $20 million, which is up from the PCP of $2.1 million due to improved management of the Company's working capital.
- A net asset position of $162.3 million (PCP: $84.2 million).

> We have made good progress over the past 12 months but there is still more work for us to do in building the legal firm of the future.

We have further strengthened our services for our clients and have invested in new digital platforms and innovation. We have also continued to shape and strengthen our balance sheet to improve our sustainability through the extension of the Company's Super Senior Facility (executed in April 2020) and the successful entitlement offer completed in September 2019. Furthermore, we have seen strong organic growth across our practice groups and we continue to attract highly talented people to our business. However, we still have more work to do as we evolve and shape the Company to lead the legal services market of tomorrow.

In March 2020, in response to the COVID-19 pandemic, all Australian state and territory governments imposed restrictions on the movement of people, which impacted the operations of businesses and organisations. As a result of the investments we had made in technology, we were able to move early and quickly to enable our people to work from home and ensure that our clients' matters continued to progress smoothly. A small skeleton staff continued to work in one Victorian office to deal with banking, mail and document retrieval.

In responding to COVID-19 our priorities at all times were, and continue to be:

- the health and wellbeing of our people;
- the health and wellbeing of our clients and the progress of their matters;
- protecting Slater & Gordon jobs; and
- business resilience.

In April, the Company's Directors, CEO and Executive Leadership Team volunteered to temporarily reduce their base pay to assist the Company's cashflow and its flexibility to respond to the impacts of the COVID-19 pandemic. In May, a small number of employees were temporarily stood down as they were unable to undertake any meaningful work from home. By the end of the financial year all stood down employees had returned to work.

Looking forward, the COVID situation creates considerable uncertainty for the broader economy. While the Company

1. Normalised for the impact of adopting AASB 16 on 1 July 2019.
2. Adjusted for specified items which are certain cash and non-cash items relating to transformation and normalisation of the Company.

Our history brings with it the courage to act, the courage to innovate and the courage to drive forward.

has managed the impact of the COVID situation to minimise business disruption to date, the implications of this continuing situation on our business are uncertain. We will continue to monitor events and make decisions as the situation changes.

Despite the challenges of the COVID-19 pandemic we have delivered outstanding results for our clients over the past 12 months. During this period, we estimate we have delivered over $700 million in personal injury compensation to everyday Australians. Further, we have seen growing Work in Progress as a result of organic growth in active matters.

We filed seven new class actions, including two further class actions as part of our Get Your Super Back campaign on behalf of thousands of Australians whose retirement savings have been gouged by bank-managed superannuation funds. We also filed a further three actions on behalf of tens of thousands of customers who were sold junk insurance by the major banks. We announced $250 million in class action settlements on behalf of more than 55,000 Australians who were victims of corporate dishonesty and wrongdoing.

Australia's class actions regime delivers justice for everyday Australians and keeps corporate giants honest. Corporations who rip people off or who compromise their safety should be held to account and their victims should be able to seek justice, where they otherwise would not have the means or the power to do so. That is why we were proud to lead the formation of the Keep Corporations Honest campaign. Slater & Gordon will always stand up to protect the rights of Australians against those who seek to harm or exploit them. It is also why we have joined the Save Our CTP Coalition to protect the rights of Queensland road users.

We were also proud to introduce paid superannuation for all employees while on unpaid parental leave and a new flexible working policy which enshrines trust, flexibility and work-life balance for our people.

In 2020 Slater & Gordon celebrated its 85-year anniversary, albeit remotely, and I am proud to say our commitment to access to justice and championing the voices of Australians who are struggling to be heard is stronger than ever.

Our history brings with it the courage to act, the courage to innovate and the courage to drive forward. That is what is shaping our future. As we celebrate our past we are looking to the future – to how we build on the legacy of our past to shape the next 85 years.

We have made good progress over the past 12 months but there is still more work for us to do in building the legal firm of the future. It goes without saying that we could not have made this progress without the passion and determination of our people and the care and commitment every person at Slater & Gordon provides to our clients.

Collectively we are looking forward, we are shaping our future and we are committed to ensuring that all Australians have access to high quality, affordable legal help in their time of need. We help make tomorrow better than today for our clients.

John Somerville
Chief Executive Officer

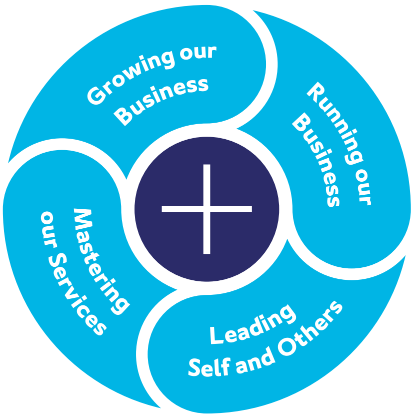
PEOPLE AND CULTURE

Our people are our greatest asset. We have over 800 purpose driven employees in 49 offices throughout Victoria, New South Wales, Queensland, the ACT and Western Australia who proudly put our clients first.

Culture and Capability

This year the Company made significant inroads towards enhancing our culture and growing our capability for now and into the future through:

- Implementing a targeted engagement action plan in response to feedback provided in the 2019 employee engagement survey. Management focused on executing on our strategy, enhancing our focus on internal communications, and investing in our people to build a workplace we are proud of. This saw a 4% increase in employees who responded to the engagement survey (77% in FY19 compared to 81% in FY20). Pleasingly the Company experienced increased firm-wide engagement levels which are now comparable with the Australian Legal Industry norm.
- Supporting a group of our senior leaders to participate in the LEaP (Leading, Engaging and Performing) Program. The program was designed to help our senior leaders to understand their role in delivering our Looking Forward Strategy as well as deepen their relationships across the Company and equip them to be great people leaders.
- Deepening the reach of our talent and succession planning to identify the internal pipeline of talent for future leadership roles.
- Launching the Company's new Capability Framework to provide a consistent understanding of the knowledge, skills and attributes required to build a career at Slater & Gordon.



Diversity and Inclusion

This year has seen a focus on practical and pragmatic initiatives designed to drive an inclusive, supportive and collaborative culture by:

- Establishing an Inclusion Committee whose role it is to provide advice and thought leadership to assist in ensuring that we are actively creating a culture that promotes and addresses issues of inclusion across gender, gender identity, sexuality, ethnicity, race, religion, age and disability. Our FY20 employee engagement survey shows 91% of employees agreed that we have a work environment that is open and accepts individual differences.
- Supporting our people to balance work life and home life by launching a Flexible Workplace Policy that takes an 'If not, why not?' approach to flexible working arrangements. Remote working has also been made possible as part of flexible working arrangements through the purchase of laptops for employees and improvements to make working with key systems easier.
- Doing our part to address systemic inequity by ensuring the retirement savings of our employees are not impacted by taking time out to have a family through announcing our commitment to pay superannuation to all eligible employees while on unpaid parental leave.
- The endorsement of the People and Culture Committee to adopt targets of '40/40/20' for all levels, where 40% of roles are held by women or gender diverse individuals, 40% are held by men or gender diverse individuals and 20% are open to all genders.
- Gender parity reviews continue to be conducted as part of the annual promotions, remuneration review and incentive programs. Insights and recommendations are shared with management for review and implementation. These reviews demonstrate that Slater & Gordon's gender parity is generally strong against industry standards.

Gender Participation Levels

	June 2020		June 2019	
Employment level	**Female**	**Male**	**Female**	**Male**
Board	29%	71%	29%	71%
Executive Management	54%	46%	54%	46%
Senior Management	55%	45%	54%	46%
Non-Management	82%	18%	83%	17%
Overall Organisation	**77%**	**23%**	**77%**	**23%**

Workplace Health & Safety

Over the last year, the Company has expanded the Safety Starts With Me campaign to launch a health, safety and wellness plan that identifies initiatives and targets in four key areas: safety culture, collaboration and communication, wellbeing resources and support, as well as hazard and risk management.

COVID-19

The COVID-19 pandemic has presented and continues to present challenges for all of society in unanticipated ways. Management's response to COVID-19 has and continues to be focused on five key areas – client care, people wellbeing, operational stability, communication, and Company financial stability.

In March 2020, in response to the COVID-19 pandemic, all Australian state and territory governments imposed restrictions on the movement of people, which impacted the operations of businesses and organisations. From May 2020, some states and territories started to ease their restrictions.

In response, the Company immediately undertook several actions to protect the health and wellbeing of its employees and clients and to protect its business. All offices were closed in late March and almost all employees commenced working from home. As restrictions eased in various states, offices were re-opened in a staged manner, in line with recommendations from state governments and health officers.

Employees were surveyed on four occasions from March to June. Throughout the survey windows more than 95% of employees agreed that Slater & Gordon was supporting them during COVID-19 and more than 94% were confident in the Company's ability to support our clients through COVID-19.

A more detailed description of the Company's COVID-19 response is contained in the Directors' Report.

SOCIAL RESPONSIBILITY

Our unique in-house social work team has provided free assistance to more than 3,000 clients since it was established in 2009.

Slater & Gordon is built on social justice values and we are committed to giving back. Our 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 Company is our relationship with the local communities in which we operate. We encourage and support that relationship through volunteering activities and 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.

The Company also gives back through its commitment to philanthropic activity, having established a Community Fund in 2001 and an Asbestos Research Fund in 2004.

In 2014, the Company 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 Company 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

The Company 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 have assisted members of the community, including people with severe disabilities, charities, community and indigenous groups, as well as volunteering at community legal centres.

Social Work Services

We understand that obtaining the correct legal entitlements is only one of the many issues people have to face on their journey through a life-changing incident such as personal injury. As a caring and community-minded company, we have long recognised the value of providing free social work services to address these issues and help improve clients' wellbeing. While it has become increasingly common for lawyers and social workers to work together for better client outcomes, we are the only law firm in Australia that has a dedicated social work team on staff to assist our clients. Our unique in-house social work team has provided free assistance to more than 3,000 clients since it was established in 2009. Our team of four social workers are highly experienced with more than 85 years of experience between them, working in health and welfare settings with a broad range of clients, often with complex issues.

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

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 2020 (“FY20”) 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
- Merrick Howes
- Michael Neilson
- Elana Rubin
- John Somerville
- Jacqui Walters

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 operation of legal practices in Australia.

Review of Operations

The Slater and Gordon vision

The Company’s vision is to help everyday Australians secure a better future by accessing justice and championing those who struggle to have their voices heard. The Company is united in its purpose to make tomorrow better than today and treats every client with care and commitment.

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 prides itself on being trusted legal advocates for, and delivering the highest quality legal services to, clients. This absolute focus on client care and results makes the Company fierce in its representation and permeates the firm.

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.

Managing risks

The following details some of the material business risks that could affect the growth 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 & Industry Reform	
The Company’s operations are subject to extensive regulation. Adverse regulatory or legislative changes may adversely impact the Company’s operations, financial performance and position.	Proactive and comprehensive stakeholder and community engagement, informed discussion, government consultation to advocate our position, modelling of the potential impact of changes and business model and the optimisation of practice management service offerings are initiatives the Company uses to monitor, manage and protect against potential legislative changes.

DIRECTORS REPORT

Description of key risk	Key risk mitigation
Operations and Systems	
There are a number of key operational risks which arise directly from the operations of the Company as a major participant in the Australian legal services industry and more recently impacted by the COVID-19 pandemic environment. These include strategic and business decisions, technology and cyber risk, reputation risk, fraud, supplier disruption, increased digitisation and changed employee working conditions, compliance with legal and regulatory obligations, counterparty performance under outsourcing and referral arrangements, business continuity planning, legal risk, data privacy and integrity risk, client default risk, key personnel risk and external events. The Company's financial performance and position have been, and in the future may continue to be, 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 action plans. Business continuity and crisis management oversight and response activities are in place for the health and safety of the Company's people and protection of critical business functions. Initiatives are being undertaken to strengthen our information security framework to enhance our resilience to cyber-attacks and for the protection and privacy of the Company's data.
Growth Strategy, Competition and Market Share	
The Company operates in a competitive market, competing for its offering of personal injury and/or other legal services. Competition is on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price. the Company's service offerings may not attract clients to support our growth strategy. The financial performance may be adversely impacted as a result of these risks.	Strategic initiatives are designed and implemented to support the Company's growth strategy, including diversification of service offerings and digitisation. Monitoring of competitive markets to understand competitive activities and the ongoing demand for the Company's services and continued expansion of marketing and business development initiatives. Protecting and strengthening the Company's brand to maintain long-standing relationships with trade unions and professional groups which provide a consistent source of new client referrals.
People	
The Company may be unable to attract, retain and develop talented people which may limit its ability to deliver its growth initiatives.	People, culture and remuneration initiatives are undertaken to support, engage and develop the Company's people.
Capital Management	
Funding and management of capital and liquidity remains a key focus following the recapitalisation and associated with significant work in progress receivable maintained on the Company's balance sheet. 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.	Implementation of a working capital management program and close involvement of the Company's lenders to ensure liquidity needs are monitored closely and arrangements are put in place where necessary to bridge short term liquidity needs.

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 $199,000 for the year ended 30 June 2020, an increase in loss of $58,000 from the prior year. This was driven by the incremental costs for employee benefit expense and write-off of bad debts as a result of the on-going review and efforts in reducing doubtful debts.

The Group reduced its outstanding secured debt and improved working capital through restructuring of the borrowing facilities. As at 30 June 2020, the Group's total borrowings were $91,850k (excluding lease liabilities), a significant reduction of $66,799k from prior year. The Group has a positive net current asset balance of $118,471k and positive overall net asset balance of $162,333k.

Significant Changes in the State of Affairs

Entitlement Offer

On 19 September 2019, the Company announced the completion of a $75.6 million fully underwritten 1 for 1.05752 pro rata accelerated non-renounceable entitlement offer ("Entitlement Offer"). The Entitlement Offer raised cash proceeds (after debt repayment) of $243,824.15 (representing approximately 6.4% of new shares available under the retail component of the Entitlement Offer) with the balance of approximately $75.4 million (representing the remaining new shares available under the institutional component of the Entitlement Offer and the retail component of the Entitlement Offer) being allotted to the sub-underwriters of the Entitlement Offer which comprised the lenders under the Company's Syndicated Facility Agreement ("SFA") and resulted in all amounts owing under the SFA being repaid.

COVID-19

In March 2020, in response to the COVID-19 pandemic, all Australian state and territory governments imposed restrictions on the movement of people, which impacted the operations of businesses and organisations. From May 2020, some states and territories started to ease their restrictions.

In response, the Company immediately undertook action to protect the health and wellbeing of its employees and clients and to protect its business, including the following:

- All offices were closed in late March and most employees commenced working from home.
- A small skeleton staff continued work out of one Victorian office to deal with mail, banking and document retrieval.
- Further laptops and software licenses were acquired to allow employees to continue to support clients and operate the Company's business with minimal disruption.
- In May a small number of employees were temporarily stood down as they were unable to undertake any meaningful work from home. By the end of the financial year all stood down employees had returned to work.
- To assist with cash flow:
  - Directors, including Executive Directors, agreed to a voluntary reduction in base pay of 15% and the Executive Leadership Team agreed to a voluntary reduction in base pay of 10% from 20 April to 29 June 2020.
  - The Company drew down on one of its working capital facilities to ensure it had an adequate cash reserve.
  - The Company took advantage of the Federal Government's offer to defer tax instalments. All deferred tax was paid by 30 June 2020.
  - A number of landlords agreed to defer a part of the rent on some of the Company's offices. As at 30 June 2020 approximately $400,000 of rent had been deferred.
- As restrictions eased in various states, offices were re-opened in a staged manner, in line with recommendations from state governments and health officers.

The COVID-19 pandemic does not appear to have had a material impact on the Company's financial performance during FY20. There has been no impact to asset values and revenue has been in line with the Company's pre-COVID-19 budget. The Company did not qualify for, apply for or receive any support under the Federal Government's JobKeeper support scheme.

However, the continued impact of the COVID-19 pandemic, including in particular the continued imposition of government restrictions and the broader impacts on the Australian economy, may impact the Company's performance in FY21. That impact (if any) cannot currently be determined with certainty.

The Board and Executive Leadership Team continues to monitor the situation closely and to take actions in response as appropriate and as recommended by governments and health authorities.

Super Senior Facility

On 20 April 2020, the Company announced that an extension and amendment to its Super Senior Facility (SSF) had been executed with the senior lenders, whereby the maturity date of the SSF was extended from December 2020 to 31 July 2023.

Events Subsequent to Reporting Date

In July 2020, the Company executed a revision to the term loan agreement with an increased facility size from $10m to $20m. The facility is secured against a broadened borrowing base of eligible receivables with a termination date of 6 February 2023. Of the $20m facility size, $3m is revolving credit and $17m are term loan.

In July 2020, lockdowns commenced across Victoria in relation to the COVID-19 pandemic. Management have performed an assessment and concluded that the lockdowns have had no material impact on the measurement of assets and liabilities at 30 June 2020.

Likely Developments

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

The continued impact of the COVID-19 pandemic, including in particular the continued imposition of government restrictions and the broader impacts on the Australian economy, may impact the Company's performance in FY21. That impact (if any) cannot currently be determined with certainty.

The Board and Executive Leadership Team continues to monitor the situation closely and to take actions in response as appropriate and as recommended by governments and health authorities.

DIRECTORS REPORT

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 environmental or social risks, the Company does not consider that the operations are materially exposed to such risk.

Dividends Paid, Recommended and Declared

The Group has not declared or paid any dividends in respect of the 30 June 2020 financial year.

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

	2020 $'000	2019 $'000
Dividends on ordinary shares		
No interim dividend paid in 2020 (2019: No interim dividend paid)	-	-
No final dividend for 2019 (2018: No final dividend paid)	-	-
	-	-

Share Options

As reported in the Remuneration Report, as part of the Long Term Incentive Plan (LTIP) and as approved by shareholders at the 2019 Annual General Meeting, the Company agreed to award 15,573,180 performance rights (Rights) to certain Directors and members of the Executive Leadership Team subject to the satisfaction of specified vesting and other conditions. Once vesting conditions of awarded Rights are met and an Exit Event has occurred those Rights are effectively zero priced options. A full description of the LTIP, including the numbers of Rights agreed to be awarded to Directors and other KMP, is contained in the Remuneration Report. All 15,573,180 Rights remained 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.

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 is currently the Chairman of Victorian Funds Management Corporation, Development Victoria and the Suburban Rail Loop Authority Advisory Board. He is also a Member of the MCG Trust.

James was previously serving as the President of the Victorian Arts Centre Trust, 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

DIRECTORS REPORT

Mark Dewar
B.Bus. Accounting

Chartered Accountant
Non-Independent Non-Executive Director

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

Experience

Michael is the Executive Director, Legal and Governance, having commenced at Slater and 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.

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 years' experience as a non-executive company director, across diverse sectors. She is currently a director of Afterpay and Telstra, 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

Afterpay Limited (ASX:APT) (2017 to current)
Telstra Limited (ASX: TLS) (Feb 2020 to current)
Mirvac Limited (ASX:MGR) (2010 to Nov 2019)
Touchcorp Limited (ASX:TCH) (2015 to 2017)

John Somerville

BSC GDip Applied Information Systems MBA

Chief Executive Officer and Managing Director

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 and chairs the Audit and Risk Committee. 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 Partner of Era Innovation, an advisory firm enabling long-term resilience in Australian organisations by creating systematic, disciplined innovation capability.

Jacqui is Chair of CleanCo Queensland Ltd, a non-executive Director of Development Victoria, Chair of the Citytrain Response Unit for the Queensland Government and is also on the Queensland Advisory Committee for the not-for-profit organisation, Second Bite.

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	17	17	4	4	4	4
M Dewar	17	17	-	-	-	-
M Howes	17	17	-	-	4	4
M Neilson	17	17	-	-	-	-
E Rubin	17	17	4	4	4	3
J Somerville	17	17	-	-	-	-
J Walters	17	17	4	4	-	-

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[1]	-	1,245,840
M Dewar	-	-
M Howes	-	-
M Neilson	-	1,245,840
E Rubin	-	415,280
J Somerville	-	3,322,240
J Walters	-	415,280

[1] James Mackenzie's Rights have been agreed to be awarded to a company controlled by him, JACM Pty Ltd.

Directors' Interest in Contracts

Directors' interests in contracts are disclosed in Note 22 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, therefore auditor independence was not compromised.

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

John Somerville

Managing Director and CEO

27 August 2020

Directors' Report

Audited Remuneration Report

1.0 Introduction

The FY20 results show a significant improvement for the Company which continues to improve its position. Reflecting this Executive KMP were awarded in FY20 an average of 120% of their Short Term Incentive Plan (STIP) target bonus for performance against a balance scorecard of measures compared to FY19 where an average of 103% of the Short Term Incentive was paid. During FY20, a new Long Term Incentive Plan (LTIP) was implemented and awards were agreed to be made.

Changes to Remuneration

The Company has evolved its remuneration strategy over the past two years. Key changes include:

- A new STIP was introduced in FY19 to create greater alignment of Company and individual performance. In FY20, STIP target opportunities were increased for the Executive Leadership Team except for the CEO. The increase was made to ensure executives Total Target Remuneration remains market appropriate while considering affordability.
- An LTIP was approved by shareholders at the 2019 Annual General Meeting. Subsequently, participation in the LTIP was offered to the independent Directors and certain members of the Executive Leadership Team, including the Executive Directors, in the form of rights to receive ordinary shares (Rights). The addition of an LTIP further:
  - encourages participants to focus on creating value for shareholders;
  - links reward with the achievement of long-term performance in the Company;
  - encourages participants to remain with the Company by providing them with the opportunity to hold a financial stake in the Company; and
  - assists in the Company attracting high calibre Directors, Executives and employees.

The Company is confident that the inclusion of an LTIP will support the Company's financial and strategic goals and remuneration framework. Management remains committed to transparency and an ongoing dialogue with shareholders on remuneration.

As disclosed to the ASX on 20 April 2020, the Directors, CEO and Executive Leadership Team (ELT) agreed to a voluntary reduction to their base pay to assist the Company's cash flow flexibility to respond to the potential impacts of the COVID-19 pandemic. Directors[1] including the Executive Directors agreed to a voluntary reduction in their base remuneration of 15% and the Executive Leadership Team agreed to a voluntary reduction in base pay of 10% from 20 April to 29 June 2020.

2.0 Remuneration Report Overview

The Directors present the Remuneration Report (the Report) for the Company and its controlled entities for FY20. 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.

1 Non-Executive Director Merrick Howes does not receive any salary or Director's fees from the Company.

Directors' Report

Audited Remuneration Report

The table below outlines the KMP for FY20:

Name	Position	Term as KMP
Non-Executive Directors		
James MacKenzie	• Chair of the Board • Non-Executive Director (Independent)	• Full financial year
Mark Dewar	• Non-Executive Director	• Full financial year
Merrick Howes	• Non-Executive Director	• Full financial year
Elana Rubin	• Non-Executive Director (Independent)	• Full financial year
Jacqui Walters	• Non-Executive Director (Independent)	• Full financial year
Executive Directors		
John Somerville	• Chief Executive Officer & Managing Director	• Full financial year
Michael Neilson	• Executive Director, Legal & Governance	• Full financial year
Other Executive KMP		
Scott Butterworth	• Chief Financial Officer	• Full financial year

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 FY20, 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 Other 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.

3.3 Share Trading Policy

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

Restricted Persons (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 (other than via an employee share plan), they should not sell or agree to sell any Company 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 and Managing Director 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.			

3.5 Cessation and movement of Executive KMP

During FY20, there were no cessations or movement of NEDs or Executive KMP.

3.6 Other transactions and balances with KMP and their related parties

During FY20, there were no additional transactions for Executive KMP and their related parties.

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 manage; and
- Overall performance and growth of the Company and 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;
- Is compliant with current governance and legislative requirements related to remuneration practices; and
- Promotes pay parity and equity.

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 and long-term incentive opportunities. Executive KMP remuneration levels are reviewed annually by the People and Culture Committee with reference to the Company'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 (based on and up to the maximum of the statutory guarantee level) and other non-monetary benefits.

Fixed remuneration is reviewed annually with approved changes effective 1 July or such other date as the Board may nominate. 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;
- Company and social responsibility; and
- Pay parity and equity.

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 on-target STIP opportunity between 23% - 50% of their Full Time Equivalent base remuneration and a maximum STIP opportunity of 200% of their on-target opportunity.

Executive KMP	STIP On -Target[1]	% of Base Remuneration
John Somerville	$264,499	50%
Michael Neilson	$93,380	23%
Scott Butterworth	$104,535	23%

[1]Represents on-target for full plan year.

Executive KMP's Total Remuneration Pay Mix% (annualised at target) for FY20 is set out below.

Executive KMP	Total Fixed Remuneration[1]	Short Term Incentive
John Somerville	67.5%	32.5%
Michael Neilson	82.1%	17.9%
Scott Butterworth	82.0%	18.0%

[1] Includes superannuation

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.

FY20 performance measures are set out below:

Executive KMP	Company Financial Performance	Client Measure	People Measure	Operational Measure
Chief Executive Officer and Managing Director	50%	20%	20%	10%
Executive Director, Legal and Governance	50%	20%	20%	10%
Chief Financial Officer	50%	20%	20%	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 the CFO and Executive Director, Legal and Governance by the CEO & Managing Director, then reviewed and endorsed by the People and Culture Committee and Board.

CEO and Managing Director 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 release of the Financial Report. 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's employment is terminated for cause 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:

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 and 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 will be forfeited.
- quarter 3 or 4, 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.

LTIP

The LTIP and the award of Rights to the independent NEDs and the Executive Directors was approved by shareholders at the 2019 Annual General Meeting.

How is LTIP paid?

Under the terms of the LTIP, eligible participants were offered rights (Rights) to acquire ordinary shares in the Company at no cost to them. Participants can acquire shares if they remain employed by the Company and the vesting conditions and exercise conditions of the Rights are satisfied or waived. While the Rights remain unexercised the participants do not have the same benefits as holders of shares in the Company, such as dividend and voting rights. However, once vesting conditions and the exercise conditions satisfied or waived and a participant exercises their Rights, then, as holders of shares, participants have the same benefits as other holders of shares in the Company, such as dividend and voting rights.

In FY20, all Executive KMP were offered a specified number of Rights.

How much can executives earn?

The number of Rights offered to participants in the LTIP was determined by the Board. Five Directors (including two Executive Directors) and nine members of the Executive Leadership Team were offered a specified number of Rights from a pool of 15,573,000 Rights, or 75% of the pool of Rights available to be awarded under the LTIP.

Executive KMP LTIP opportunities were determined using a combination of factors, including scope, complexity and responsibility of role, relative seniority, relative base remuneration and length of service with the Company post the recapitalisation in December 2017. Set out below are the Rights awarded to Executive KMP in FY20;

Executive KMP	Number of Rights Offered
John Somerville	3,322,240
Michael Neilson	1,245,840
Scott Butterworth	1,453,480

How is performance measured?

Under the LTIP rules, the nature and content of any vesting conditions (including the vesting period) are determined by the Board and may include conditions relating to any or all of:

- continuing employment;
- performance of the Participant;
- performance of the Company;
- the Company's share price;
- the achievement of specific targets; or
- the occurrence of specific events

The Rights offered to independent NEDs, Executive Directors and certain members of the Executive Leadership Team vest in accordance with the following schedule, subject to continuing employment/engagement of services.

Vesting Date	Vesting Percentage
Tranche A: 30 June 2020	22%
Tranche B: 30 June 2021	22%
Tranche C: 30 June 2022	22%
Tranche D: Date of 'Exit Event'	34%

Vested Rights are subject to and may only be exercised, i.e. converted to shares in the Company, after an Exit Event occurs. The terms of the award provide that an Exit Event will occur if (a) the Company's underlying Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) reaches the target specified by the Board and as evidenced by the audited Financial Statements for that financial year and (b) the Board being satisfied that the Company's approved Budget for the following Financial Year shows underlying EBITDA forecast at or better than the target set by the Board, subject always to the Board's discretion to ignore or waive any one off transactions or circumstances in calculating underlying EBITDA for this purpose. The relevant financial year must end on or after the date of grant of Rights.

If an Exit Event has not occurred before the seventh anniversary of the initial offer of the Rights, then the Rights will expire.

When is performance measured?

Vesting conditions and the Exit Event are measured at the end of each financial year during the term of the LTIP.

What happens if a participant leaves?

If a participant resigns or is terminated for cause, any unvested Rights are forfeited, unless otherwise determined by the Board. If a participant ceases employment by reason of redundancy, ill health, death, or other circumstances approved by the Board, unvested Rights will vest pro-rata based on the portion of the Vesting Period that has elapsed as at the date cessation date. The vested portion may be retained provided the participant exercises their vested Rights by delivering a signed Exercise Notice to the Company by the earlier of: (i) the expiry date of the Rights; and (ii) the date which is three months after the participant receives notification from the Company that the Exit Event has been achieved.

What happens if there is a change of control?

If there is a 'Change of Control' (as defined in the LTIP rules), all unvested Rights will automatically vest and the Exit Event will be deemed to be satisfied so that participants can elect to either request the Company to buy-back their Rights or exercise the vested Rights and dispose of the shares delivered to the participant.

Are executives eligible for dividends?

Participants are not eligible to receive dividends on Rights, vested or unvested.

Can further awards be made under the LTIP?

There remains a pool of further Rights available for award under the LTIP at the Company's discretion. To date no further awards have been made.

4.4 Changes for FY20

The material changes to Executive Remuneration during FY20 were:

- The increase in potential on-target STIP bonus awards for the Executive Leadership Team, the Executive Director, Legal and Governance and the Chief Financial Officer by 3%.
- A new LTIP was introduced in FY20. The new LTIP and the FY20 outcomes for that LTIP are described in detail above.

5.0 FY20 Executive KMP Performance and Remuneration Outcomes

5.1 Actual Remuneration earned by Executive KMP in FY20:

The actual remuneration earned by Executive KMPs in FY20 is set out in section 7 below.

As disclosed to the ASX on 20 April 2020, the Directors, CEO and ELT agreed to a voluntary reduction to their base pay to assist the Company's cash flow flexibility to respond to the potential impacts of the COVID-19 pandemic. Directors[2] including the Executive Directors agreed to a voluntary reduction in their base remuneration of 15% and the Executive Leadership Team agreed to a voluntary reduction in base pay of 10% from 20 April to 29 June 2020.

The FY20 cash bonus STIP and LTIP Rights awarded to Executive KMP is set out in section 7 below. The table represents what has been awarded to Executive KMP under the STIP and LTIP, although the STIP has not yet been paid.

5.2 STIP Performance Measures for FY20

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 and performance against each measure is as follows:

Key: ♦Between threshold and target ● At target ■ Exceed target

	Company Financial Performance	Client Measure	People Measure	Operational Measure
Chief Executive Officer and Managing Director	■Cash Generation & Business Performance	●Client satisfaction	●Engagement & compliance to people activities	●Strategic initiatives
Executive Director, Legal and Governance	■Cash Generation & Business Performance	●Client satisfaction	●Engagement & compliance to people activities	●Strategic initiatives
Chief Financial Officer	■Cash Generation & Business Performance	●Client satisfaction	●Engagement & compliance to people activities	●Strategic initiatives

In addition, the impact of the voluntary reduction to Executive KMP base remuneration was taken into consideration in determining the FY20 STIP payment. Based on this assessment, the average STIP bonus awarded to Executive KMP in FY20 as a percent of target was 120%. The table in section 7.1 discloses actual FY20 STIP awarded to Executive KMP.

5.3 LTIP Performance Measures and Vesting outcomes for FY20

On 30 June 2020, Tranche A of the LTIP vested in accordance with the terms of the award to independent NEDs, Executive Directors and Other Executive KMP.

Given the uncertainty around the impact of the COVID-19 pandemic on Australia's economy and, in turn, the Company's financial performance in FY21, the Board has deferred its consideration of whether an Exit Event has occurred under the LTIP Rules. The Board will re-consider the position before 31 December 2020. This means that the Exit Event has not occurred. As a result, Tranche D has not vested and Tranche A, although vested, are subject to an outstanding condition and may not yet be exercised by participants.

The Company has valued the benefit to independent NEDs and Executive KMP of their participation in the LTIP in FY20 using the Black Scholes valuation method and that value has been added to each NED and Executive KMP's remuneration in the tables in sections 6.3 and 7.1. The value of these benefits do not represent cash received by the relevant participant and these values may need to be adjusted over time, based on performance and LTIP outcomes.

2 Non-Executive Director Merrick Howes does not receive any salary or Director's fees from the Company.

Directors' Report
Audited Remuneration Report

5.4 Overview of Company performance (FY16 to FY20)

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	2016[1]	2017[1]	2018[1]	2019	2020
Revenue ($'000)	908,185	611,485	162,501	160,372	178,339
Profit before tax ($'000)	(1,029,468)	(551,149)	(29,044)	(141)	(199)
Profit after tax ($'000)	(1,017,595)	(546,831)	(31,722)	33,010	(1,660)
Basic earnings per share (dollars)	(28,877.50)	(15,542.50)	(0.84)	0.425	(0.013)
Diluted earnings per share (dollars) [2]	(28,877.50)	(15,542.50)	(0.84)	0.405	(0.013)
Gross Operating Cash Flow less CAPEX	(96,383)	(34,308)	(682)	5,230	24,921
Dividends per share - paid during financial year (cents)	5.5	-	-	-	-
Total dividends paid during financial year (cents)	19,330	-	-	-	-

1. 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.
2. Basic earnings per share and diluted earnings per share were restated for the impact of the 100 to 1 share consolidation that took place on 8 December 2017. 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.

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 chairs of the Board and each Committee do not receive any additional committee fees in addition to base fees.

6.2 Maximum aggregate NED fee pool

The maximum aggregate fee 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 table below summarises Board and Committee fees paid to NEDs for FY20 (inclusive of superannuation).

		1 July 2019 - 30 June 2020
Board Chair Fee		$250,000
Board Director Fee		$175,000[1]
Committee Fees		
Audit, Compliance & Risk	Chair	Nil
	Member	Nil
People and Culture Committee	Chair	Nil
	Member	Nil
Annual Fee Pool		$950,000

[1] Non- Executive Director Merrick Howes and Executive Directors John Somerville and Michael Neilson do not receive payment of Board director fees from the Company.

6.3 FY20 NED Remuneration

The table below sets out the FY20 NED remuneration. The table includes an entry for short term benefits to Merrick Howes, an executive employed by Anchorage Capital Group LLC. The Company does not pay any remuneration to Merrick Howes. Australian Accounting Standards require disclosure of fees for his role as a Director of the Company, where he is paid by his employer, which is the parent entity of the Group. The fees paid by the Company to other Directors are considered representative of this. The Executive Directors 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 Executive Director remuneration.

Directors' Report
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		Short-term benefits	Post-employment benefits	LTIP Value[4]	
Amounts $	**Year**	**Fees[3]**	**Superannuation benefits**	**Rights**	**Total**
Current NEDs					
James MacKenzie (Chair)	**FY20**	**221,927**	**20,520**	**384,341**	**626,788**
	FY19	229,951	20,049	-	250,000
Mark Dewar	**FY20**	**155,207**	**14,745**	-	**169,952**
	FY19	16,596	1,577	-	18,173
Merrick Howes [1]	**FY20**	**158,375**	-	-	**158,375**
Disclosure required by Australian Accounting Standards – no remuneration was actually paid by the Company	FY19	158,375	-	-	158,375
Elana Rubin [2]	**FY20**	**162,361**	**7,591**	**128,114**	**298,066**
	FY19	159,817	15,183	-	175,000
Jacqui Walters	**FY20**	**155,207**	**14,745**	**128,114**	**298,066**
	FY19	159,817	15,183	-	175,000
	FY19	-	-	-	-
Total[3]	**FY20**	**694,702**	**57,601**	**640,569**	**1,392,872**
	FY19	566,181	51,992	-	618,173

[1] M Howes is not remunerated by the Company for his service as Non-Executive Director. The Company was not charged for his service. Amounts in this table are not included in the total NED Annual Fee Pool.
[2] E Rubin received an exemption certificate from receiving SGC contributions paid by the Company during FY20.
[3] The fee shown attributable to M Howes is not counted towards the maximum aggregate NED Fee Pool.
[4] The Company has valued the benefit to independent NEDs of their participation in the LTIP in FY20 using the Black Scholes valuation method. The value of these benefits does not represent cash received by the relevant participant. The value of the benefit under the LTIP does not count towards the total NED Annual Fee Pool.

Three of the NEDs were awarded Rights under the Company's LTIP, as follows:

NED	Number of Rights Offered
James MacKenzie[1]	1,245,840
Elana Rubin	415,280
Jacqui Walters	415,280

[1] James Mackenzie's Rights were awarded to a company controlled by him, JACM Pty Ltd.

These awards were approved by shareholders at the Company's 2019 Annual General Meeting. Section 4.3 and 5.3 contains a description of the LTIP.

Directors' Report
Audited Remuneration Report

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[1]	Perform-ance Rights / Options[2]	Total	Unused Statutory Leave Balances	Contractual Notice Period	Total	Total Remun-eration	Perform-ance related	Delivered as equity
Executive Director																
John Somerville	**FY20**	**513,738**	-	-	**21,003**	**7,253**	**541,994**	**290,565**	**1,024,909**	**1,315,474**	-	-	-	**1,857,468**	**70.8%**	**55.5%**
	FY19	529,469	-	-	20,531	4,434	554,434	264,734	-	264,734	-	-	-	819,168	32.3%	0.0%
Michael Neilson	**FY20**	**394,288**	-	-	**21,003**	**5,187**	**420,478**	**130,128**	**384,341**	**514,469**	-	-	-	**934,947**	**55.0%**	**41.1%**
	FY19	306,336	-	-	15,794	1,097	323,227	88,000	-	88,000	-	-	-	411,227	21.4%	-
Executive KMP																
Scott Butterworth	**FY20**	**445,760**	-	-	**21,003**	**4,281**	**471,044**	**132,946**	**448,398**	**581,344**	-	-	-	**1,052,388**	**55.2%**	**42.6%**
	FY19[3]	720,245	-	-	11,055	1,451	732,751	48,600	-	48,600	-	-	-	781,351	6.2%	-
Former Executive KMP																
Hayden Stephens[4]	**FY20**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	FY19	93,606	-	8,745	3,582	-	105,933	-	-	-	254,068	-	254,068	360,001	0.0%	0.0%
Belinda Nucifora[5]	**FY20**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	FY19	74,331	37,255	6,510	4,738	-	122,834	-	-	-	21,882	268,485	290,367	413,201	0.0%	0.0%
Total	**FY20**	**1,353,786**	-	-	**63,009**	**16,721**	**1,433,516**	**553,639**	**1,857,648**	**2,411,287**	-	-	-	**3,844,803**	**62.7%**	**48.3%**
Total	FY19	1,723,987	37,255	15,255	55,700	6,982	1,839,179	401,334	-	401,334	275,950	268,485	544,435	2,784,948	14.4%	0.0%

(1) The FY20 cash bonus represents FY20 STIP awarded to Executive KMP which has not yet been paid. There was no adjustment in cash bonus for FY19.

(2) The Company has valued the benefit to Executive KMP of their participation in the LTIP in FY20 using the Black Scholes valuation method. The value of these benefits does not represent cash received by the relevant participant.

(3) Scott Butterworth's FY19 remuneration includes payments made to his consulting business, Strategic Value Partners, of $477,937 (excl. GST) in consulting fees prior to his employment as the Chief Financial Officer.

(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.

Directors' Report

Audited Remuneration Report

7.2 Executive KMP Equity Plans

As described in section 4.3, the LTIP is the only equity plan in which Executive KMP participated in during FY20.

7.3 Vesting and Exercise of Performance Rights granted as Remuneration

During FY20, no options were vested, exercised, or granted. As described in section 5.3, Tranche A of the LTIP vested on 30 June 2020, but an Exit Event has not yet occurred so participants in the LTIP, including the Executive KMP, may not exercise their vested Rights by applying to have their Rights converted to shares.

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 Executive KMP and NEDs:

KMP	Number held at 1 July 2019	Acquisitions	Disposals	Number held at 30 June 2020
James MacKenzie	-	-	-	-
Mark Dewar	-	-	-	-
Merrick Howes				
Elana Rubin	-	-	-	-
Jacqui Walters	-	-	-	-
John Somerville	-	-	-	-
Michael Neilson	-	-	-	-
Scott Butterworth	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

During the financial year, the movement in the number and value of performance rights over ordinary shares of the Company offered under the LTIP, and to which Executive KMP and NEDs are entitled is detailed below:

KMP	Number of Rights at 1 July 2019	Acquisitions	Rights Vested[2]	Rights Exercisable	Rights Exercised
James MacKenzie[1]	-	1,245,840	274,085	-	-
Mark Dewar	-	-	-	-	-
Merrick Howes	-	-	-	-	-
Elana Rubin	-	415,280	91,362	-	-
Jacqui Walters	-	415,280	91,362	-	-
John Somerville	-	3,322,240	730,893	-	-
Michael Neilson	-	1,245,840	274,085	-	-
Scott Butterworth	-	1,453,480	319,766	-	-
Total	**-**	**8,097,960**	**1,781,553**	**-**	**-**

[1] James Mackenzie's Rights were offered to a Company controlled by him, JACM Pty Ltd.

[2] Rights vested include Tranche A only as at 30 June 2020.

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 2020, I declare to the best of my knowledge and belief, there have been:

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

David Shewring
Partner
Melbourne
27 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue			
Fee revenue		161,407	156,092
Net movement in work in progress		15,839	3,369
Revenue from contracts with customers	3	**177,246**	**159,461**
Other income		1,093	911
Total revenue and other income		**178,339**	**160,372**
Less expenses			
Salaries and employee benefit expense	4	107,969	93,696
Rental expense		1,766	8,744
Advertising, marketing and new business development expense		11,207	9,584
Administration and office expense		17,992	18,375
Consultant fees		7,680	8,158
Finance costs	4	12,713	11,884
Bad and doubtful debts		4,849	(1,290)
Depreciation and amortisation expense	4	9,444	4,402
Other expenses		4,918	6,960
Total expenses		**178,538**	**160,513**
Loss before income tax (expense) / benefit from continuing operations		**(199)**	**(141)**
Income tax (expense) / benefit	6	(1,461)	33,151
Profit / (Loss) after income tax (expense) / benefit from continuing operations		(1,660)	33,010
Profit / (Loss) after income tax expense from discontinued operations	28	475	(1,750)
Profit / (Loss) after income tax (expense) / benefit for the year		**(1,185)**	**31,260**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**(1,185)**	**31,260**
Total comprehensive income for the year is attributable to:			
Continuing operations		(1,660)	33,010
Discontinued operations		475	(1,750)
Total comprehensive income for the year		**(1,185)**	**31,260**

	Note	Cents	Cents
Earnings per share for profit/(loss) from continuing operations			
Basic earnings per share	8	(1.3)	42.5
Diluted earnings per share	8	(1.3)	40.5
Earnings per share for profit/(loss) from discontinued operations			
Basic earnings per share	8	0.4	(2.3)
Diluted earnings per share	8	0.4	(2.2)
Earnings per share for profit/(loss)			
Basic earnings per share	8	(0.9)	40.2
Diluted earnings per share	8	(0.9)	38.3

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	16	26,461	12,633
Receivables	10	63,894	64,968
Work in progress	11	107,460	105,512
Other assets		11,047	9,383
Assets held for sale	12	1,375	-
Total current assets		**210,237**	**192,496**
Non-current assets			
Property, plant and equipment	13	3,643	6,630
Receivables	10	21,288	19,019
Work in progress	11	131,753	118,143
Right-of-use assets	18	19,705	-
Intangible assets	9	1,618	2,155
Other assets		318	319
Total non-current assets		**178,325**	**146,266**
Total assets		**388,562**	**338,762**
Liabilities			
Current liabilities			
Payables	14	54,833	53,576
Financing arrangements	17	8,415	9,852
Leases	18	8,185	-
Provisions	15	20,333	17,953
Total current liabilities		**91,766**	**81,381**
Non-current liabilities			
Payables	14	8,889	4,890
Financing arrangements	17	83,435	148,797
Leases	18	24,110	-
Deferred tax	6	15,219	13,901
Provisions	15	2,810	5,641
Total non-current liabilities		**134,463**	**173,229**
Total liabilities		**226,229**	**254,610**
Net assets		**162,333**	**84,152**
Equity			
Contributed equity	20	1,434,793	1,351,533
Reserves		6,025	9,933
Accumulated losses		(1,278,485)	(1,277,314)
Total equity		**162,333**	**84,152**

Consolidated Statement of Changes In Equity

For the Year Ended 30 June 2020

	Contributed Equity $'000	Share-based Payment Reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	1,348,581	12,885	(1,298,171)	63,295
Adjustment for change in accounting policy in relation to AASB 9	-	-	(10,403)	(10,403)
Balance at 1 July 2018 - restated	**1,348,581**	**12,885**	**(1,308,574)**	**52,892**
Profit after income tax benefit for the year	-	-	31,260	31,260
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**31,260**	**31,260**
Transfer from share based payments reserve	2,952	(2,952)	-	-
Balance at 30 June 2019	**1,351,533**	**9,933**	**(1,277,314)**	**84,152**

	Contributed Equity $'000	Share-based Payment Reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	1,351,533	9,933	(1,277,314)	84,152
Loss after income tax expense for the year	-	-	(1,185)	(1,185)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(1,185)**	**(1,185)**
Transfer from share based payments reserve	8,698	(8,712)	14	-
Issuance of shares under rights offer	74,562	-	-	74,562
Performance rights granted under LTIP	-	4,804	-	4,804
Balance at 30 June 2020	**1,434,793**	**6,025**	**(1,278,485)**	**162,333**

Consolidated Statement of Cash flows

For the Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		234,116	229,295
Payments to suppliers and employees		(208,848)	(222,197)
Interest received		174	261
Borrowing costs		(5,451)	(5,299)
Net cash provided by operating activities of continuing operations		**19,991**	**2,060**
Net cash provided by / (used in) operating activities of discontinued operations		750	(1,772)
Total net cash provided by operating activities	5	**20,741**	**288**
Cash flows from investing activities			
Payment for software development		(45)	(722)
Payment for plant and equipment		(304)	(1,146)
Costs associated with acquisition of businesses		-	(24)
Deposits for bank guarantees		-	143
Proceeds from disposal of business		884	964
Proceeds from disposal of intangible asset		1,000	(982)
Total net cash (used in) / provided by investing activities		**1,535**	**(1,767)**
Cash flows from financing activities			
Loans repaid / (advanced) to related parties and employees		-	139
Proceeds from borrowings		19,500	11,605
Repayment of borrowings		(19,372)	(16,410)
Payment of principal portion of lease liabilities		(7,106)	-
Transaction costs of rights issue		(1,470)	-
Total net cash (used in) / provided by financing activities		**(8,448)**	**(4,666)**
Net (decrease) / increase in cash held		13,828	(6,145)
Cash at the beginning of the financial year		12,633	18,778
Cash and cash equivalents at the end of the financial year	16	**26,461**	**12,633**

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 27 August 2020.

The Company is 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 AASB16 *Leases* 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 2020, the Group’s total borrowings were $91.9m (2019: $158.7m). Of this, $8.4m (2019: $9.9m) is presented as current liabilities, being due for repayment in the next 12 months. The remaining $83.4m (2019: $148.8m) of debt is non-current. Furthermore, as at 30 June 2020, the Group has a positive net current asset balance of $118.5m (2019: $111.1m) and a positive overall net asset balance of $162.3m (2019: $84.2m).

In addition, at 30 June 2020, the Group had available a total of $12.8 million of undrawn debt facilities and $26.5 million of cash.

The Directors have assessed the forecasted trading results and cash flows. In making this assessment, consideration has been given to potential impacts of COVID-19 on the Group’s operations and forecasted cash flows based on best estimates within a range of future market scenarios, noting that the rapidly evolving nature of COVID-19 makes it inherently difficult to forecast outcomes with certainty.

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 2020 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. 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.

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.

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.

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.

1.4 Adoption of New and Amended standards

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 July 2019:

- AASB 16 Leases

As a result of adopting AASB 16 the Group has made certain adjustments to its financial statements, as outlined below. The adoption of the remaining new amendments did not have any impact on amounts recognised in prior periods and are not expected to significantly impact future periods.

Refer to Note 25 for further details on Accounting Standards issued but not yet effective at 30 June 2020.

AASB 16 *Leases*

AASB 16 supersedes AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Impact of adoption

The Group adopted AASB 16 using the modified retrospective transition approach, with the date of initial application of 1 July 2019. The Group has elected to use the option to measure right-of-use assets at an amount equal to the lease liability. For onerous leases, the Group has adopted the policy choice of offsetting the value of the onerous lease provisions as at 30 June 2019 against the value of the right-of-use assets as at 1 July 2019.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate was applied to the lease liabilities. The Group determined the applicable incremental borrowing rates in a range of 6% to 11%.

	$'000
Operating lease commitments as at 30 June 2019	46,263
Discounted using Group's incremental borrowing rate	39,104
Lease liability recognised as at 1 July 2019	39,104

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

	$'000
Lease liability recognised as at 1 July 2019	39,104
Less: Provision for onerous leases	(3,082)
Less: Lease accruals at the date of transition	(4,574)
Less: Lease receivable recognised for sub-leases	(6,412)
Right-of-use asset recognised as at 1 July 2019	**25,036**

Note 2. Segment Reporting

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

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

Note 3. Revenue from Contracts with Customers

3.1 Accounting Policies

Provision of Legal Services – Personal Injury Law Claims

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.

The No Win - No Fee basis for billing introduces variability in the consideration receivable as the fees receivable under a contract are generally only known when a matter is concluded. 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.

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 the historical performance of similar matters.

An additional risk adjustment is applied to the expected amount, which considers the variability of the final outcomes of contracts in a particular group of matters, and determines a percentage adjustment that is required to be applied to the expected outcome in order to satisfy that it is ‘highly probable that a significant reversal of revenue recognised will not occur’ when the uncertainty associated with the variable consideration is resolved. This risk adjustment is simulated at each reporting period using a Monte Carlo method.

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.

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. When an invoice is raised, the amount receivable is transferred from ‘Work in progress’ to ‘Accounts receivable’.

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 certain 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.

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. Revenue recognised is carried as ‘Work in progress’ until the matter is finalised and a client invoice raised.

Fee arrangements from general legal services include fixed fee arrangements, No Win – No Fee arrangements, and funded 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.

The Group estimates fees for No Win – No 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.

Where project litigation matters are undertaken on a partially or fully funded basis, the Group enters into 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 fixed and funded fee arrangements as the period between when the Group 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 and partially funded 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. When an invoice is raised, the amount receivable is transferred from 'Work in progress' to 'Accounts receivable'.

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.

(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.

3.2 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 region of Australia:

2020	Personal Injury Law $'000	Litigation and Emerging Services $'000	Total $'000
Type of contract			
Fixed price	-	440	440
Time and Materials	-	15,123	15,123
No Win - No Fee	156,156	5,527	161,683
Revenue from contracts with customers	**156,156**	**21,090**	**177,246**

2019	Personal Injury Law $'000	Litigation and Emerging Services $'000	Total $'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**

Note 4. Expenses

4.1 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 right of use 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.

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
Right of use asset	10.00 - 50.00%	Straight Line
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 21.

4.2 Expense Analysis by Nature

	2020 $'000	2019 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Finance costs		
Interest and fees on bank overdraft and loans (includes costs of borrowing)	10,273	11,781
Interest on onerous leases	4	79
Interest on obligations under hire purchases	2,436	24
	12,713	**11,884**
Salaries and employee benefit expense		
Wages and salaries	100,847	86,889
Post-employment benefits	7,122	6,790
Redundancy costs	-	17
	107,969	**93,696**
Depreciation and Amortisation		
Property, plant and equipment	3,246	4,056
Software development	555	346
Right of use assets	5,643	-
	9,444	**4,402**

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 5. Cash Flow Information

Reconciliation of profit for the period to cash flows from operating cash flows

	2020 $'000	2019 $'000
Profit / (Loss) after income tax (expense) / benefit for the year	(1,185)	31,260
Adjustments for:		
Depreciation and amortisation	9,444	4,402
Bad and doubtful debts	4,849	(1,290)
Notional foreign exchange (gain) / loss	985	113
Interest expense capitalised	8,260	7,954
Share based payment expenses	4,804	-
Change in operating assets and liabilities:		
Decrease / (increase) in receivables	4,522	648
Decrease / (increase) in other assets	(2,133)	(1,417)
Decrease / (increase) in work in progress	(15,834)	(3,192)
Increase / (decrease) in payables	3,296	(2,970)
(Decrease) / increase in net deferred tax	1,740	(31,171)
Increase / (decrease) in provisions and other liabilities	1,993	(4,049)
Net cash from operating activities	**20,741**	**288**

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 6. Income tax

6.1 Accounting Policies

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

Income 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 recognised if it arises from initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting profit or taxable profit.

Deferred tax assets are recognised for unused tax losses to the extent that management considers the similar business test to have been satisfied and only if management considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date.

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.

Goods and Services Tax (“GST”)

Revenue and expenses 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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

6.2 Income Tax Expense

The major components of income tax expense are:

Income tax expense / (benefit)	2020 $'000	2019 $'000
Current income tax expense	-	374
Adjustment for current tax (benefit) / expense relating to prior periods	23	-
Deferred income tax expense / (benefit)	1,717	(31,545)
Aggregate income tax expense/(benefit)	**1,740**	**(31,171)**
Income tax expense/(benefit) is attributable to:		
Loss from continuing operations	1,461	(33,151)
Profit from discontinued operations	279	1,980
Aggregate income tax expense/(benefit)	**1,740**	**(31,171)**
The prima facie tax payable on profit before tax differs from the income tax expense as follows:		
Loss before income tax (expense) / benefit from continuing operations	(199)	(141)
Profit before income tax expense from discontinued operations	754	230
	555	89
Tax at the statutory tax rate of 30%	167	27
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	1,550	347
	1,717	374
Adjustment for current tax (benefit) / expense relating to prior periods	23	-
Recognition of prior years tax losses	-	(31,545)
Income tax expense/(benefit)	**1,740**	**(31,171)**

Deferred income tax (benefit) / expense included in income tax expense:	2020 $'000	2019 $'000
Decrease / (increase) in deferred tax assets	(7,956)	(30,574)
(Decrease) / increase in deferred tax liabilities	9,696	(597)
	1,740	**(31,171)**

6.3 Recognised Tax Assets and Liabilities

Deferred tax assets	2020 $'000	2019 $'000
Provision for impairment	4,724	6,082
Employee benefits	5,519	4,920
Provision for legal costs	1,254	977
Accruals	3,121	3,313
Non-deducted business related costs	1,980	2,357
Unrendered WIP and disbursements not yet deducted	-	7,428
Other	197	2,675
Property, plant and equipment	2,640	2,431
Lease liabilities	9,689	-
Revenue losses carried forward	47,053	37,616
Total	**76,177**	**67,799**
Offset of deferred tax assets and deferred tax liabilities	**(76,177)**	**(67,799)**
Balance at the end of the year	**-**	**-**

Notes to the Financial Statements

For the Year Ended 30 June 2020

Deferred tax liabilities	2020 $'000	2019 $'000
Prepayments	(245)	(287)
Work in progress	(73,488)	(68,735)
Unrendered disbursements	(9,909)	(12,325)
Intangibles / Goodwill	80	76
Right of use asset	(5,912)	-
Sub-lease receivable	(1,525)	-
Other	(397)	(429)
Total	(91,396)	(81,700)
Offset of deferred tax assets balance	76,177	67,799
Net deferred tax liability balance at the end of the year	**(15,219)**	**(13,901)**

6.4 Unrecognised Deferred Tax Assets

At 30 June 2020 and at 30 June 2019, the Group did not have unrecognised deferred tax assets relating to unrecognised tax losses.

Note 7. Dividends

No interim or final dividend was paid, declared or proposed for the years ended 30 June 2020 or 30 June 2019.

Note 8. Earnings / (Loss) per Share

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

	2020 $'000	2019 $'000
Profit / (Loss) after income tax (expense) / benefit from continuing operations	(1,660)	33,010
Profit / (Loss) after income tax expense from discontinued operations	475	(1,750)
Profit / (Loss) after income tax (expense) / benefit for the year	(1,185)	31,260

	2020[1] '000	2019[2] '000
Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share	124,810	77,641
Adjusted weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share	124,810	81,451

(1) 2,984 potential ordinary shares in relation to the Company's equity-based share-based payment are considered antidilutive. Refer to Note 21.

(2) The earnings per share has been retrospectively adjusted for the prior period due to the rights issue in the current period.

Note 9. Intangible Assets

9.1 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.

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 Note 4 for amortisation policy.

	2020 $'000	2019 $'000
Non-current assets		
Goodwill - at cost	879	879
Software development - at cost	15,898	21,542
Less: Accumulated amortisation	(15,221)	(20,363)
	677	**1,179**
Client Lists - at cost	102	102
Less: Accumulated amortisation	(40)	(5)
	62	**97**
Total intangible assets	**1,618**	**2,155**

Movement in carrying amounts:

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below

	Goodwill $'000	Software development $'000	Client lists $'000	Assets in course of construction $'000	Total $'000
Balance at 1 July 2018	-	255	-	542	797
Additions	879	326	102	397	1,704
Reclassification from assets in course of construction	-	939	-	(939)	-
Amortisation expense	-	(341)	(5)	-	(346)
Balance at 30 June 2019	879	1,179	97	-	2,155
Additions	-	45	-	-	45
Amortisation expense	-	(521)	(35)	-	(556)
Disposals	-	(26)	-	-	(26)
Balance at 30 June 2020	**879**	**677**	**62**	**-**	**1,618**

9.2 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.

Critical Accounting Estimates and Judgements

Determining whether goodwill is impaired requires an estimation of the value-in-use or fair-value less cost of disposal 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

9.3 Impairment Losses Recognised

As at 30 June 2020, the Group did not recognise an impairment expense (2019: nil).

Note 10. Receivables

10.1 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. The disbursements are treated as a separate asset.

	2020 $'000	2019 $'000
Current assets		
Trade receivables	39,984	44,751
Provision for impairment	(5,958)	(11,013)
	34,026	33,738
Disbursements	31,104	32,386
Provision for impairment	(3,185)	(2,656)
	27,919	29,730
Other receivables	1,949	1,500
Total current assets	**63,894**	**64,968**
Non-current assets		
Disbursements	30,429	29,601
Provision for impairment	(12,739)	(10,582)
	17,690	19,019
Other receivables	3,598	-
Total non-current assets	**21,288**	**19,019**

Collectability of trade receivables is reviewed at each reporting period. The Group applies the AASB 9 simplified approach to measuring the expected credit loss (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: 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 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. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are 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.

In addition, the Group maintains a provision to take account of potential errors in the data input of the WIP of the personal injury law practice.

Disbursements and WIP (Note 11) 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 risk free rate.

The recoverability of debtors at 30 June 2020 has been assessed to consider the impact of the COVID-19 pandemic. The methodology of the Group's ECL calculation was updated as at 30 June 2020 and the discount factor utilised has been revised to take into consideration the additional credit risk of the Group's counterparties. No material recoverability issues have been identified.

The ECL as at 30 June 2020 and 30 June 2019 was determined as follows:

Trade receivables	**Total $'000**	**<30 days $'000**	**30-60 days $'000**	**61-90 days $'000**	**91-180 days $'000**	**>180 days $'000**
30 June 2020						
Gross carrying amount	39,984	19,560	8,076	4,403	2,683	5,262
Provision for impairment	5,958	359	775	798	556	3,470
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

Trade Receivables - provision for impairment	**2020 $'000**	**2019 $'000**
Opening balance as at 30 June - (2019: calculated under AASB 139)	(11,013)	(9,749)
Amounts restated through opening retained earnings	-	(5,695)
Opening provision for impairment as at 1 July - calculated under AASB 9	(11,013)	(15,444)
Receivables written off as uncollectible	4,524	2,599
Release of provisions	531	1,832
Closing Balance as at 30 June	(5,958)	(11,013)

See Note 19.4 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

Note 11. Work in Progress

11.1 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 for further details.

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

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

	2020 $'000	2019 $'000
Current assets		
Personal Injury	105,550	97,876
Litigation and emerging services	2,901	8,729
Provision for impairment	(991)	(1,093)
Total current assets	**107,460**	**105,512**
Non-current assets		
Personal injury	130,419	120,111
Litigation and emerging services	5,296	2,402
Provision for impairment	(3,962)	(4,370)
Total non-current assets	**131,753**	**118,143**

The closing provision for impairment for work in progress as at 30 June 2020 reconcile to the opening provision for impairment as follows:

	2020 $'000	2019 $'000
Opening balance at 30 June - (2019: calculated under AASB 139)	5,463	-
Amounts restated through retained earnings	-	7,744
Opening provision for impairment as at 1 July - calculated under AASB 9	5,463	7,744
Release of provisions	(510)	(2,281)
Closing balance as at 30 June	**4,953**	**5,463**

Note 12. Assets held for sale

	2020 $'000	2019 $'000
Current assets		
Assets held for sale	1,375	-

In June 2020, the Group has performed a restructure of the Commercial and General Litigation, Estate Litigation, and Compulsory Acquisition department. As part of the restructure, departing employees in the Estate Litigation and Commercial and General Litigation practice areas are currently negotiating to purchase several of those departments' client files. Work in progress for these practices was valued at $1.4m at 30 June 2020. It is currently anticipated that sale agreements will be executed by or around 31 August 2020. The credit risk associated with the transaction has been captured in the expected credit loss for WIP calculated according to AASB 9.

Note 13. Property, Plant and Equipment

13.1 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 4.1 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.

	2020 $'000	2019 $'000
Non-current assets		
Plant and equipment - at cost	26,707	26,601
Less: Accumulated depreciation	(23,545)	(20,656)
Carrying value	3,162	5,945
Low Value Asset Pool - at cost	3,107	3,044
Less: Accumulated depreciation	(2,626)	(2,359)
Carrying value	481	685
Total	**3,643**	**6,630**

Movements in the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Equipment $'000	Low Value Asset Pool $'000	Total $'000
Balance at 1 July 2018	8,731	641	9,372
Additions	2,213	341	2,554
Disposals	(1,233)	(7)	(1,240)
Depreciation expense	(3,766)	(290)	(4,056)
Balance at 30 June 2019	**5,945**	**685**	**6,630**
Additions	238	66	304
Disposals	(44)	(1)	(45)
Depreciation expense	(2,977)	(269)	(3,246)
Balance at 30 June 2020	**3,162**	**481**	**3,643**

Note 14. Payables

14.1 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.

	2020 $'000	2019 $'000
Current liabilities		
Trade creditors and accruals	17,518	18,836
Legal creditors	28,360	29,635
Third party disbursements	8,955	5,105
Balance at 30 June	**54,833**	**53,576**
Non-current liabilities		
Third party disbursements	8,889	4,890
Balance at 30 June	**8,889**	**4,890**

The Group has an agreement with a third party disbursement funder, Equal Access Funding Proprietary Limited (‘EAF’), who funds disbursements in respect of certain individual matters. They 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 in accordance with the impairment policy described.

Note 15. Provisions

15.1 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

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. The estimate 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.

The Group has reviewed its provisions for employee benefits in light of the economic environment created by COVID-19. As a result, the Group has increased its provision for annual leave due to the lower attrition rates and lower leave rates that have been experienced during the COVID-19 period.

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.

In the economic climate created by COVID-19, the Group has also considered whether existing contracts have become onerous. No additional onerous contracts were identified as part of this review.

Notes to the Financial Statements
For the Year Ended 30 June 2020

15.2 Provisions

	2020 $'000	2019 $'000
Current		
Employee benefits	17,013	14,894
Solicitor liability claims	3,294	1,893
Provision for onerous contracts and make good	26	1,166
Balance at 30 June	**20,333**	**17,953**
Non-current		
Employee benefits	1,384	1,506
Solicitor liability claims	886	1,364
Provision for onerous contracts and make good	540	2,771
Balance at 30 June	**2,810**	**5,641**

There have been no significant COVID-19 related provisions identified as a result of the assessment performed by Management for the balances as at 30 June 2020.

Note 16. Cash and cash equivalents

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.

Note 17. Financing Arrangements

17.1 Accounting Policies

Borrowing Costs

Borrowing costs can include interest expense, finance charges in respect of finance leases, amortisation of loan 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.

17.2 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 31 July 2023. The facility incurs fixed fees and a fixed interest rate, with cash interest not payable until 1 January 2021. From 1 January 2021, a portion of the interest will be payable in cash at regular intervals. The remaining interest owing will be capitalised to the loan balance. From 1 January 2023, all interest will be payable in cash at regular intervals. The balance is $80.5m at 30 June 2020 (30 June 2019: $74.8m). The total undrawn amount of the facility is nil at 30 June 2020 (30 June 2019: nil).

(b) Disbursement asset backed facility ($33m) secured against disbursement assets (security pool). Future receipts of the security pool must be applied in repayment of the facility when they are received. Accordingly, the amount classified as current is based on expected disbursement receipts. Any outstanding balance is fully repayable on 29 December 2020. The balance is $6.4m at 30 June 2020 (30 June 2019: $9.9m). Interest on the facility is payable annually in advance. Total undrawn facility is $8.3m as at 30 June 2020.

(c) Term Loan ($10m) – this is a new facility entered during the financial year. It is secured against a borrowing base of eligible fee receivables with a termination date of 6 February 2023. Of the $10m facility size, $3m is revolving credit and $7m is term loan. The facility incurs fixed fees and a fixed interest rate, with interest payable monthly in arrears. The balance is $5.5m as at 30 June 2020 (30 June 2019: $nil). The total undrawn amount of the facility is $4.5m as at 30 June 2020 (30 June 2019: nil). Total undrawn facility is $4.5m as at 30 June 2020.

Net Debt

As at 30 June 2020, the Group has fully drawn its Super Senior Facility.

The Group had cash on hand of $26,461,000 (30 June 2019: $12,633,000), offset by debt of $124,560,000 resulting in net debt of $98,099,000 (30 June 2019: $146,016,000).

Covenants position

The Group was in compliance with all financial covenants as at 30 June 2020.

Debt reconciliation	Super senior facility $'000	Syndicated facility agreement $'000	Term loan $'000	Disbursement asset backed facility $'000	Lease liabilities $'000	Deferred restructure fees $'000	Total $'000
Balance at 30 June 2019	74,788	63,805	-	9,852	-	10,204	158,649
Recognition of lease liability under AASB 16	-	-	-	-	39,104	-	39,104
Balance at 1 July 2019	**74,788**	**63,805**	**-**	**9,852**	**39,104**	**10,204**	**197,753**
Drawdowns	-	-	4,896	15,000	-	-	19,895
Repayments	(1,967)	(63,805)	-	(18,404)	(10,015)	(10,204)	(104,395)
Lease non-cash movements	-	-	-	-	295	-	295
Accrued interest	7,686	-	-	-	2,910	-	10,596
Balance at 30 June 2020	**80,507**	**-**	**4,896**	**6,448**	**32,294**	**-**	**124,145**

Notes to the Financial Statements

For the Year Ended 30 June 2020

17.3 Summary of Borrowing Arrangements

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

Total banking facilities	Maturity	2020 $'000	2019 $'000
Super senior facility		65,000	65,000
Syndicated facility agreement		-	60,000
Disbursement asset backed facility		33,000	28,000
Term loan		10,000	-
Total credit facilities		**108,000**	**153,000**
Disbursement asset backed facility	Ongoing until 29 Dec 2020	6,448	9,852
Super senior facility	31 Jul 2023	1,967	-
Total credit facilities - current		**8,415**	**9,852**
Super senior facility	31 Jul 2023	78,539	74,788
Term loan	6 Feb 2023	4,896	-
Syndicated facility agreement	22 Dec 2022	-	63,805
Deferred restructure fee	22 Dec 2022	-	10,204
Total credit facilities - non-current		**83,435**	**148,797**

During the year, the Super senior facility was extended from 22 Dec 2020 to 31 July 2023.

17.4 Watchstone receivable

The Financial Statements for the financial year ending 30 June 2019 referred to a contingent asset relating to litigation against Watchstone plc (Watchstone). That litigation has now concluded, and no contingent asset remains.

Notes to the Financial Statements
For the Year Ended 30 June 2020

Note 18. Leases

18.1 Accounting Policies

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

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

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

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

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

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

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

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

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

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

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

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

In light of COVID-19, the Group has reassessed all of the assumptions contained within the impairment model for AASB 16 right-of-use assets. No impairment was identified or recognised as at 30 June 2020 as a result of this process.

18.2 Right of use assets

	Buildings $'000
Cost	
At 1 July 2019	25,036
Additions	23
Disposals	(177)
Lease adjustments	485
At 30 June 2020	**25,367**
Accumulated depreciation	
At 1 July 2019	-
Amortisation charge	(5,643)
Amortisation charge - discontinued operations	(19)
At 30 June 2020	**(5,662)**
Carrying amount at 30 June 2020	**19,705**

18.3 Lease Liabilities

The closing lease liability balances are shown below. Movements in the overall lease liabilities are outlined in Note 17 'Financing Arrangements'.

	2020 $'000	2019 $'000
Current liabilities		
Lease liability	8,185	-
Total current	8,185	-
Non-current liabilities		
Lease liability	24,110	-
Total non-current	24,110	-

Refer to note 19 for further information on financial risk management.

Amounts recognised in profit and loss

	30 June 2020 $'000
Depreciation expense of right-of-use assets	5,643
Interest expense on lease liabilities	2,436
Expenses relating to short-term leases	457
Expenses relating to variable payments not included in lease liability	1,454
Income from sub-leasing of right-of-use assets	475

Notes to the Financial Statements

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Note 19. Financial Risk Management

19.1 Accounting Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, 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

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.

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.

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

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.

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.

19.2 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	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Financial assets held at amortised cost						
Cash and bank guarantees on deposit	30,639	16,807	-	-	30,638	16,807
Total financial assets	30,639	16,807	-	-	30,638	16,807
Financial liabilities						
Financial liabilities held at amortised cost						
Lease liabilities	32,294	-	-	-	32,294	-
Disbursement backed asset facility	-	-	6,448	9,852	6,448	9,852
Super senior facility	-	-	80,507	74,788	80,507	74,788
Term loan	-	-	4,896	-	4,896	-
Syndicated facility agreement	-	63,805	-	-	-	63,805
Debt raising costs under the SFA	-	-	-	10,204	-	10,204
Total financial liabilities	**32,294**	**63,805**	**91,850**	**94,844**	**124,145**	**158,649**

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

In the current year, the Group has assessed the appropriateness of key assumptions used in determining ECLs as a result of COVID-19. These updated assumptions have not resulted in a material change to recorded ECLs for the year ended 30 June 2020.

19.3 Foreign Exchange Risk

The Group has no significant exposures to foreign exchange risk.

19.4 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 $30,638,000 at 30 June 2020 (30 June 2019: $16,807,000). The credit risk associated with cash and cash equivalents is considered minimal as the cash and cash equivalents are held with Authorised Deposit Institutions in Australia which are regulated by the Australian Prudential Regulatory Authority.

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 mainly by insurers and/or government bodies 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 Note 10 for further details.

Management of Credit Risk

The Group actively manages its credit risk by:

- where applicable, 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 key performance indicators (KPIs) measures in respect of debtors, disbursements and collections;
- holding regular meetings with relevant teams on debtor profiling, including ageing of the 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.

Management has revisited the assumptions underlying the recoverability of receivables and calculation of provisions at 30 June 2020 in light of the impact of the COVID-19 pandemic. No material changes to management's assessment of credit risk have been identified.

19.5 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 5 'Cash Flow Information', for further information on the historical cash flows. Further information in relation to debt facilities available and utilised are outlined in Note 17. KPIs are set for practitioners relating to budgeted fee events, which are closely monitored by senior management.

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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.

	< 12 Months $'000	1 - 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2020				
Non-derivative financial liabilities				
Payables	54,833	8,889	63,722	63,722
Borrowings	9,653	108,118	117,771	91,850
Lease liabilities	10,329	26,767	38,517	32,294
Financial liability maturities	**74,815**	**143,774**	**220,010**	**187,866**
2019				
Non-derivative financial liabilities				
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**

Note 20. Contributed Equity

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares - fully paid	138,428,817	69,527,235	1,434,793	1,351,533

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2018	69,527,235	1,348,581
Transfer from share based payment reserve		-	2,952
Balance	**30 June 2019**	**69,527,235**	**1,351,533**
Transfer from share based payment reserve		-	1,273
Conversion of warrants		3,156,535	7,425
Issuance of shares under rights issue		65,745,047	74,562
Balance	**30 June 2020**	**138,428,817**	**1,434,793**

Ordinary shares

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

During the period, the Company issued 65,745,047 shares for $74,562,000 as part of a rights issue. The proceeds were used to repay loans and associated fees owing under the syndicated facility agreement, thereby strengthening the balance sheet.

There were also 3,156,535 new shares issued on conversion of warrants issued under the Company's syndicated facility agreement. As a result of this $7,425,000 was transferred from the share-based payment reserve.

The Company did not pay any dividends during the financial year ended 30 June 2020 (30 June 2019: nil).

Note 21. Share-based payments

21.1 Accounting policies

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

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 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.

21.2 Employee Equity Incentive Plan

The Company has one employee Equity Incentive Plan (the Plan), which was approved by the shareholders of the Company at the Annual General Meeting held on 14 November 2019.

The Plan provides participants with a nil-exercise price right to acquire shares in the Group which are subject to restrictions to be determined by the Board. The Rights under the Plan are provided to participants in four tranches, A through D. The number of Rights that will vest in Tranches A to C is based on the fulfillment of service conditions, while Rights vesting for Tranche D depend on the occurrence of a performance-based exit event condition. That same exit event condition must be met for all tranches to become exercisable.

(i) Recognition
The Group's Plan is an equity-based share-based payment, in accordance with the definition under AASB 2 Share-based Payment (AASB 2).
Equity-settled share-based payments are measured at the grant date fair value for employee services. Equity-settled share-based payment transactions are not subsequently re-measured once the grant date fair value has been determined. Where unallocated Rights exist at year end, these will not be recognised until the allocation occurs, as no obligation is attached to these rights as at 30 June 2020.

AASB 2 requires the fair value of equity instruments granted to be based on market price, if available, and to consider the terms and conditions which those equity instruments were granted. The cost of the Rights issued is recognised as expense from the Grant date over the defined vesting period. Management assumptions of service conditions (i.e. employment retention) are based on best estimate and reflected in the employee expenses recognised for the respective financial year.

(ii) Valuation
Black Scholes option pricing model has been used to value Rights given the performance hurdle is a non-market hurdle, being the EBITDA. The fair value of the Rights has been determined to be $9,000,000 as at 30 June 2020.

The group estimates that 7% of the participants will leave throughout the subsequent 2 year period, with no departure at the end of first year (30 June 2020). The employment termination of the participant will forfeit his/her rights to the share options. The estimated percentage of employee departure will be reassessed at the end of each respective financial year

(iii) Measurement
The Plan is a staged vesting plan, with the following ranches:

Vesting date	Event	Vesting percentage	Cumulative value of vested award
Tranche A	30 June 2020	22%	1,980,000
Tranche B	30 June 2021	22%	3,960,000
Tranche C	30 June 2022	22%	5,940,000
Tranche D	Date of "Exit Event"	34%	9,000,000

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The following table illustrates the expected vesting of the LTIP, considering that estimates described under (ii) above:

Vesting Date	30 June 2020	30 June 2021	30 June 2022	Total cumulative expense
Tranche A	1,980,000	-	-	1,980,000
Tranche B	729,474	1,161,203	-	1,890,677
Tranche C	447,097	711,705	711,705	1,870,507
Tranche D	1,647,692	1,412,308	-	3,060,000
Total	**4,804,263**	**3,285,216**	**711,705**	**8,801,184**

A $4.8m share based payment expense was recognised at 30 June 2020.

Note 22. Related Party Disclosures

22.1 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.

Country of Incorporation	% Equity interest 2020	% Equity interest 2019
Australia:		
Slater and Gordon (TML) Queensland Pty Ltd	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.

22.2 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 entered into in December 2017.

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

The BSA provides that S&G UK must use reasonable endeavours to have the parent guarantees released and that this must be completed within 18 months of the date of implementation of the Recapitalisation on 15 December 2017 (or such longer period as agreed between the Company and S&G UK). This agreement was extended during the financial year ending 30 June 2019 for S&G UK’s remaining leases for a further 12 months, until 22 June 2020. 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.

If, during the extended period of the parent guarantee, 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 30 June 2020, the aggregate unpaid amounts under these lease agreements for the remainder of the lease terms are $82,200,842 (GBP 45,823,188), (30 June 2019: $89,105,366; GBP47,857,224).

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

22.3 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.

22.4 Key Management Personnel Compensation

	2020 $'000	2019 $'000
Compensation by category		
Short-term employee benefits	2,591,626	2,691,503
Post-employment benefits	120,608	107,691
Other long term employment benefits	16,720	6,982
Termination benefits	-	544,435
Share based payments	1,857,648	-
Other benefits	-	15,255
Total	**4,586,603**	**3,365,866**

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

	2020 $'000	2019 $'000
Loans from Immediate Parent Entity		
Opening balance	42,008	39,046
Repayments	(1,105)	(943)
Interest charged	4,317	3,905
Closing balance outstanding at 30 June	**45,220**	**42,008**

The loan facilities are advanced by the 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 facilities are unsecured, and repayable in cash on maturity. Further details of the terms of the facilities are provided in Note 17.2.

22.6 Transactions with Other Related Parties

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

Note 23. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2020 the parent entity of the Group was Slater & Gordon Limited. Investments in subsidiaries are accounted for at cost, less any impairment recognised since acquisition.

Statement of profit or loss and other comprehensive income

		Parent
	2020 $'000	2019 $'000
Profit / (Loss) after income tax	(1,951)	(10,657)
Total comprehensive income	(1,951)	(10,657)

Statement of financial position

		Parent
	2020 $'000	2019 $'000
Total current assets	**118,709**	**105,962**
Total assets	**292,204**	**241,305**
Total current liabilities	**88,421**	**76,169**
Total liabilities	**213,458**	**239,973**
Equity		
Contributed Equity	1,434,740	1,351,484
Revaluation surplus reserve	-	7,423
Share-based payments reserve	6,041	2,510
Accumulated losses	(1,362,035)	(1,360,085)
Total equity	**78,746**	**1,332**

Note 24. Auditor's Remuneration

The auditor of the Group for the year ended 30 June 2020 is Ernst & Young (30 June 2019: Ernst & Young).

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company:

	2020 $	2019 $
Audit services - Ernst & Young		
Audit or review of the financial statements	585,000	560,000
Other audit services - Ernst & Young		
Other assurance services - Trust account audits	92,000	89,800
Total	**677,000**	**649,800**

Notes to the Financial Statements
For the Year Ended 30 June 2020

Note 25. Accounting Standards issued but not yet effective at 30 June 2020

At the date of authorisation of the financial statements, there are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2019, but they do not have a material effect on the Group's financial statements.

Note 26. Unrecognised Items

26.1 Guarantees

The Group has entered into lease rental guarantees and performance guarantees with a face value of $4,177,712 (30 June 2019: $4,174,000). Refer to Note 22 for details of the guarantees the Company has provided for the UK leases.

26.2 Contingent Liabilities – Class Action Proceedings

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

26.3 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.

26.4 Contingent Liabilities – Prior year acquisition (Pre-Legal)

As part of the Pre-Legal acquisition in May 2019, the seller was eligible for a subsequent payment capped at $1,00,000 depending on meeting certain post acquisition Legal Cost Agreements Returned (LCAR) targets. In addition, to the extent that the post-acquisition LCAR targets are exceeded, the seller is eligible to further payments. The Group has made provisions for the subsequent payment which remains to be paid of $538,670, however, the further payments cannot be accurately assessed at this point.

25.5 Contingent assets - Watchstone

On 29 August 2019, Watchstone filed a counterclaim against S&G UK alleging breach of confidentiality. On 20 October 2019, S&G UK and Watchstone agreed to settle the claim and counterclaim for a payment by Watchstone to S&G UK of £11 million. The settlement sum was less than S&G UK's costs of the litigation and so the Company did not receive any part of the proceeds. Refer to Note 17.4.

Note 27. Events after the reporting period

Subsequent events

In July 2020, the Company executed a revision to the term loan agreement with an increased facility size from $10m to $20m. The facility is secured against a broadened borrowing base of eligible receivables with a termination date of 6 February 2023. Of the $20m facility size, $3m is revolving credit and $17m are term loan.

In July 2020, lockdowns commenced across Victoria in relation to the COVID-19 pandemic. Management have performed an assessment and concluded that the lockdowns have had no material impact on the measurement of assets and liabilities at 30 June 2020.

Note 28. Discontinued operations

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.

	2020 $'000	2019 $'000
Revenue	81	821
Other income	12	256
Total revenue	**93**	**1,077**
Expenses	**838**	**(745)**
Profit before income tax expense	931	332
Income tax expense	(279)	(1,980)
Profit / (Loss) after income tax expense	**652**	**(1,648)**
Net gain/(loss) from disposal of discontinued operations	(177)	(102)
Income tax expense	-	-
Loss on disposal after income tax expense	**(177)**	**(102)**
Profit / (Loss) after income tax expense from discontinued operations	**475**	**(1,750)**

Notes to the Financial Statements

For the Year Ended 30 June 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

James MacKenzie
Chair

John Somerville
Managing Director and Chief Executive Officer

27 August 2020

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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 2020, 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 2020 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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Work in Progress and Associated Revenue Recognition

Why significant

Work in progress (WIP) is significant to the Group, comprising 62% 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 and Note 11 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
- 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.

How our audit addressed the key audit matter

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.
- Considered the adequacy of the disclosures contained in Notes 3 and Note 11, of the financial report, in particular those regarding assumptions to which the outcome of the data models is most sensitive.

Going concern

Why significant

As disclosed in Note 1.1 to the financial report the Directors concluded that in their opinion, 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.

In making this assessment, consideration has been given to potential impacts of COVID-19 on the Group's operations and forecast cash flows based on best estimates within a range of future market scenarios, noting that the rapidly evolving nature of COVID-19 makes it inherently difficult to forecast outcomes with certainty.

How our audit addressed the 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 reasonableness of the assumptions included in the cash flow model with statements related to future plans and commitments contained in the approved FY21 budget.
- Considered the historical accuracy of the Group's cash flow forecasting by reference to actual results in prior periods compared to Board approved budgets.

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Going concern (continued)

Why significant	How our audit addressed the key audit matter
In September 2019, the Company completed a recapitalisation of the Group with the implementation of a fully underwritten pro rata accelerated non-renounceable entitlement offer ("the Entitlement Offer"). As part of this transaction, the Company issued 65,745,047 shares for $74,562k. The proceeds of this transaction were used to repay the syndicated facility agreement and associated fees. For the year ended 30 June 2020, the Group generated a net loss after tax of $1.2m, had $26.5 million of cash on hand and had $12.8 million of undrawn debt facilities. 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.	▶ 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.

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 22% 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 disbursements 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 credit loss impairment model was applied by the Group. This involved judgement as to expected credit losses. The Group's disclosures are included in Note 10.1 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. ▶ We assessed the incremental overlay to the specific and general ECL provisions to address the additional and future credit risks on the Group's customer portfolio as a result of the current economic downturn due to COVID-19. ▶ Considered the adequacy of the associated disclosures contained in Note 10.1 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 2020 Annual Report other than the financial report and our auditor's report thereon. The Company's 2020 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.

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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.
- 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 8 to 18 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Slater and Gordon Limited for the year ended 30 June 2020, 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

David Shewring
Partner
Melbourne
27 August 2020

Additional ASX Information

In accordance with the ASX Listing Rules, the Directors provide the following information as at 27 August 2020.

(a) Distribution of shareholders and option holders.

Holding	Number of Ordinary Shareholders
1 – 1,000	1,183
1,001 – 5,000	507
5,001 – 10,000	115
10,001 – 100,000	106
100,001 – Over	12

There are 636 shareholders holding less than a marketable parcel of 410 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	74,371,573	53.73
2	CITICORP NOMINEES PTY LIMITED	18,802,771	13.58
3	TCA OPPORTUNITY INVESTMENTS SARL	12,988,257	9.38
4	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	9,020,425	6.52
5	PERPETUAL CORPORATE TRUST LIMITED	7,408,982	5.35
6	RIVER BIRCH MASTER FUND LP	6,023,362	4.35
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,432,323	1.76
8	NATIONAL NOMINEES LIMITED ←DB A/C→	955,057	0.69
9	PA VIEW OPPORTUNITY IV LIMITED	889,563	0.64
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	197,280	0.14
11	IRWIN BIOTECH NOMINEES PTY LTD	150,000	0.11
12	MR PETER JOHN KLASEN	120,425	0.09
13	MR FRANK CHUNG LEUNG NG + MRS GLORIA MAN YUNG NG	90,000	0.07
14	LAYUTI PTY LTD ←THE MOUATT SUPER FUND A/C→	88,888	0.06
15	MR ALBERT SERCHONG CHEN	85,000	0.06
16	MISS SHUHONG YANG	72,033	0.05
17	MR ANDREW SEYMOUR	68,744	0.05
18	MR DAVID WILLIAM FLETT	65,000	0.05
19	MR GREGORY WILLIAM SEDGMAN	55,941	0.04
20	MRS FENG QIAO	54,478	0.04
	TOTAL: Top 20 holders of Fully Paid Ordinary Shares	**133,940,102**	**96.76**

(c) Substantial Shareholders

A substantial shareholder is one who has alone or with its associates 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*:

			Ordinary Shares
	Shareholder	Number	%[1]
1	AIO V FINANCE (IRELAND) DAC	37,100,244[2]	53
2	TCA OPPORTUNITY INVESTMENTS SARL	6,190,736[2]	9
3	YORK GLOBAL FINANCE BDH LLC	5,802,877[2]	8
4	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	9,020,608[3]	7
5	PERPETUAL CORPORATE TRUST LIMITED	3,591,500[2]	5

1. 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.
2. Substantial shareholder notice received pre entitlement offer completed on 20 September 2019 and based on issued shares of 69,527,235
3. Substantial shareholder notice received post entitlement offer completed on 20 September 2019 and based on issued shares of 138,428,817.

(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

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Elana Rubin
Jacqui Walters
John Somerville
Mark Dewar
Merrick Howes
Michael Neilson

Company Secretary
Michael Neilson

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ABN 93 097 297 400

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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

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Slater Gordon
Lawyers