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

APPENDIX 4D STATEMENT

(Listing rule 4.2A.3)

PRELIMINARY FINAL REPORT
for the half year ended 31 December 2021

Results for announcement to the market

		31 December 2021 $'000	31 December 2020 $'000	% change to prior year	
1.	**Revenues from ordinary activities**	85,071	98,293	Down	13.5%
2.	**Profit / (Loss) from ordinary activities after tax attributable to members**	(7,547)	3,091	Down	Large

Dividend information

3. Total dividend per ordinary share

No dividends were proposed for the half year ending 31 December 2021 and 31 December 2020.

4. Record date for determining entitlements to the final dividend

Not applicable

5.	**Net tangible asset per security**	31 December 2021 $'000	30 June 2021 $'000
	Net Tangible Assets	172,157	179,548
		Number of shares	**Number of shares**
	Total number of ordinary shares of the Company	139,691,955	139,093,565
	Net tangible asset backing per ordinary security	123.24 cents	129.08 cents

6. Details of entities over which control has been lost

Not applicable

7.	**Loss after tax of entities over which control has been lost**	31 December 2021 $'000	31 December 2020 $'000
		-	-

This information should be read in conjunction with 2021 Annual Report and any public announcements made in the period by Slater & Gordon Ltd in accordance with continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Director's report and the condensed consolidated financial report for the half-year ended 31 December 2021.

This report is based on the consolidated financial report which has been independently reviewed by Ernst and Young. The independent auditor's review report provided by Ernst and Young is included in the consolidated financial report for the half-year ended 31 December 2021.

James MacKenzie

Chair

John Somerville

Managing Director and Chief Executive Officer

Melbourne

24 February 2022

ABN 93097297400

Slater & Gordon Ltd

Financial Report for the Half Year Ended - 31 December 2021

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Slater & Gordon Ltd
Directors' report
31 December 2021

The Directors of Slater & Gordon Ltd present their report, together with the condensed consolidated half-year financial report consisting of Slater & Gordon Ltd ("the Company") and its controlled entities (jointly referred to as "the Group"), for the half-year ended 31 December 2021 and the review report thereon.

Directors

The Directors in office at any time during the half year ended 31 December 2021 and up to the date of signing this report are:

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

Effective, 1 August 2021, James MacKenzie temporarily stepped down as Chair, to have treatment for a medical condition. Elana Rubin acted as Chair in the interim. Mr MacKenzie resumed his role as Chair effective from 1 December 2021.

Review of operations

The Group ended the half-year to 31 December 2021 with:

- total revenue and other income from continuing operations of $85.3m (31 December 2020: $99.3m);
- a net loss from continuing operations after tax of $(7.7)m (31 December 2020: $2.8m profit); and
- net operating cash (outflows) / inflows generated from continuing operations of $(5.6)m (31 December 2020: $6.1m).

Revenue was negatively impacted by lower net movement in WIP growth, offset by a small increase in fee revenue. The low WIP growth was primarily a result of slowing enquiries and new matter growth – primarily in Victoria - caused primarily by COVID lockdowns and a reduction in mobility of people.

Auditor's independence declaration

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

Rounding of amounts

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

Signed in accordance with a resolution of the Directors.

James MacKenzie	John Somerville
Chair	Managing Director and Chief Executive Officer

24 February 2022

Ernst & Young
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Melbourne VIC 3000 Australia
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Auditor's independence declaration to the directors of Slater & Gordon Ltd

As lead auditor for the review of the half-year financial report of Slater & Gordon Ltd for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

David Shewring
Partner
24 February 2022

Slater & Gordon Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	31 Dec 2021 $'000	31 Dec 2020 $'000
Revenue			
Fee revenue		78,169	77,426
Net movement in work in progress		6,902	20,867
Revenue from contracts with customers	3	85,071	98,293
Other income		191	1,040
Total revenue and other income		85,262	99,333
Less expenses			
Salaries and employee benefit expense		(58,483)	(56,012)
Administration and office expense		(9,649)	(9,104)
Finance costs		(6,618)	(6,114)
Advertising, marketing and new business development expense		(5,538)	(6,583)
Bad and doubtful debts		(4,827)	(5,357)
Depreciation and amortisation expense	4	(4,123)	(4,165)
Consultant fees		(1,661)	(2,743)
Rental expense		(1,358)	(1,031)
Other expenses		(3,711)	(3,183)
Total expenses		(95,968)	(94,292)
(Loss) / Profit before income tax benefit / (expense) from continuing operations		(10,706)	5,041
Income tax benefit / (expense)		3,021	(2,239)
(Loss) / Profit after income tax benefit / (expense) from continuing operations		(7,685)	2,802
Profit after income tax expense from discontinued operations	7	138	289
(Loss) / Profit after income tax benefit / (expense) for the half-year		(7,547)	3,091
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive (loss) / income for the half-year		(7,547)	3,091
Total comprehensive (loss) / income for the half-year is attributable to:			
Continuing operations		(7,685)	2,802
Discontinued operations		138	289
Total comprehensive (loss) / income for the half-year		(7,547)	3,091
		Cents	Cents
(Loss) / Earnings per share from continuing operations			
Basic (loss) / earnings per share	3	(5.1)	2.0
Diluted (loss) / earnings per share	3	(5.1)	1.9
Earnings per share from discontinued operations			
Basic earnings per share	3	0.1	0.2
Diluted earnings per share	3	0.1	0.2
(Loss) / Earnings per share			
Basic (loss) / earnings per share	3	(5.0)	2.2
Diluted (loss) / earnings per share	3	(5.0)	2.1

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

Slater & Gordon Ltd
Consolidated statement of financial position
As at 31 December 2021

	Note	31 Dec 2021 $'000	30 Jun 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		29,119	20,697
Receivables	4.c	53,746	57,098
Work in progress	4.e	123,326	122,577
Other assets		7,380	10,981
Total current assets		213,571	211,353
Non-current assets			
Property, plant and equipment	4.b	2,470	2,690
Receivables	4.c	25,624	23,096
Work in progress	4.e	168,626	163,554
Right-of-use assets	4.d	16,260	15,572
Intangible assets	4.a	1,302	907
Other assets		649	1,428
Total non-current assets		214,931	207,247
Total assets		428,502	418,600
Liabilities			
Current liabilities			
Payables	4.c	57,844	60,758
Financing arrangements	4.c	430	-
Leases	4.c	6,922	6,628
Provisions	4.f	23,417	23,154
Total current liabilities		88,613	90,540
Non-current liabilities			
Payables	4.c	17,642	13,317
Financing arrangements	4.c	106,617	89,214
Leases	4.c	17,209	16,542
Deferred tax		19,457	22,418
Provisions	4.f	5,505	6,114
Total non-current liabilities		166,430	147,605
Total liabilities		255,043	238,145
Net assets		173,459	180,455
Equity			
Contributed equity	5.b	1,435,523	1,435,177
Reserves		9,498	9,293
Accumulated losses		(1,271,562)	(1,264,015)
Total equity		173,459	180,455

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

Slater & Gordon Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

	Contributed Equity $'000	Share-based Payment Reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	1,434,793	6,025	(1,278,485)	162,333
Profit after income tax expense for the half-year	-	-	3,091	3,091
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,091	3,091
Performance rights granted under LTIP	-	2,349	-	2,349
Balance at 31 December 2020	1,434,793	8,374	(1,275,394)	167,773

	Contributed Equity $'000	Share-based Payment Reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	1,435,177	9,293	(1,264,015)	180,455
Loss after income tax benefit for the half-year	-	-	(7,547)	(7,547)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(7,547)	(7,547)
Issuance of shares under rights offer	346	(346)	-	-
Performance rights granted under LTIP	-	551	-	551
Balance at 31 December 2021	1,435,523	9,498	(1,271,562)	173,459

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

Slater & Gordon Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2021

	31 Dec 2021 $'000	31 Dec 2020 $'000
Cash flows from operating activities		
Receipts from customers	108,752	118,418
Payments to suppliers and employees	(110,489)	(111,409)
Interest received	1	1,049
Borrowing costs paid	(3,911)	(1,938)
Net cash (used in) / from operating activities of continuing operations	(5,647)	6,120
Net cash from operating activities of discontinued operations	198	289
Net cash (used in) / from operating activities	(5,449)	6,409
Cash flows from investing activities		
Payment for software development	(411)	-
Payment for plant and equipment	(424)	(389)
Proceeds from return of bank guarantees	2,095	-
Proceeds from disposal of business[1]	724	47
Net cash from / (used in) investing activities	1,984	(342)
Cash flows from financing activities		
Proceeds from borrowings	31,415	5,676
Repayment of borrowings	(15,985)	(14,264)
Payment of principal portion of lease liabilities	(3,543)	(4,206)
Net cash from / (used in) financing activities	11,887	(12,794)
Net increase / (decrease) in cash held	8,422	(6,727)
Cash and cash equivalents at the beginning of the financial half-year	20,697	26,461
Cash and cash equivalents at the end of the financial half-year	29,119	19,734

[1] Deferred consideration received for sale of client files.

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

Note 1. Basis of Preparation

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

The financial report was authorised for issue by the Directors as at the date of the Directors' report on 24 February 2022.

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

(a) Basis of accounting

This half-year general purpose condensed financial report for the six months ended 31 December 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group's annual financial report as at 30 June 2021. The financial statements present reclassified comparative information where required for consistency with the current period presentation.

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

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

Going Concern

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

The Group incurred a net operating cash outflow of $5.4m and loss before tax of $10.5m in the current period. Notwithstanding, the Group has considered the following factors in determining that the financial statements should be prepared on a going concern basis:

- As at 31 December 2021, the Group has a positive net current asset balance of $125.0m (30 Jun 2021: $120.8m) and a positive overall net asset balance of $173.5m (30 Jun 2021: $180.5m).

- As at 31 December 2021, the Group's total borrowings (excluding lease liabilities), were $107.0m (30 Jun 2021: $89.2m). Of this, $0.4m (30 Jun 2021: nil) is presented as current liabilities, being due for repayment in the next 12 months. The remaining $106.6m (30 Jun 2021: $89.2m) debt, including the Super Senior Facility due in July 2023, are classified as non-current liabilities. The Group's borrowings are subject to covenants which have been complied with as at 31 December 2021. These covenants are expected to be complied with in the next 12 months based on the most recent forecast.

- The Directors have assessed forecasts of the Group's trading and cash flows. The potential impact of the COVID-19 pandemic on the Group's operations and potential cash flows has been considered, noting that the rapidly evolving nature of COVID-19 makes it inherently difficult to forecast outcomes with certainty. Nevertheless, various mitigation strategies are able to be deployed to manage cash to appropriate levels in the event an unfavourable outcome occurs.

On this basis, the Directors have concluded that there are reasonable grounds to believe that the Group will continue to be able to pay its debts as and when they become due and payable, and the preparation of the 31 December 2021 financial report on a going concern basis is appropriate.

(b) Significant Accounting Judgements, Estimates and Assumptions

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applying to the consolidated financial statements as at and for the year ended 30 June 2021. Additional significant judgements are outlined in detail within the specific notes to which they relate.

Note 1. Basis of Preparation (continued)

(c) Foreign Currency Translations and Balances

Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars which is also the functional currency of the parent entity and all Australian subsidiaries.

(d) Adoption of New and Amended standards

The Group did not apply any new and/or amended standards as of 1 July 2021 that have a material impact on the financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Note 2. Segment Reporting

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

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

Note 3. Financial Performance

(a) Revenue from contracts with customers

Disaggregation of Revenue from Contracts with Customers

The Group’s operations and main revenue streams are those described in the financial statements as at 30 June 2021. During the period, one of the Group’s Project Litigation cases converted from a No Win - No Fee (NWNF) arrangement to a Group Cost Order (GCO) which operates on the basis of contingency fee arrangements. The *Justice Legislation Miscellaneous Amendments Act 2000*, effective on 1 July 2020, amended the Victorian Supreme Court Act 1956 to enable contingency fee arrangements. A contingency fee arrangement entitles the Group to receive a percentage share of the damages awarded to the plaintiffs. As with existing NWNF arrangements, the revenue will only be recognised if the probability of success is greater than 70% and there will be no significant reversal of revenue. Work in progress is based on the time spent on the case, with no recognition of any contingent portion of the fee.

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.

31 Dec 2021	Personal Injury Law $'000	Litigation and Emerging Services $'000	Total $'000
Type of contract			
No Win - No Fee	71,799	5,614	77,413
Time and Materials	-	6,580	6,580
Contingency fees	-	1,053	1,053
Fixed price	-	25	25
Revenue from contracts with customers	71,799	13,272	85,071

Note 3. Financial Performance (continued)

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

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

(b) (Loss) / Earnings per Share

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

	31 Dec 2021[1] $'000	31 Dec 2020 $'000
(Loss) / Profit after income tax benefit / (expense) from continuing operations	(7,685)	2,802
Profit after income tax expense from discontinued operations	138	289
(Loss) / Profit after income tax benefit / (expense) for the year	(7,547)	3,091
Weighted average number of ordinary shares used in calculating basic (loss) / earnings per share	150,330	140,514
Adjusted weighted average number of ordinary shares used in calculating diluted (loss) / earnings per share	150,330	147,614

[1] Potential ordinary shares in relation to the Company's equity-based share-based payment are considered antidilutive.

Note 4. Assets and Liabilities

(a) Intangible assets

The intangible assets balance as at 31 December 2021 is $1.3m (30 June 2021: $0.9m). The movement from 30 June 2021 includes additions of $0.4m (30 June 2021: nil) and amortisation expense of $0.02m (30 June 2021: $0.7m).

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

(b) Property, plant and equipment

The property, plant and equipment balance as at 31 December 2021 is $2.5m (30 June 2021: $2.7m). The movement from 30 June 2021 includes additions of $0.4m (30 June 2021: $0.8m), disposal of $0.03m (30 June 2021: $0.01m) and depreciation expense of $0.6m (30 June 2021: $1.8m).

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

(c) Financial assets and financial liabilities

Set out below is an overview of financial assets and financial liabilities held by the Group as at 31 December 2021 and 30 June 2021. The carrying value of these financial assets and liabilities approximate their fair value.

Note 4. Assets and Liabilities (continued)

	31 Dec 2021 $'000	30 Jun 2021 $'000
Financial Assets		
Trade receivables & other receivables	29,322	31,383
Disbursements	50,048	48,811
Total assets	79,370	80,194
Total current assets	53,746	57,098
Total non-current assets	25,624	23,096
Financial Liabilities		
Payables	45,513	48,176
Third party disbursements	29,973	25,899
Leases	24,131	23,170
Financing arrangements	107,047	89,214
Total liabilities	206,664	186,459
Total current liabilities	65,196	67,386
Total non-current liabilities	141,468	119,073

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

	31 Dec 2021 $'000 Buildings	31 Dec 2021 $'000 Plant & Equipment	31 Dec 2021 $'000 Total
Cost			
Balance at the beginning of the period	26,447	272	26,719
Additions	4,678	-	4,678
Lease adjustments	(145)	-	(145)
Makegood adjustments	(53)	-	(53)
Impairment	(304)	-	(304)
Balance at the end of the period	30,623	272	30,895
Accumulated depreciation			
Balance at the beginning of the period	(11,109)	(38)	(11,147)
Depreciation charge for the half	(3,442)	(46)	(3,488)
Balance at the end of the period	(14,551)	(84)	(14,635)
Carrying amount	16,072	188	16,260

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

Amounts recognised in profit and loss

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

	31 Dec 2021 $'000	31 Dec 2020 $'000
Depreciation		
Depreciation expense of right-of-use assets	3,488	2,785
Finance costs		
Interest expense on lease liabilities	1,094	889
Income from sub-leasing of right-of-use assets	(145)	(191)

Note 4. Assets and Liabilities (continued)

Rental expense		
Expenses relating to short term leases	422	314
Expenses relating to variable payments not included in lease liability	818	716

Impairment expense		
Impairment expense of right-of-use assets	304	-

Some of the property leases in which the Group is the lessee contain variable payments that are linked to outgoings. The total variable payments recognised in the profit or loss for the half year ended 31 December 2021 was $0.8m.

(e) Work in Progress

Work in progress represents client cases which have not yet reached a conclusion and comprises personal injury cases, services performed ancillary to personal injury cases, non-personal injury cases and project litigation cases. 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 case velocity rates to determine expected timing of settlements.

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

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets		
Personal injury	112,179	112,853
Litigation and emerging services	12,188	10,549
Provision for impairment	(1,041)	(825)
Total current assets	123,326	122,577
Non-current assets		
Personal injury	160,498	160,186
Litigation and emerging services	12,293	6,668
Provision for impairment	(4,165)	(3,300)
Total non-current assets	168,626	163,554

(f) Provisions

Set out below is an overview of provisions held by the Group as at 31 December 2021 and 30 June 2021. There have been no significant COVID-19 related provisions identified as a result of the assessment performed by management for the balances as at 31 December 2021.

Note 4. Assets and Liabilities (continued)

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current liabilities		
Employee benefits	20,779	19,056
Solicitor liability claims	2,059	3,024
Provision for make good	530	906
Unexpired risk liability	49	168
Total current liabilities	23,417	23,154
Non-current liabilities		
Employee benefits	1,273	1,246
Solicitor liability claims	1,523	2,136
Provision for make good	2,018	2,269
Unexpired risk liability	691	463
Total non-current liabilities	5,505	6,114

Note 5. Capital Structure and Financing

(a) Financing arrangements

Debt Facilities

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

a) Super Senior Facility ($65.0m) with a termination date of 31 July 2023. The facility incurs fixed fees and a fixed interest rate, with a portion of the interest payable in cash at regular intervals since 1 January 2021. 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 $81.9m at 31 December 2021 (30 June 2021: $79.9m). The total undrawn amount of the facility is nil at 31 December 2021 (30 June 2021: nil).

b) April 2020 Term Loan (nil) – the $15.0m facility held at 30 June 2021 with a maturity date of 6 February 2023 was fully repaid and terminated in December 2021. The balance is $nil as at 31 December 2021 (30 June 2021: $10.0m). This facility was replaced by the December 2021 Term Loan below.

c) December 2021 Term Loan ($30.0m) – a new $30.0m facility was executed in December 2021 with a termination date of 10 December 2024. The facility is secured against a borrowing base of eligible receivables, eligible WIP and a specific bank account. The $25.0m outstanding facility commitment is a term loan facility which incurs fixed fees and a fixed interest rate, with interest payable monthly in arrears. The balance is $25.0m as at 31 December 2021 (30 June 2021: $nil). The total available undrawn amount of the facility is $5.0m as at 31 December 2021 and is available until 10 December 2022, subject to availability of the borrowing base.

Covenants position

The Group was in compliance with all financial covenants as at 31 December 2021.

Net Debt

As at 31 December 2021, the Group has fully drawn its Super Senior Facility.

The Group has cash on hand of $29.1m (30 June 2021: $20.7m), offset by debt of $131.2m (including lease liabilities of $24.1m), resulting in net debt of $102.1m (30 June 2021: $91.7m). The Group's net debt position has increased since 30 June 2021 by $10.4m due to the replacement of the $15.0m Term Loan with a $30.0m Term Loan, offset by higher cash on hand.

Note 5. Capital Structure and Financing (continued)

	Currency	Maturity	31 Dec 2021 $'000 Carrying amount	30 June 2021 $'000 Carrying amount
Super Senior Facility [1]	AUD	31 Jul 2023	81,940	79,928
April 2020 Term Loan [2]	AUD	6 Feb 2023	-	9,286
December 2021 Term Loan [2]	AUD	10 Dec 2024	24,677	-
Lease liabilities	AUD	Feb 2022 - Jan 2028	24,131	23,170
Insurance Premium Financing	AUD	30 Mar 2022	430	-
Total			131,178	112,384

[1] Includes capitalised interest costs as agreed with the lenders
[2] Net of capitalised establishment costs

Loan from Immediate Parent Entity

The loan facility is advanced by AIO V Finance (Ireland) DAC (Immediate Parent Entity) as one of the lenders under the Super Senior Facility, on the same terms as those agreed with the other lenders. The facility is unsecured, and repayable in cash on maturity. The loan from Immediate Parent Entity as at 31 December 2021 is $46.0m (30 June 2021: $44.9m). The movement from 30 June 2021 is capitalised interest of $1.1m.

(b) Contributed equity

	31 Dec 2021 Shares	31 Dec 2021 $'000	30 Jun 2021 Shares	30 Jun 2021 $'000
Ordinary shares fully paid	139,691,955	1,435,523	139,093,565	1,435,177

Movements in ordinary share capital

For the half-year ended	31 Dec 2021 Shares	31 Dec 2021 $'000	31 Dec 2020 Shares	31 Dec 2020 $'000
Balance at the beginning of the period	139,093,565	1,435,177	138,428,817	1,434,793
Issue of shares under LTIP	598,390	346	-	-
Balance at the end of the period	139,691,955	1,435,523	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 598,390 shares for nil consideration as part of the Long Term Incentive Plan ("LTIP").

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

Note 5. Capital Structure and Financing (continued)

(c) Third party disbursement funding

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 was initially available for 36 months. On 8 January 2021, the Group extended the terms of the funding for an additional 18 months expiring on 2 January 2023. In November 2021, the facility limit was increased from $30.0m to $40.0m. 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 of $8.3m (30 June 2021: $6.5m) has been recognised against the asset.

Note 6. Unrecognised Items

(a) Guarantees

The Group has provided certain lease rental guarantees with a face value of $2,789,352 (30 June 2021: $4,884,105).

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

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

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

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

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

In December 2021, as part of an agreement in principle to resolve a dispute in relation to the Manchester building, the landlord agreed to a surrender of lease and release of the parent guarantee in respect of the three sublet floors. Formal documents to give effect to the agreement in principle have not yet been signed.

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

If S&G UK defaults on the UK leases subject to the parent guarantees, and those parent guarantees have not yet been released, the Company may be liable for any unpaid amounts under those leases at the time of default. Any contingent liability has the potential to be material in the event that the UK operations were in default and the parent guarantees were called upon and the Company was unable to take steps that are typically commercially available to mitigate its loss, such as sub-leasing. At 31 December 2021, the aggregate unpaid amounts under these lease agreements for the remainder of the lease term expiring on 1 January 2030 are 63,068,913 (GBP 33,932,281), (30 June 2021: $67,578,492; GBP 36,993,837).

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

Note 6. Unrecognised Items (continued)

(b) Contingent Liabilities – Class Action Proceedings

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

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

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

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

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.

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

In September 2019, class action proceedings were commenced against the Company's former solicitors, Arnold Bloch Leibler, by Matthew Hall on behalf of an open class of the Company's shareholders (the "Hall ABL proceedings"). In December 2020, Arnold Bloch Leibler brought a cross claim against the Company and a former director and a former officer of the Company. The Company filed its Defence to the Cross Claim and has, in turn, filed a cross claim against the plaintiff, claiming the benefit of the indemnity in the Shareholder Claimant Scheme.

On 20 October 2021, an agreement was reached by the parties to settle the Hall ABL proceedings. The agreement is subject to a long form Settlement Deed being signed by all parties and approval by the Court. A long form Settlement Deed was signed on 16 November 2021 and the Court will hear the application to approve the settlement on 4 March 2022. Under the terms of the agreed settlement, the Company is not required to contribute to the settlement.

The trial of the Hall Pitcher Proceedings commenced on 9 November 2021 and concluded on 23 December 2021. Judgement has been reserved and is expected to be delivered in or about March 2022.

Note 6. Unrecognised Items (continued)

(c) Contingent Liabilities – Solicitor liability

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

(d) Contingent Liability – Group Cost Orders

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

At 31 December 2021 the Group has one GCO case. The Group considers it not probable that the Group will be liable for any adverse costs relating to this matter, therefore no provision has been recognised at 31 December 2021.

Note 7. Discontinued operations

Summary of financial performance of discontinued operations

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

- Downsize of General Law business, following the internal review on 7 February 2018.

For further information, refer to the Financial Statements for the year ended 30 June 2018.

	31 Dec 2021 $'000	31 Dec 2020 $'000
Revenue	38	83
Other income	9	-
Total revenue	47	83
Expenses[1]	150	236
Profit before income tax expense	197	319
Income tax expense	(59)	-
Profit after income tax expense	138	319
Net gain/(loss) from disposal of discontinued operations	-	(30)
Income tax expense	-	-
Loss on disposal after income tax expense	-	(30)
Profit after income tax expense from discontinued operations	138	289

[1] Reversal of bad debt provision.

Note 8. Events after the reporting period

Subsequent events

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

Slater & Gordon Ltd
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

James MacKenzie
Chair

John Somerville
Managing Director and Chief Executive Officer

24 February 2022

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

Conclusion

We have reviewed the accompanying half-year financial report of Slater & Gordon Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Building a better working world

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

David Shewring
Partner
Melbourne
24 February 2022