SLATER & GORDON LIMITED
ANNUAL REPORT 2008 2009

Slater & Gordon Lawyers

Reputation & Results™

Slater & Gordon Lawyers

Over its 74 year history Slater & Gordon has developed a reputation for fighting for the rights of its clients and delivering results, often breaking new legal ground to do so. Today Slater & Gordon is one of the best known names in the Australian legal market with a rapidly growing presence in most states and territories.

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2008 2009

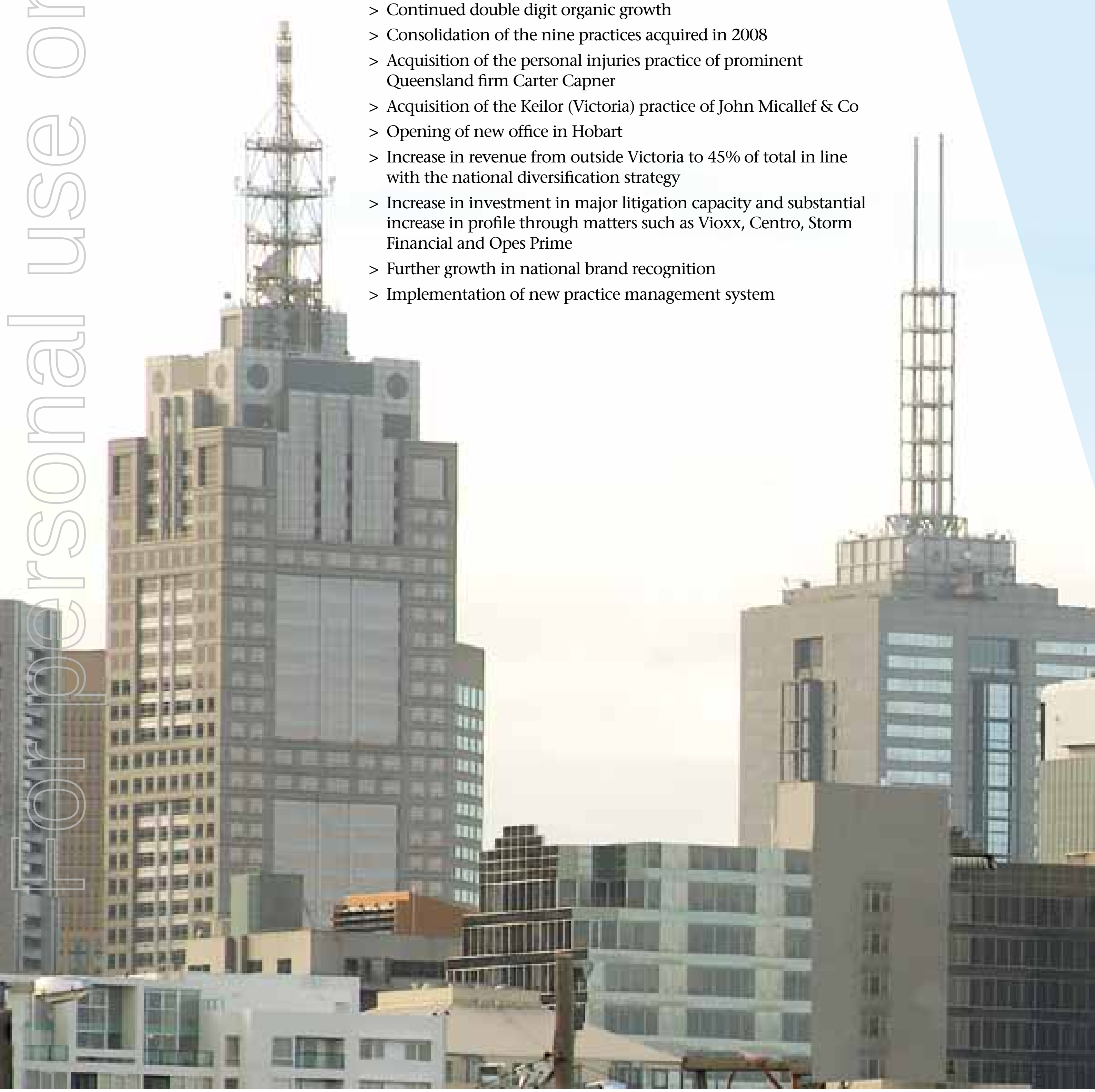
THE YEAR IN BRIEF

FINANCIAL HIGHLIGHTS

> NPAT of $17 million, up 12.9% on prior year
> Total revenue up 29.2% to $103 million

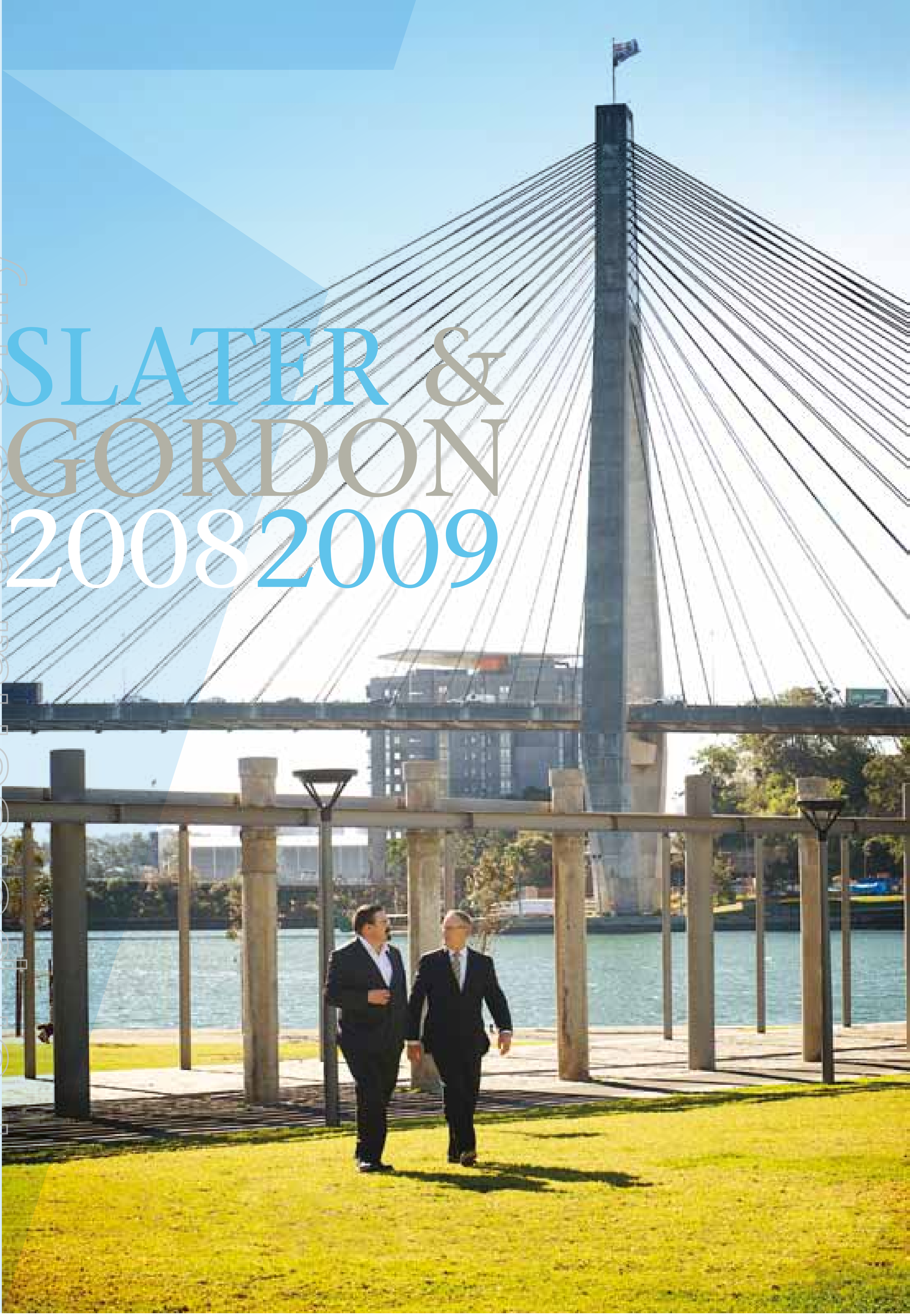
BUSINESS HIGHLIGHTS

> Continued double digit organic growth
> Consolidation of the nine practices acquired in 2008
> Acquisition of the personal injuries practice of prominent Queensland firm Carter Capner
> Acquisition of the Keilor (Victoria) practice of John Micallef & Co
> Opening of new office in Hobart
> Increase in revenue from outside Victoria to 45% of total in line with the national diversification strategy
> Increase in investment in major litigation capacity and substantial increase in profile through matters such as Vioxx, Centro, Storm Financial and Opes Prime
> Further growth in national brand recognition
> Implementation of new practice management system



RESULTS SUMMARY	2009 $000's	2008 $000's	Change
Total Income	103,023	79,715	+29.2%
Earnings Before Interest and Tax	25,060	21,741	+15.3%
Net Profit After Tax	17,047	15,104	+12.9%
Basic EPS (cents)	15.9	15.3	
Diluted EPS (cents)	14.8	13.8	

SLATER & GORDON 2008 2009



Chair's Report

Dear Shareholder

On behalf of the board of Slater & Gordon Limited, it is my pleasure to present the Annual Report for the 2009 financial year, which was another successful year in our short history as a listed company.

Most parts of our business have been largely unaffected by the global financial crisis and we have continued to enjoy double digit organic growth. We were also able to produce further growth in profit after tax, which increased 13% year on year.

The past year was certainly a lot quieter on the acquisition front, but this was the result of a conscious decision to focus on completing the integration of the nine practices we acquired in 2008.

The key elements of our strategy remain as they were when we listed.
We will continue to:

- lead the consolidation of the personal injury litigation market;
- extend the geographical reach of the business;
- expand the range of services we offer our clients;
- build the Slater & Gordon brand as a driver of business to all our practices; and
- selectively build our position in major litigation cases.

As our managing director Andrew Grech details in his report, we made good progress on all of those fronts during the year. Your board has also ensured that we continued to invest in the foundations for further growth. We invested in a new practice management system appropriate to the size of the business we aspire to be and we continued to build our corporate resources to give us the capacity to be able to take full advantage of the growth opportunities we see ahead of us.

Consideration of potential acquisitions will again be a priority for the board in the 2010 financial year. We have continued to research the market in every state and we now have extensive data on several potential targets.

On the important subject of corporate governance, I have previously said that it was the board's intention that over time it will evolve into a board with a majority of independent directors. It is therefore pleasing to report that we took an important step towards that during the year with the appointment of a third independent director in Erica Lane.

In conclusion I would like to express the thanks of the board to all Slater & Gordon staff, who now number well over 600 Australia wide. Their commitment to and care for our clients is the cornerstone of our success.

Yours sincerely,

Anna Booth
Chair

Managing Director's Report

Dear Shareholder

I am pleased to report on another good year for Slater & Gordon Limited.

Our focus for FY09 was on strengthening the business for the future while continuing to deliver profit growth.

We've successfully introduced the new Aderant practice management system which was a significant upgrade in capacity and functionality from our previous practice management system. We've also invested significantly in the Vioxx class action, in our capacity to take up the increasing demand in Commercial and Project Litigation including developing stronger relationships with a broad range of litigation funding providers. We have also deepened our internal management resources and expanded our long term debt facilities to ensure we are well positioned to take up the best of the acquisition opportunities.

Those investments did have a negative impact on our EBIT margin which flowed through to a relatively small increase in earnings per share. However, we were pleased to have still been able to produce a 13% increase in after tax profit for the year while investing so heavily for the future.

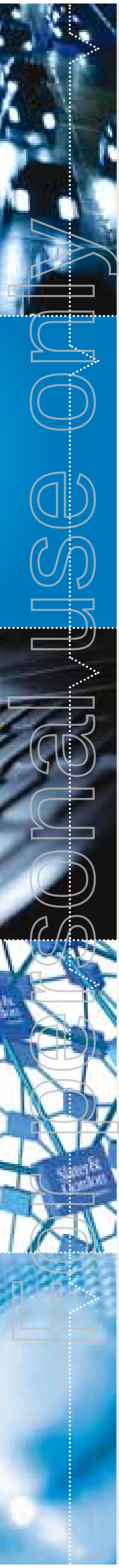
The implementation of the new practice management system was a huge undertaking and it's pleasing to note that we have had virtually no downtime since it came on line. However, with any new system there is a period of adjustment. It took us longer than expected to master the billing functions of the system. A disproportionate percentage of our second half billings consequently shifted into the last few months of the year. Our year end debtors and therefore our cash flow were adversely affected.

FY 2009 HIGHLIGHTS

- Continued double digit organic growth
- Consolidation of the nine practices acquired in 2008
- Acquisition of the personal injuries practice of prominent Queensland firm Carter Capner
- Acquisition of the Keilor (Victoria) practice of John Micallef & Co
- Opening of new office in Hobart
- Increase in revenue from outside Victoria to 45% of total in line with the national diversification strategy
- Increase in investment in major litigation capacity and substantial increase in profile through matters such as Vioxx, Centro, Storm Financial and Opes Prime
- Further growth in national brand recognition
- Implementation of new practice management system

THE YEAR IN REVIEW

As the Chair has indicated, our strategic direction remains largely unchanged. I am pleased to report good progress in FY09 against each of the key elements of the strategy.



Lead the consolidation of the personal injury litigation market

Our main objectives on the acquisition front in 2009 were to complete the integration of the nine practices we acquired in 2008 and to ensure those practices were delivering the results we had expected of them. We budgeted to generate around $17 million in fees from the 2008 acquisitions and ended up producing around $18 million, so the early indications are that we are on track.

During the year, we completed the acquisition of the personal injuries practice of prominent Queensland firm Carter Capner. This has gone a long way to giving us critical mass in our southern Queensland personal injuries business.

We also continued to explore potential acquisition opportunities, some of which we expect to be completed in FY10.

Extend the geographical reach of the business

We have continued to broaden the reach of the Slater & Gordon office network, focusing particularly on high population density regional and suburban areas.
We now have 30 offices nationally with the recent acquisition of Long Howland lawyers in Gunnedah (NSW) and the opening of the Ipswich (QLD) office. An office in Joondalup (WA) is scheduled to be opened in early 2010.

Expand the range of services we offer our clients

Through acquisition and lateral recruitment we now have considerable expertise in private client services such as wills, estate planning, conveyancing and family law.
We are now able to offer those services to our tens of thousands of current and past clients and we are well advanced with the development of marketing plans to address that opportunity.

Build the Slater & Gordon brand as a driver of new business

We have continued to invest in TV advertising and other marketing campaigns aimed at generating increased new client enquiries in all of our major markets.
We now receive over 50,000 new enquiries every year.

The continued lift in brand recognition is a key indicator of the impact of our national growth strategy. Slater & Gordon has always enjoyed huge brand awareness in Victoria, but in recent years our recognition in other states and territories has grown considerably.

In all bar two of the capital cities, we have the highest brand awareness in our sector and in the other two we are a close second to local firms.

Build our position in major litigation cases

Our activity on large scale litigation projects went up another level during the year with several significant developments including:

- Restructure of resources to create a fully integrated commercial and major litigation practice group headed by Executive Director Ken Fowlie;
- Further shift to major litigation carried out on behalf of clients funded by litigation funding providers;
- Completion of trial proceedings on the Vioxx class action, in which we are representing a large number of clients who suffered heart attacks and strokes after using the drug. Judgement is expected during FY10; and
- Involvement in several high profile investor actions including the ongoing matters related to the Opes Prime and Storm Financial failures and the Centro class action.

FY 2010 OUTLOOK

It is expected that the business will continue to enjoy double digit organic growth.

Operating cash flow is expected to improve in the first half due to the reduced requirement for major litigation disbursement funding and the collection of the high level of invoicing in Q4 of FY09.

With previous acquisitions now well settled into the organisation, further promising acquisition opportunities are being pursued, particularly in regional areas. The acquisition of Long Howland Lawyers in Gunnedah (NSW) has recently been completed and it is expected that others will be completed during the year. The geographic expansion of the business will also continue to be pursued through the opening of greenfield sites. A new office was opened in Ipswich (Queensland) this month and another will open in Joondalup (WA) in February 2010. Other locations are also under consideration.

Resources will continue to be invested in advertising and other marketing campaigns to exploit the power of the Slater & Gordon brand as a driver of new client enquiries.

While investment for growth will continue, EBIT margin is expected to be maintained around the target range of 24-25%. The productivity potential of recent investment in IT systems and infrastructure is expected to start being realised during the year.

A Court judgement in the Vioxx class action is expected during the year.

In conclusion I would like to thank our many clients for allowing us to work on their behalf. I would also like to thank all of our staff for their dedication to providing the best possible legal service to those clients.

Yours Sincerely

Andrew Grech
Managing Director

SLATER&GORDON

OVERVIEW

BUSINESS OVERVIEW

Continuing to build non-personal injury consumer services is a strategic priority for the company.

BUSINESS OVERVIEW

Personal injury litigation represents around 75% of the company's revenue, with most of that work performed on a No Win - No Fee™ basis where legal fees are paid on the successful conclusion of the client's matter. Slater & Gordon has specialist legal teams in the areas of asbestos litigation, motor vehicle accidents, workers compensation, medical law, public liability, Comcare and military compensation and total and permanent disability insurance claims.

Most other areas of the company's practice operate on a fee for service basis. Slater & Gordon has a long standing industrial and employment law practice and in more recent years the company's diversification strategy has also driven growth in other non-personal injury practices. These include commercial litigation, commercial advisory and transactions, family law and wills, probate, conveyancing and estate litigation.

Continuing to build non-personal injury consumer services is a strategic priority for the company. This is being achieved through both lateral recruitment and by acquisition of firms such as Secombs Solicitors.

Slater & Gordon has also been involved in identifying and conducting a number of large class or group legal actions on behalf of its clients over many years. The benefits to the company of these often groundbreaking projects are the potential for strong returns and the boost to the company's public profile. The leading edge nature of major litigation is also instrumental in the company's ability to attract and retain staff.

Major litigation matters can be either self funded or more typically funded by specialist litigation funders. Funded work is conducted by the commercial litigation practice on a fee for service basis. Self funded major litigation work is a small percentage of the total Slater & Gordon cost base.

SECOMBS SOLICITORS

In June 2008, Slater & Gordon acquired the practice of Secombs Solicitors, an icon in Melbourne's western suburbs with over 100 years history in the area.

Based in Footscray with around 30 staff, Secombs has evolved into a full service law firm with practices in the areas of business advisory and litigation, personal injuries, conveyancing, wills and estates, local government, planning and family law.

In 1903 and at 21 years of age, Arthur Secomb set up practice in Footscray. The practice then known as Arthur Secomb and Co became known for it's ongoing relationship with local clients. Arthur Secomb commenced acting for the City of Footscray in 1916. That relationship continues to this day with Secombs/ Slater & Gordon acting for the City of Maribyrnong, which incorporates the former City of Footscray.

Slater & Gordon's acquisition of Secombs has strengthened its expertise in Melbourne in personal injuries, wills and estates, commercial litigation and family law and has opened up new opportunities for it in business advisory, commercial transactions and planning law.

Roger Batrouney, formerly a partner of Secombs has taken on a key role leading the Victorian practice of Business & Private Client Division. Roger's 40 plus years of experience will be valuable in developing this part of the practice.

NATIONAL


WA
Bunbury
Perth
SA
Adelaide
VIC
Ballarat
Carlton
Dandenong
Footscray
Frankston
Geelong
Keilor
Melbourne
Morwell
Reservoir
Ringwood
Sunshine
TAS
Hobart
ACT
Kingston
NSW
Broken Hill
Cessnock
Coffs Harbour
Gunnedah
Gosford
Newcastle
Nowra
Parramatta
Sydney
Wollongong
QLD
Brisbane
Ipswich
Southport

Slater & Gordon now has a total of 30 offices covering every state and territory except the Northern Territory. For the first 50 or so years of its life, the firm was only in Victoria. Its first venture outside the state was the establishment of a small office in Perth in 1985 to service the needs of the victims of the Wittenoom asbestos mine.

Today almost half of the company's revenue is generated from outside Victoria and that percentage is growing steadily as the jurisdiction diversification strategy takes effect.

The Western Australian practice has grown to around 50 employees across the Perth and Bunbury offices with a third office to be established in Joondalup, north of Perth, early next year.

Executive director and current New South Wales state manager Ken Fowlie was one of the first Slater & Gordon employees in that state. Ken now oversees a New South Wales practice with over 150 employees across offices located in most parts of the state including Broken Hill, Coffs Harbour, Gunnedah, Gosford, Newcastle, Nowra, Wollongong, Parramatta and Sydney CBD.

Growth has been similarly rapid in Queensland. Over the past five years, the company has gone from having no permanent presence to 50 employees across three offices in Brisbane, Southport and Ipswich.

Today almost half of the company's revenue is generated from outside Victoria.

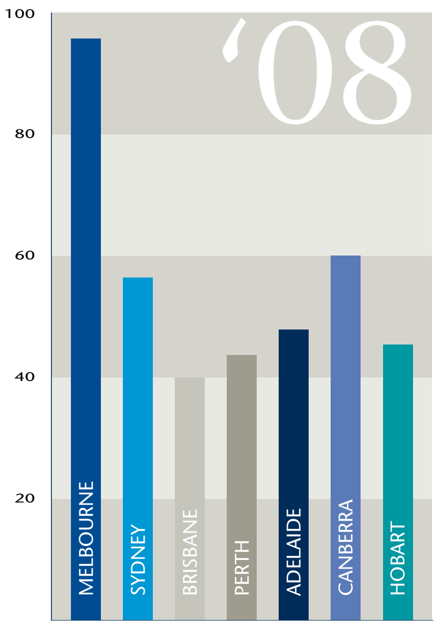
GROWTH

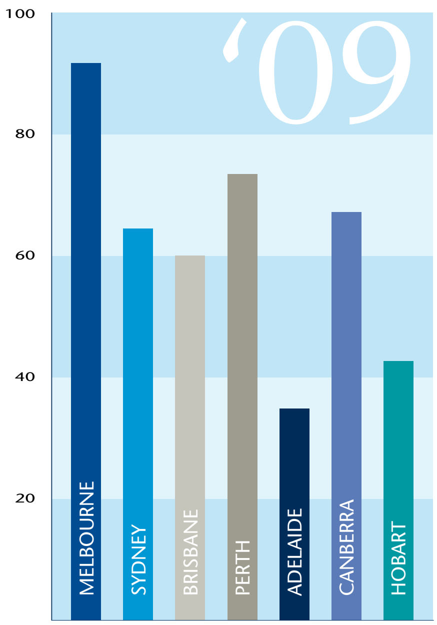
BRAND AWARENESS

One measure of the impact of the company's national growth strategy is the increasing recognition of the Slater & Gordon brand outside Victoria. The company has conducted extensive brand awareness studies annually for the past three years.

The total awareness (prompted and unprompted) of the Slater & Gordon name is well over 90% in Melbourne and is also high in the Victorian regional centres surveyed. Awareness in other capital cities has been much lower but as a result of extensive marketing campaigns and media coverage, it is growing rapidly.

Awareness in Perth increased by over 30% in the last survey to a total of 75%, making Slater & Gordon the most recognised firm in its market in that city. Awareness in the Brisbane market jumped 19% to 60%, while Sydney continued its steady increase to reach 64%.





RESOURCING FOR THE FUTURE

The broad and rapid growth of Slater & Gordon provides unique development opportunities for lawyers in the early stages of their career.

"Slater & Gordon offers the rare opportunity to work on complex litigation cases. From day one, I've been working with senior members staff who value the contribution young lawyers can make. The firm attracts great people who, despite our diversity, share a common sense of purpose in our work."

Sarah Roache, Major Projects

"As a young lawyer at Slater & Gordon, I enjoy the trust and confidence that is placed on you by the firm at a very early stage. By the time I had completed my articles, I had moved to the newly-opened Reservoir office where I was entrusted with developing the fledgling Workers Compensation practice into a viable enterprise. While daunting, this is a challenge that certainly accelerates the developmental pathway."

Geoffrey Smith, Workers Compensation

"The name Slater & Gordon seems synonymous with social justice. The experiences you are exposed to here as a junior lawyer are incredible. The level of responsibility I have been given from the beginning motivates me everyday in my career."

Jane McCullough, Motor Vehicle Accidents

"I am attracted to Slater & Gordon's reputation as leading advocates on a broad range of issues and in helping everyday people who would not normally be able to access the justice system. The stimulation derived from this passion and commitment to helping people access their rights is what I enjoy about working at Slater & Gordon."

Matthew Naughtin, Workers Compensation

"From the first time I met with people at Slater & Gordon, I knew it was exactly where I wanted to work. I am also very attracted by the firm's historical and present connections with the trade union movement and its class action work. Life at Slater & Gordon for a junior lawyer is very hands on and I'm constantly learning."

Carita Kazakoff, Commercial Litigation

Pro Bono and Public Interest work defines the character of Slater & Gordon and its staff. It is important not only in and of itself, but because of the role it plays in shaping the culture and attitudes of our staff towards the law and the constituency the company represents.

IN THE COMMUNITY

SLATER & GORDON IN THE COMMUNITY

Throughout its long history, Slater & Gordon has always been a passionate supporter of causes and initiatives that are important to its local communities and/or to its client base. Today that support includes extensive pro bono legal help, grants for medical research, financial help for disadvantaged members of the community, sponsorship of local sporting clubs, contributions to community arts projects and staff participation in community fund raising events.

PHILANTHROPY

Slater & Gordon's major philanthropic vehicles for supporting causes closely linked to the work the company does are The Slater & Gordon Fund and The Asbestos Research Fund.

The Asbestos Research Fund is a sub-fund of the Melbourne Community Foundation. The Fund was founded in 2004 with an initial commitment by the company to donate $500,000 to medical research into asbestos related diseases. Through further contributions from the company and its clients, the total available from the Fund for research into the insidious diseases has risen to a total of $1 million.

Grants made from the Asbestos Research Fund in the past year include:

- $23,000 to the Wesley Institute in Queensland to sponsor a series of five symposia on asbestos issues
- $5,600 grant to Caroline Bulsara, PhD candidate and lecturer at the University of Western Australia, to conduct a small pilot study of quality of life and experiences of pleural plaques patients
- $30,000 (The ALF Award) to Dr Paul Reynolds to fund a project entitled "Optimisation of immune-viral therapy for mesothelioma"
- $10,000 to Professor Kanti Bhoola to conduct a pilot project in support of a proposed 3 year project into receptor genes in mesothelioma
- $60,000 to the Baird Institute in Sydney towards a research scholarship into the treatment and management of mesothelioma
- $30,000 to St Vincents Hospital in Sydney to part fund a research assistant to develop a breath test for early diagnosis and intervention of asbestos related diseases
- Four Vojakovic Fellowships of $3,000 - $4,000 each to enable researchers to attend important international symposia on asbestos diseases

The Slater & Gordon Fund, which is also a sub-fund of the Melbourne Community Foundation, was established by Slater & Gordon principals in 2001 to support community and social welfare initiatives linked with the firm's values and activities. The Fund has particular focus on providing support for people who are marginalised as a result of the effects of serious injury and on causes related to the welfare and education of young people.

Causes supported by the Fund in the past year included a grant to Independence Australia (formerly ParaQuad Victoria) to go towards the purchase of a communal bus to transport people with spinal injuries in the Northern and Western suburbs. The bus enables clients to participate in some of the basic activities in life, such as catching up with friends or family, going to the movies, going to the local grocery store or just catching a breath of fresh air in a nearby park.

PRO BONO INITIATIVE

In 2008 deputy chairman Peter Gordon announced the launch of Slater & Gordon's Pro Bono and Public Interest Policy. Peter initiated the process of formalising and implementing the policy, which promotes and encourages staff to perform Pro Bono and Public Interest work for which Slater & Gordon will receive no direct financial benefit.

During his 28 year legal career, Peter Gordon has forged a formidable reputation in fighting corporate giants and defending the rights of injured Australians. This policy encompasses his beliefs that everyone deserves access to legal representation. It is being implemented by the Pro Bono and Public Interest Committee, which Peter chairs and which has members from all levels of staff from offices across Australia.

Each year, Slater & Gordon staff perform thousands of hours of pro bono work. The policy strengthens and streamlines the Company's pro bono activities by providing funding, guidelines and supervision.

Since the launch of the policy the Committee has facilitated the following projects:

- Developing a relationship with the Sunshine Youth Legal Service in Melbourne's west. Slater & Gordon staff attend the service to lecture and mentor Victoria University students who undertake clinical education at the service.
- Developing a relationship with the Welfare Rights & Advocacy Service in Perth, WA where Slater & Gordon lawyers perform volunteer work at the service.
- Assisting a small Great Ocean Road community group to oppose a development that threatens the local environment and the character of the community.
- Investigating and advising upon legal avenues to reduce discrimination against children with disabilities in the Victorian state school system.

MOTHER'S DAY CLASSIC

In 2009 Slater & Gordon became National Silver Sponsors of the Mother's Day Classic, a fun run/walk which raises funds for breast cancer research. This agreement will see Slater & Gordon supporting this event until at least 2011.

The first Mother's Day Classic was held in 1998 with 3,000 runners across Melbourne and Sydney. It now attracts over 80,000 participants at 18 locations across Australia and has raised in excess of $5 million since inception to fund projects into breast cancer research. Funding includes project grants, postdoctoral fellowships (encouraging promising young researchers to develop their knowledge and skills within Australia) and scholarships.

Slater & Gordon actively encouraged staff and their families to participate and were overwhelmed to have 364 entrants for the Slater & Gordon team nationally. All team members wore Slater & Gordon branded t-shirts and caps, clearly stamping their presence at the event. The Melbourne team received the award for the second largest corporate team and large Slater & Gordon teams also participated in events held in the other capital cities and several regional centres.

CORPORATE GOVERNANCE STATEMENT

The Board of the Company recognises that a genuine commitment to sound principles of corporate governance is fundamental to the sustainability of the Company and its performance.

ACCESSING SLATER & GORDON'S CORPORATE GOVERNANCE POLICIES

The Board has adopted a number of corporate governance policies that are referred to throughout this Statement. These corporate governance policies are available on the Company's website at www.slatergordon.com.au

1 Select "Investors" from the menu.

2 Select "Governance" from the drop-down menu.

3 Select the relevant policy.

BOARD RESPONSIBILITY

The Board has the following responsibilities:

- reviewing and approving the strategic direction of the Company, management's implementation of strategy and the allocation of appropriate resources to achieve strategic objectives;
- selection, monitoring and evaluation of the Managing Director and overseeing and monitoring the performance and appointment of other senior management and officers;
- selecting future directors and assessing the Board and individual director performance;
- monitoring the Company's financial and business performance and financial reporting;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- overseeing risk management policies, practice and performance;
- implementing high level policy framework and ratifying specific policies within that framework;
- overseeing compliance and governance policies and practices and ensuring the Company's business is conducted legally, ethically and responsibly; and
- reporting to shareholders.

The responsibilities of the Board are set out in further detail in the Director's Protocol, published at www.slatergordon.com.au

BOARD COMPOSITION

The Company's constitution specifies a minimum of three directors (and must include at least one Legal Practitioner Director), or such other number as the directors may determine. The Board has supplemented this requirement in the Directors' Protocol which specifies that the Board shall comprise of at least 5 directors. The Board currently consists of three non-executive directors and three executive directors who are also legal practitioners.

The Nomination and Remuneration committee of the Board ensures that the Board consists of an appropriate number of directors and that the directors have an appropriate mix of skills and experience to meet the Board's responsibilities and objectives.

A profile of each of the directors and a table reporting directors' attendance at Board meetings is provided in the Directors' Report.

BOARD INDEPENDENCE

Directors are considered to be independent if they are a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with, or reasonably be seen to materially interfere with, the independent exercise of their judgment.

The Board considers the independence of relationships on a case by case basis, but as a general policy guide to materiality, would consider a threshold of 5% of net profit after tax of the company to be relevant in determining materiality.

Directors are considered independent if they:

- Have not been employed in an executive capacity by the Company for last 3 years;
- Do not have relationships as professional advisers or significant contracts with the Company (nor had any for the last 3 years) which resulted in a material payment or financial benefits being paid to them by the Company;
- Have not served on the Board for a period which could or could reasonably be perceived to materially interfere with his or her ability to act in the best interests of the Company;
- Are not a substantial shareholder of the Company or an associate or officer of a substantial shareholder of the Company; and
- Have no interest or relationship which might materially interfere with their ability to act in the best interests of the Company.

It is the Board's view its non-executive directors, Anna Booth, Ian Court and Erica Lane, are independent.

The independence of directors is assessed at each Board meeting. Directors are required to disclose the full extent and nature of their interests as and when they change and to comply with the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Directors' Protocol.

The Board does not currently consist of a majority of independent directors.

At this time, the Board considers that the current Board structure is appropriate given the Company's size and the nature of its business. The Board considers that the current structure ensures that the:

- directors have a good understanding of the business;
- discussion and decision making has the required degree of independence;
- Board enhances the performance of the Company; and
- Board can effectively review management's performance.

The Board has also adopted a number of measures to ensure that independent judgment is achieved and maintained in its decision-making processes, including:

- the Chair is an independent director;
- the Chair of each Board committee is an independent director;
- the Audit, Compliance and Risk Management Committee is composed of independent, non-executive directors only;
- directors are entitled to seek independent professional advice at the Company's expense with prior notification to the Chair;
- independent, non-executive directors confer without management at regularly scheduled sessions, prior to every Board meeting; and
- directors having a conflict of interest must absent themselves from discussion on a matter unless the Board decides otherwise.

The Board will review the size and composition of the Board as part of the evaluation process in the second half of the 2009 calendar year and intends to move to a majority of independent, non-executive directors over time.

CHAIR OF THE BOARD

The Chair of the Board is an independent director. The Chair is selected by the Board from the non-executive directors.

BOARD COMMITTEES

The Board uses the following committees to support it in matters which require more intensive review. Each committee has a written charter, approved by the Board, defining its duties, reporting procedures and authority. Committees report back to the Board at each Board meeting. Copies of the committee charters are available on the Company's website at www.slatergordon.com.au

1. Nomination and Remuneration Committee

The Nomination and Remuneration committee has delegated responsibility from the Board for:

- evaluating the performance of the Board and the directors against agreed performance standards;
- recommending the appointment or removal of directors;
- recommending the structure and quantum of director remuneration;
- recommending the structure and quantum of remuneration packages for senior executives;
- reviewing and making recommendations on the Company's recruitment, development and retention policies;
- overseeing the implementation of the EOP and recommending employees for participation in the plan;
- reviewing and making recommendations on other forms of employee incentives; and
- making recommendations on superannuation arrangements.

For personal use only

The current members of the Nomination and Remuneration committee are Anna Booth (independent director – chair), Ian Court (independent director), Erica Lane (independent director) and Andrew Grech (Managing Director). A profile of the members of the Nomination and Remuneration committee and a table reporting attendance at nomination and remuneration committee meetings is provided in the Directors' Report.

2. Audit, Compliance and Risk Management Committee

The Audit, Compliance and Risk Management committee provides assistance to the Board in fulfilling its compliance responsibilities in relation to the Company's:

- legal compliance;
- implementation of effective legal professional management systems to comply with legislative requirements imposed on legal practitioner directors of incorporated legal practices;
- financial reporting;
- internal control structure;
- external audit functions;
- trust accounting audit functions;
- risk management; and
- other matters delegated by the Board.

In discharging its role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The current members of the Audit, Compliance and Risk Management committee are Ian Court (independent director – chair), Anna Booth (independent director) and Erica Lane (independent director). A profile of the members of the Audit, Compliance and Risk Management committee and a table reporting attendance at Audit, Compliance and Risk Management committee meetings is provided in the Directors' Report.

NOMINATION AND APPOINTMENT OF NEW DIRECTORS

The Board's Nomination and Remuneration committee has responsibility for reviewing the membership of the Board on an annual basis to ensure the appropriate skill mix of the Board as a whole. The committee assesses the current mix of skills and experience on the Board, and identifies those areas where it believes the Board could benefit from new skills and experience. It also looks at the independence and diversity of the current Board. The committee takes into account the independence, diversity, skills and experience and fit of the nominee. This may be done with the assistance of external consultants.

More information is provided in the Board Composition Policy published on the website at www.slatergordon.com.au

REMOVAL AND ROTATION OF DIRECTORS

The Company's constitution specifies that one third of the Board, excluding the Managing Director, must retire from office and stand for re-election at each Annual General Meeting. Further, each director, excluding the Managing Director, must stand for re-election at least every three years. Directors may be appointed by the Board during the year. Directors appointed by the Board are required to submit themselves for re-election at the next Annual General Meeting.

REVIEW OF BOARD AND KEY EXECUTIVE PERFORMANCE

The Board reviews its overall performance and the performance of the committees annually. The objective of the evaluation is to contribute to the ongoing development of the Board, the committees, individual directors and the overall corporate governance framework. Further detail about the processes adopted for Board evaluation is provided in the Directors' Protocol at www.slatergordon.com.au

Commencing in December 2008, the Board elected to adopt an informal self-reflection process undertaken at each meeting as a process of continuous improvement rather than a "one-off" review. Under this process, a member was nominated at the start of each Board meeting to observe the meeting procedure and dynamics and lead discussion at the conclusion of the meeting on the efficiency and effectiveness of the meeting preparation and conduct. As result of this process, continual enhancements have been made to the meeting process throughout the reporting period.

During the reporting period, each of the committees conducted an annual performance evaluation based on a questionnaire developed by the Chair and the Company Secretary and implemented improvements arising out of this process.

The next annual performance reviews of the Board and committees are scheduled for late 2009. The Board also intends to obtain the assistance of independent experts every three years. The next Board performance evaluation facilitated by independent experts is planned for late 2010.

Senior executives participate in the annual performance review process which applies to all Slater & Gordon employees. This process involves the establishment of performance objectives and measurements on an annual basis and review of achievement of the same. The process also involves assessment of remuneration tied to the Company achieving its stated financial and other goals.

The performance of the Managing Director is reviewed annually by the Nomination and Remuneration committee. The Managing Director is assessed on achievement of Company goals and budgets applicable to the year in review. The committee also reviews the remuneration of the Managing Director on an annual basis. The findings are reported to, and approved by, the Board. As with senior executives, the process also involves assessment of remuneration tied to the Company achieving its financial goals. Further details regarding executive and non executive remuneration are provided in the Remuneration Report.

During the reporting period, an annual performance review of senior executives and the Managing Director was conducted in accordance with the performance review process described above.

SUCCESSION PLANNING

The Board plans succession of its own members in conjunction with the Nomination and Remuneration committee. The Board retains overall responsibility for succession planning of the Managing Director, via the Nomination and Remuneration committee. The Nomination and Remuneration committee and Managing Director are responsible for the succession planning of other senior executives.

During the reporing period, each of the committees conducted an annual performance evaluation and implemented improvements arising out of this process.

RELATIONSHIP WITH MANAGEMENT

Ultimate responsibility for the management and control of the Company is vested in the directors, who may then delegate their powers to management.

The functions and authority delegated by the Board to management are set out in the Senior Executives Protocol published on the Company's website at www.slatergordon.com.au

INDEPENDENT ADVICE

Directors have the right to seek independent professional advice in connection with their duties and responsibilities, at the Company's expense. Prior notification to the chair is required. Directors also have access to any employees, Company advisers, records and information they may require to carry out their duties.

CONFLICTS OF INTEREST

Directors are required to disclose to the Board any matters in which they may have a personal interest or a potential conflict of interest with the Company.

All directors have entered into written undertakings to supply the Company with all information necessary for the Company to disclose details of directors' interests in the Company's securities in accordance with the Listing Rules of the ASX. Directors are regularly reminded of their responsibilities.

AUDITOR

The Company's auditor is appointed by the Board and based upon a recommendation from the Audit, Compliance and Risk Management committee. The committee monitors and reviews the activities of the Company's auditors, including scope and quality of the audit and independence of the auditor. The Company's auditor, Pitcher Partners ("PP") has committed to assist the Audit, Compliance and Risk Management committee review the quality of its work and its independence. To this end:

- PP provides a half-yearly declaration of independence for review by the Audit, Compliance and Risk Management committee.
- The PP independence letter outlines the services to be performed. This enables the Audit, Compliance and Risk Management committee to provide written approval for non-audit services to the Board.
- The Audit, Compliance and Risk Management committee obtains details from management annually on how management has satisfied itself that significant assignments have been undertaken by the best provider.
- The Audit, Compliance and Risk Management committee regularly reports to the Board on these matters.

In accordance with the Corporations Act 2001 the audit signing partner will rotate after no more than five years.

The external auditor attends and will be available to answer questions, relevant to the conduct of the audit and preparation of the Audit Report and received in writing by the Company five days prior to the Annual General Meeting, at the Annual General Meeting.

SHARE TRADING POLICIES

In addition to restrictions prescribed in the Corporations Law, the Company has share trading policies which:

- prohibit directors from trading at any time in the Company's securities without first notifying the Chair and Company Secretary;
- prohibit directors and nominated employees from trading in the Company's securities other than in the approved trading windows which are:
  - within the 6 week periods commencing 24 hours after the Company has released its half year and full year results.
  - within the period commencing 24 hours after the Company lodges its annual report with the ASX through to one month after the Company's AGM.

A copy of the Share Trading Policy is available on the Company's website at www.slatergordon.com.au

CONTINUOUS DISCLOSURE

The Company has established a written policy designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The Continuous Disclosure Policy is published on the Company's website at www.slatergordon.com.au

SHAREHOLDER COMMUNICATION

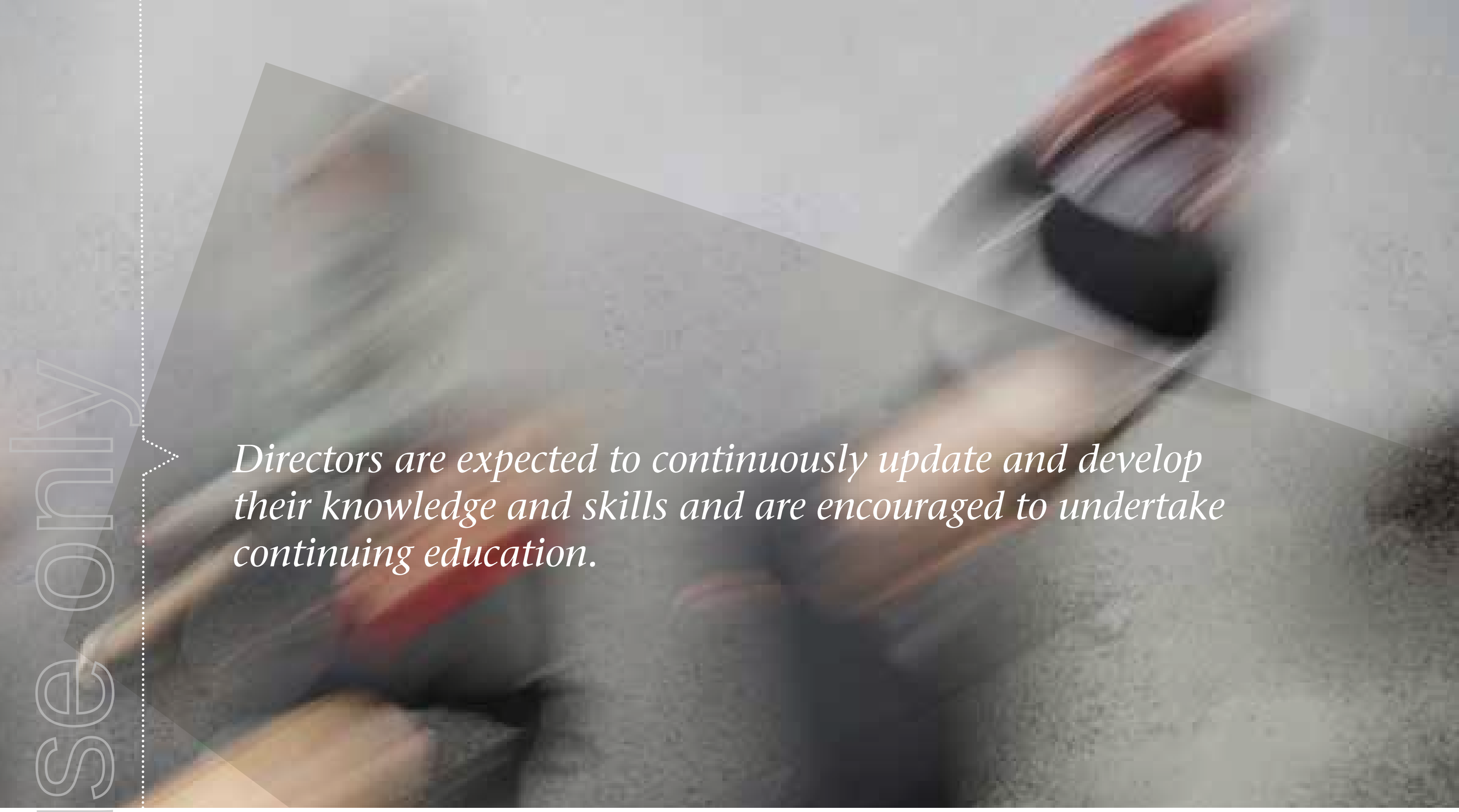
The Company is committed to providing effective communication to its shareholders. The Company's Shareholder Communication Policy is available on the Company's website at www.slatergordon.com.au

ETHICAL STANDARDS AND SOCIAL RESPONSIBILITY

Both directors and employees are expected to adhere to the Company's Code of Conduct. The Code of Conduct is published on the Company's website at www.slatergordon.com.au. This sets out detailed standards of ethical behaviour. The Board has also endorsed the Company's policies covering equal employment opportunity, discrimination, harassment, confidentiality, privacy and occupational health and safety. These policies are aimed at ensuring the maintenance of standards of honesty, integrity and fair dealing.

WHISTLE BLOWING

Under the Company's whistleblower policy employees are actively encouraged to bring any problems to the attention of management or human resources. This includes activities or behaviour that may not be in accordance with the Company's Code of Conduct, financial reporting policies, insider trading policy, other Company policies, or other regulatory requirements of laws.



BOARD EDUCATION

The Board is committed to ensuring new directors are adequately educated on the Company's operations. New directors are provided with an orientation and education program.

Directors are expected to continuously update and develop their knowledge and skills in relation to the industry context, financial management and corporate governance and are encouraged to undertake continuing education courses at the Company's expense, with the prior approval of the Chair.

RISK MANAGEMENT

The Company has established a process for the identification and management of material business risks. The Enterprise Risk Management Framework ("the ERM Framework") was developed between March and July 2008 with the assistance of independent experts, Wyndarra Consulting and adopted by the Board in August 2008. Under the ERM Framework, responsibility is allocated to the Board, the Audit, Compliance and Risk Management Committee and the Managing Director to monitor the key business risks and implement agreed risk management controls and strategies.

The ERM Framework complies with the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the methodology and process are described in more detail in the Company's Risk Management Policy published on the Company's website at www.slatergordon.com.au

The reporting and review under this framework is as follows:

- The Board requires the Managing Director to report annually to the Board on the implementation of risk management controls and strategies;
- The Audit, Compliance and Risk Management Committee reviews the Company's risk profile quarterly, checks that management is effectively implementing the agreed controls and strategies and recommends any changes or issues warranting further action to the Board;
- The Audit, Compliance and Risk Management Committee reviews the Company's ERM Framework as a whole annually. The detailed work of this review is undertaken by the Committee and is reviewed by the Board.

By the processes outlined above, the Board satisfies itself annually that management has developed and implemented a sound system of risk management and internal control.

The Board reports that the Managing Director has reported to it as to the effectiveness of the Company's management of its material business risks during the period 1 July 2008 to 30 June 2009.

The Board reports that it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

A table setting out the Company's compliance with the ASX Corporate Governance Council Best Practice Recommendations is set out below:

	ASX Principle	Compliance / Comment
Principle 1	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies
1.2	Companies should disclose the process of evaluating the performance of senior executives.	Complies
1.3	Companies should provide the information indicated in Guide to reporting on Principle 1.	Complies
Principle 2	**Structure to the board to add value**	
2.1	A majority of the board should be independent directors.	Does not comply (1)
2.2	The chair should be an independent director.	Complies
2.3	The roles of chair and executive officer should not be exercised by the same individual.	Complies
2.4	The board should establish a nomination committee.	Complies
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complies
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Complies
Principle 3	**Promote ethical and responsible decision-making**	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
3.1.1	The practices necessary to maintain confidence in the Company's integrity.	Complies
3.1.2	The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	Complies
3.1.3	The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complies
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives, employees and disclose the policy or a summary of that policy.	Complies
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complies
Principle 4	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	Complies
4.2	Structure the audit committee should be structured so that it:	
	• consists of a majority of independent directors	
	• is chaired by an independent chair who is not chair of the board	
	• has at least three members	Complies

	ASX Principle	Compliance / Comment
4.3	The audit committee should have a formal charter.	Complies
4.4	Companies should provide the information indicated in Guide to reporting on Principle 4.	Complies
Principle 5	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies
5.2	Companies should provide the information indicated in Guide to reporting on Principle 5.	Complies
Principle 6	**Respect the rights of shareholders**	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complies
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complies
Principle 7	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complies
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Complies
Principle 8	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	Complies
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies
8.3	Companies should provide the information indicated in Guide to reporting on Principle 8.	Complies

Note 1

The Board currently consists of three independent directors and three executive directors, with one of the independent directors being the chair. Prior to listing on the ASX on 21 May 2007 the Company went from a board of seven executive directors to now a board with three independent and three executive directors. This is a period of transition and given the knowledge base of the executive directors, the current balance of independent and executive directors is considered to be in the best interests of the Company. It is the board’s intention to evolve over time into a board with a majority of independent directors.

Board of Directors and Company Secretary

The skills, experience 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.

Anna Booth

B Ec Hons FAICD
Non-executive Chair

In 1987 Anna became the first woman National Secretary of the Clothing and Allied Trades Union of Australia and upon amalgamation, the Textiles, Clothing and Footwear Union of Australia. She has been a vice president of the Australian Council of Trade Unions ("ÁCTU") and a member of the boards of the Commonwealth Bank of Australia and NRMA. She was also a member of the Sydney Organising Committee for the Olympic Games ("SOCOG"). Anna is a non-executive director of Industry Super Holdings Pty Ltd, along with subsidiaries including, Members Equity Bank and Industry Funds Management. She is also an executive director of CoSolve Pty Ltd where she consults in workplace relations. She is a member of the Mothers Day Classic Sydney Organising Committee which stages an annual event to raise funds for the National Breast Cancer Foundation and a qualified Leader with Girl Guides NSW.

Anna is the Chair of the Board and Nomination and Remuneration committee and a member of the Audit, Compliance and Risk Management committee. Anna brings to the Board a broad knowledge of government and corporate environments, in particular banking and financial services. She is a specialist in workplace relations and is highly skilled in facilitation, collective decision-making and mediation. Anna has developed a strong capability in corporate governance including financial performance and has a strong commitment to corporate responsibility.

Peter Gordon

LLB MAICD
Non-executive Director and Deputy Chair

Peter is internationally renowned for his work on numerous landmark cases during his leadership of the class actions and major projects division of Slater & Gordon between 1986 and 2008. Cases include the first successful asbestos cancer claim in Australia in 1985 followed by thousands of actions for asbestos affected employees in Australia and the US, the first medically acquired HIV/AIDS trial in the world in 1990, the world's first group settlement against Dow Corning for women injured by defective breast implants, acting for union and asbestos victims groups in the inquiry into the James Hardie companies in 2004 and acting for Rolah McCabe in the litigation against British American Tobacco. Most recently, Peter has led the team on the class action trial over the arthritis drug Vioxx.

Peter served as the President and Chair of the Western Bulldogs from 1989 to 1996. He has been a director (and Acting Chair) of the Victorian Health Promotion Foundation (VicHealth) since 2005, he is the inaugural Chair of Victoria Walks and he is the Chair of the Australian Community Centre for Diabetes.

Peter has been an owner of Slater & Gordon since 1989 and a director since 2000. Peter ceased his employment as an executive of the Company on 1 September 2009 and continues to provide services to the Company as a consultant as well as a non-executive director. In addition to contributing the benefit of his extensive experience, Peter brings to the Board key skills in project litigation management and business strategy.

Andrew Grech

LLB MAICD
Managing Director

Andrew joined Slater & Gordon in 1994 and has worked as a litigator in most areas of the Company's litigation practice. Andrew also spent three years in the then fledgling Sydney office between 1997 and 2000. Since he became Managing Director in 2000, the Company has enjoyed substantial growth, expanding from seven offices in 2002 to 30 offices. Andrew has also successfully managed the acquisition and integration of 13 smaller firms over the past two years.

Andrew's more than 20 year's experience as a legal practitioner has equipped him with very strong skills in the assessment and management of litigation risks. During his tenure as Managing Director, Andrew has developed skills in all facets of legal practice management.

Ken Fowlie

LLB BCom MAICD
Executive Director

Ken has taken a lead role in establishing Slater & Gordon's presence in New South Wales. One of two original Slater & Gordon employees in that State, Ken now leads a team of around 150, the majority of whom have joined the Company through the acquisition of smaller firms. Ken has been a litigator for more than a decade. He has extensive litigation experience in claims for sufferers of asbestos related illness (including acting for the ACTU and asbestos support groups in negotiations with James Hardie) and large, multi-party group and representative actions.

As State Manager for NSW and Divisional Practice Group Leader for commercial and project litigation, Ken brings to the Board a unique operational perspective in two of the Company's key strategic areas. As a legal practitioner with 15 years experience and qualifications and a strong interest in economics, Ken contributes skills in legal practice, legal practice management, risk management, financial analysis and financial reporting.

Ian Court

FAICD
Non-executive Director

Ian has extensive experience as a senior executive and non-executive director in a diverse range of companies and industry sectors. He is currently a non-executive director with Victorian Funds Management Corporation (Chair of the Nomination and Remuneration committee, from 2009), AssetCo Management Pty Ltd (Chair of the Projects committee), SSSR Holdings Pty ltd, Epic Energy Holdings Pty Ltd and its wholly owned subsidiaries (Chair of the Audit and Risk committee). He is an executive director and Chair of ACTU Member Connect Pty Ltd and also Chair of the Industry Funds Management Investor Advisory Board.

Prior non-executive positions held include companies in the financial services, unlisted infrastructure, private equity and property sectors including, Pacific Hydro Pty Ltd, Federal Airports Corporation, Utilities of Australia Pty Ltd, Bennelong Funds Management Pty Ltd, Ecogen Holdings Pty Ltd, Australian Venture Capital Association Ltd, Australian Prime Property Funds Custodian Pty Ltd and deputy Chair of ISPT Pty Ltd. Ian was also inaugural president of the Australian Institute of Superannuation Trustees (AIST). Prior executive positions include CEO of Development Australia Funds Management Ltd (1998-2004) and Executive Chair of Cbus (1992-1998). Earlier in his career Ian was a senior industrial officer with the ACTU (1982-1992).

Ian is the Chair of the Audit, Compliance and Risk Management committee and is a member of the Nomination and Remuneration committee. Ian brings to the board expertise and skills in finance, financial markets, business strategy, human resources, risk management and corporate governance.

Erica Lane

B App Sc, Grad Dip Comp, MBA (Melbourne), MBA (Chicago), MAICD
Non-executive Director

Erica has over 20 years experience at Board and senior executive levels in a range of international business and government related environments. She has expertise across a broad range of industry sectors, in particular financial services, professional services and healthcare.

Erica was a non-executive director and Chair of the Nomination & Remuneration committee for Victorian Funds Management Corporation from 2002- 2009 and was on the Board of Eastern Health from 2000-2004. Erica currently runs her own advisory firm focused on strategy and business performance. She is also a Director of the Ilhan Food Allergy Foundation and Founder of AnaphylaxiSTOP, philanthropic organisations which support medical research into life threatening food allergies.

Earlier in her career, Erica held senior executive positions with ANZ Bank, CS First Boston (NY, USA), KordaMentha and RACV and consulting roles with Booz Allen & Hamilton, Arthur Anderson and Korn Ferry International. Prior to her business career, Erica practised as a medical microbiologist in the public health system. Erica was awarded the Rupert Murdoch Fellowship in 1992 and was a finalist in the Telstra Business Women's Awards in 1997.

Erica was appointed as a non-executive director of the company in December 2008. Erica is also a member of the Nomination and Remunerations committee and the Audit, Compliance and Risk Management committee. Erica contributes specialised skills in strategy, finance, general management, business turnaround and performance improvement.

Wayne Brown

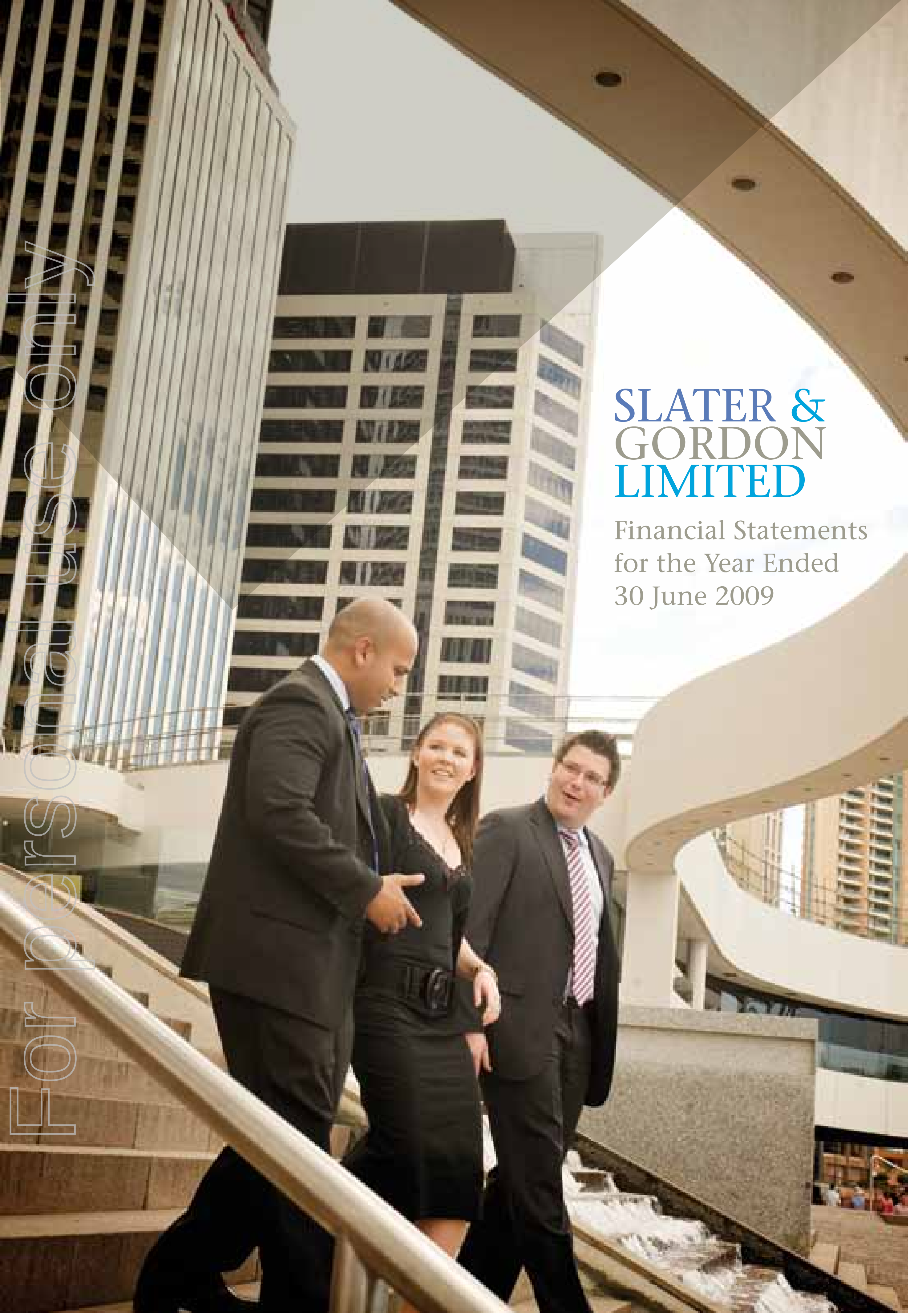
BCom (Hons), M Int Bus (Melb), CA MAICD
Chief Financial Officer and Joint Company Secretary

Wayne joined Slater & Gordon in 2004 as Chief Financial Officer and Company Secretary. Prior to joining the Company, Wayne was the financial controller of the ASX listed Grand Hotel Group and prior to that, Wayne spent ten years with Arthur Andersen where he specialised in corporate recovery and restructuring. Wayne contributes skills in financial management, analysis and reporting.

Kirsten Morrison

BA/LLB (Hons)
General Counsel and Joint Company Secretary

Kirsten completed articles at Allens Arthur Robinson in 2003 and obtained experience in property, planning and commercial litigation before completing an Associateship to the Hon. Justice Hargrave in the Commercial List of the Victorian Supreme Court in 2005. Kirsten commenced as a commercial litigator with Slater & Gordon in 2006 and then as General Counsel and joint Company Secretary in 2008. Kirsten contributes skills in legal compliance, corporate governance and commercial litigation.



SLATER & GORDON LIMITED

Financial Statements for the Year Ended 30 June 2009

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Contents

SLATER & GORDON LIMITED
ABN 93 097 297 400

DIRECTORS' REPORT

The directors present their report together with the financial report of Slater & Gordon Limited ("the Company"), for the financial year ended 30 June 2009 and auditors' report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards. Compliance with Australian equivalents of International Financial Reporting 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:

Anna Booth – Chair

Peter Gordon – Deputy Chair

Andrew Grech – Managing Director

Ian Court

Ken Fowlie

Erica Lane (director since 22 December 2008)

Details of the qualifications, experience and special responsibilities of each Director are set out in a subsequent section of this report.

Principal Activities

The principal activity of the Company during the financial year was the operation of legal practices throughout Victoria, New South Wales, Queensland, Western Australia, the Australian Capital Territory and Tasmania.

Results

The profit after income tax of the Company was $17,047,000 (2008: $15,104,000).

Review of Operations

A review of the operations of the Company during the financial year, its financial position and business strategies and prospects for the future financial years is set out below.

Significant Changes in the State of Affairs

Significant changes in the Company's state of affairs during the year ending 30 June 2009 were as follows:

- A part of the practice of Carter Capner, a firm based in Brisbane, Queensland which specialises in Personal Injury Law was acquired with effect from 9 November 2008, involving an initial payment of $3,720,000. The balance of $894,000 is deferred consideration.
- The Company on 5 January 2009 established a new office in Hobart, Tasmania.
- The practice of John Micallef & Co., a firm based in Keilor, Victoria which practices in Conveyancing, Business Law and Estate Planning was acquired with effect from 13 February 2009, involving an initial payment of $65,000. The balance of $60,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.

The Company issued a total of 7,343,281 ordinary shares in the financial year ending 30 June 2009 representing:

- On 25 August 2008, 4,930,363 ordinary shares as a result of the conversion of Vesting Convertible Redeemable ("VCR") ordinary shares pursuant to the terms of the Employee Ownership Plan ("EOP") as approved at the Annual General Meeting ("AGM") on 23 November 2007; and
- On 21 November 2008, 2,412,918 ordinary shares to the vendors of acquired firms as approved at the Company's AGM held on 14 November 2008.

Pursuant to the terms of the EOP the Company issued an Offer Document on 17 November 2008 for the issue of 3,721,427 VCR ordinary shares at a share price of $1.31 per share to employees of the Company. The VCR ordinary shares were issued to the employees on 21 November 2008. For further details on the terms of VCR ordinary shares please refer to Note 23 of the financial report for the year ended 30 June 2009.

Pursuant to the terms of the EOP the Company completed on 31 December 2008 the buyback of 214,286 ordinary shares and 750,001 VCR ordinary shares by off-setting the loans due from the relevant EOP participants for the value of $136,000 and $476,000 respectively.

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After Balance Date Events
Particulars of matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years are as follows:

- An agreement effective 31 July 2009 was executed for the acquisition of Long Howland Lawyers, a firm based in Gunnedah, New South Wales, which practices in Commercial Litigation, Conveyancing, Business Law and Personal Injury Law. The consideration for the acquisition of the Long Howland practice totalled $1,300,000 involving an initial payment of $304,000 and the issue of $306,000 in Company Ordinary Shares at the Volume Weighted Average Price (VWAP) at which shares traded during the five business days prior to completion. The balance of $690,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.

Likely Developments
The Company will continue to pursue its growth strategy in order to create shareholder value through:

- An ongoing acquisition program
- An acceleration of the organic growth of the business through national branding initiatives, and
- An increase in its presence in practice areas outside the personal injuries field of law.

In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Company.

Environmental Regulation
The Company's operations are not subject to any significant environmental, Commonwealth or State, regulations or laws.

Dividends Paid, Recommended and Declared
The dividends paid and declared since the start of the financial year are as follows:

- A final dividend for the year ending 30 June 2008 was declared on 21 August 2008 to pay a fully franked dividend of 3.0 cents per share to ordinary shareholders. This dividend was paid on 10 October 2008.
- An interim dividend was declared on 25 February 2009 to pay a fully franked dividend of 1.0 cent per share to ordinary shareholders. This dividend was paid on 29 April 2009.
- A final dividend was declared on 19 August 2009 to pay a fully franked dividend of 3.25 cents per share to ordinary shareholders with a record date of 31 August 2009. This dividend is to be paid on 28 October 2009. This dividend was not provided for in the accounts as at 30 June 2009.

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

Indemnification and Insurance of Directors, Officers and Auditors
During or since the end of the financial year, the Company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

A premium of $41,737 (2008: $43,594) for a twelve month period was incurred in respect of directors, officers and the Company Secretary of the Company against a liability brought upon such an officer.

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

Information on Directors and Company Secretary

The skills, experience 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 Secretaries as at the year end.

Anna Booth B Ec Hons FAICD Non-executive Chair	In 1987 Anna became the first woman National Secretary of the Clothing and Allied Trades Union of Australia and upon amalgamation, the Textiles, Clothing and Footwear Union of Australia. She has been a vice president of the Australian Council of Trade Unions ("ÁCTU") and a member of the boards of the Commonwealth Bank of Australia and NRMA. She was also a member of the Sydney Organising Committee for the Olympic Games ("SOCOG"). Anna is a non-executive director of Industry Super Holdings Pty Ltd, along with subsidiaries including, Members Equity Bank and Industry Funds Management. She is also an executive director of CoSolve Pty Ltd where she consults in workplace relations. She is a member of the Mothers Day Classic Sydney Organising Committee which stages an annual event to raise funds for the National Breast Cancer Foundation and a qualified Leader with Girl Guides NSW. Anna is the Chair of the Board and Nomination and Remuneration committee and a member of the Audit, Compliance and Risk Management committee. Anna brings to the Board a broad knowledge of government and corporate environments, in particular banking and financial services. She is a specialist in workplace relations and is highly skilled in facilitation, collective decision-making and mediation. Anna has developed a strong capability in corporate governance including financial performance and has a strong commitment to corporate responsibility.
Peter Gordon LLB MAICD Executive Director and Deputy Chair	Peter is internationally renowned for his work on numerous landmark cases during his leadership of the class actions and major projects division of Slater & Gordon between 1986 and 2008. Cases include the first successful asbestos cancer claim in Australia in 1985 followed by thousands of actions for asbestos affected employees in Australia and the US, the first medically acquired HIV/AIDS trial in the world in 1990, the world's first group settlement against Dow Corning for women injured by defective breast implants, acting for union and asbestos victims groups in the inquiry into the James Hardie companies in 2004 and acting for Rolah McCabe in the litigation against British American Tobacco. Most recently, Peter has led the team on the class action trial over the arthritis drug Vioxx. Peter served as the President and Chair of the Western Bulldogs from 1989 to 1996. He has been a director (and Acting Chair) of the Victorian Health Promotion Foundation (Vic Health) since 2005; he is the inaugural Chair of Victoria Walks and he is the Chair of the Australian Community Centre for Diabetes. Peter has been an owner of Slater and Gordon since 1989 and a director since 2000. In addition to contributing the benefit of his extensive experience, Peter brings to the Board key skills in project litigation management and business strategy. With effect from 1 September 2009, Peter's employment status will change from full time employee to a consultant to the business. Peter will continue to be a director and deputy chair of the Company and will chair the Pro Bono committee on a voluntary basis. Peter is a party to the Vendor Shareholders' Agreement the terms of which are unchanged as consequence of the change in Peter's employment status.

SLATER & GORDON LIMITED
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Andrew Grech LLB MAICD Managing Director	Andrew joined Slater & Gordon in 1994 and has worked as a litigator in most areas of the Company's litigation practice. Andrew also spent three years in the then fledgling Sydney office between 1997 and 2000. Since he became Managing Director in 2000, the Company has enjoyed substantial growth, expanding from seven offices in 2002 to 30 offices and 2 visiting services in 2009. Andrew has also successfully managed the acquisition and integration of 13 smaller firms over the past two years. Andrew's more than 20 years' experience as a legal practitioner has equipped him with very strong skills in the assessment and management of litigation risks. During his tenure as Managing Director, Andrew has developed skills in all facets of legal practice management.
Ken Fowlie LLB BCom MAICD Executive Director	Ken has taken a lead role in establishing Slater & Gordon's presence in New South Wales. One of two original Slater & Gordon employees in that State, Ken now leads a team of around 130, the majority of whom have joined the Company through the acquisition of smaller firms. Ken has been a litigator for more than a decade. He has extensive litigation experience in claims for sufferers of asbestos related illness (including acting for the ACTU and asbestos support groups in negotiations with James Hardie) and large, multi-party group and representative actions. As State Manager for NSW and Divisional Practice Group Leader for commercial and Project Litigation, Ken brings to the Board a unique operational perspective in two of the Company's key strategic areas. As a legal practitioner with 15 years experience and qualifications and a strong interest in economics, Ken contributes skills in legal practice, legal practice management, risk management, financial analysis and financial reporting.
Ian Court FAICD Non-executive Director	Ian has extensive experience as a senior executive and non-executive director in a diverse range of companies and industry sectors. He is currently a non-executive director with Victorian Funds Management Corporation (Chair of the Nominations and Remuneration committee, from 2009), AssetCo Management Pty Ltd (Chair of the Projects Committee), SSSR Holdings Pty Ltd, Epic Energy Holdings Pty Ltd and its wholly owned subsidiaries (Chair of the Audit and Risk Committee). He is an executive director and Chair of ACTU Member Connect Pty Ltd and also Chair of the Industry Funds Management Investor Advisory Board. Prior non-executive positions held include companies in the financial services, unlisted infrastructure, private equity and property sectors including, Pacific Hydro Pty Ltd, Federal Airports Corporation, Utilities of Australia Pty Ltd, Bennelong Funds Management Pty Ltd, Ecogen Holdings Pty Ltd, Australian Venture Capital Association Ltd, Australian Prime Property Funds Custodian Pty Ltd and deputy Chair of ISPT Pty Ltd. Ian was also inaugural president of the Australian Institute of Superannuation Trustees (AIST). Prior executive positions include CEO of Development Australia Funds Management Ltd (1998-2004) and Executive Chair of Cbus (1992-1998). Earlier in his career Ian was a senior industrial officer with the ACTU (1982-1992). Ian is the Chair of the Audit, Compliance and Risk Management committee and is a member of the Nomination and Remuneration committee. Ian brings to the Board expertise and skills in finance, financial markets, business strategy, human resources, risk management and corporate governance.

Erica Lane
B App Sc, Grad Dip Comp, MBA (Melbourne), MBA (Chicago), MAICD
Non-executive Director

Erica has over 20 years experience at Board and senior executive levels in a range of international business and government related environments. She has expertise across a broad range of industry sectors, in particular financial services, professional services and healthcare.

Erica was a non-executive director and Chair of the Nomination and Remuneration committee for Victorian Funds Management Corporation from 2002-2009 and was on the Board of Eastern Health from 2000-2004. Erica currently runs her own advisory firm focused on strategy and business performance. She is also a Director of the Ilhan Food Allergy Foundation and Founder of AnaphylaxiSTOP, philanthropic organisations which support medical research into life threatening food allergies.

Earlier in her career, Erica held senior executive positions with ANZ Bank, CS First Boston (NY, USA), KordaMentha and RACV and consulting roles with Booze Allen & Hamilton, Arthur Andersen and Korn Ferry International. Prior to her business career, Erica practised as a medical microbiologist in the public health system. Erica was awarded the Rupert Murdoch Fellowship in 1992 and was a finalist in the Telstra Business Women's Awards in 1997.

Erica was appointed as a non-executive director of the Company in December 2008. Erica is also a member of the Nomination and Remuneration Committee and the Audit, Compliance and Risk Management committee. Erica contributes specialised skills in strategy, finance, general management, business turnaround and performance improvement.

Wayne Brown
BCom (Hons), M Int Bus (Melb), CA MAICD
Chief Financial Officer and Joint Company Secretary

Wayne joined Slater & Gordon in 2004 as Chief Financial Officer and Company Secretary. Prior to joining the Company, Wayne was the financial controller of the ASX listed Grand Hotel Group and prior to that, Wayne spent ten years with Arthur Andersen where he specialised in corporate recovery and restructuring. Wayne contributes skills in corporate governance, financial management, analysis and reporting.

Kirsten Morrison
BA/LLB (Hons)
General Counsel and Joint Company Secretary

Kirsten completed articles at Allens Arthur Robinson in 2003 and obtained experience in property, planning and commercial litigation before completing an Associateship to the Hon. Justice Hargrave in the Commercial List of the Victorian Supreme Court in 2005. Kirsten commenced as a commercial litigator with Slater & Gordon in 2006 and then as General Counsel and joint Company Secretary in 2008. Kirsten contributes skills in legal compliance, corporate governance and commercial litigation.

Directors' Meetings

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

	Board of Directors		**Audit, Compliance & Risk Management Committee**		**Nomination & Remuneration Committee**	
	Eligible to attend	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
A Booth	14	14	4	4	4	3
P Gordon	14	12	-	-	-	-
A Grech	14	14	-	-	4	4
I Court	14	14	4	4	4	4
K Fowlie[(1)]	14	14	3	3	-	-
E Lane[(2)]	5	5	1	1	1	1

(1) Resigned from the Audit, Compliance and Risk Management Committee on 25 February 2009.
(2) Appointed a director on 22 December 2008.

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Directors' Interests in Shares

Directors' relevant interests in shares of the Company as at 30 June 2009 are detailed below.

	Ordinary Shares of the Company
A Booth	50,000
P Gordon	51,077,079
A Grech	53,654,015
I Court	15,000
K Fowlie	51,813,434
E Lane	-

The shares held directly by P Gordon, A Grech and K Fowlie are 7,966,140 ordinary shares, 10,211,642 ordinary shares and 6,819,721 ordinary shares respectively as at 30 June 2009 (Refer Note 22).

In addition, P Gordon, A Grech and K Fowlie have a relevant interest in each other's, and the other Vendor Shareholders being P Henderson, C Evans, H Stephens and M Clayton, shares under section 608(1) of the Corporations Act due to restrictions on disposal set out in a Shareholders Agreement to which they are each a party.

Under the Shareholders Agreement each of the Vendor Shareholders agree with each other not to dispose of their shares in certain circumstances, so that each Vendor Shareholder can hold the other Vendor Shareholders to account in relation to their ongoing ownership interest in the Company. The disposal restrictions contained in the Shareholders Agreement are intended to provide incentives to P Gordon, A Grech, K Fowlie and the other Vendor Shareholders, who are key people to the business of the Company, to remain employed by the Company in the short and longer term and to retain a significant ownership interest in the Company.

As the Shareholders Agreement is enforceable by each of the Vendor Shareholders, they each have a relevant interest in each other's share, which, in aggregate, comprise 29.0% of all of the shares on issue at 30 June 2009.

Section 608(3) of the Corporations Act provides that any person with a relevant interest in over 20% of shares in a company is deemed to have a relevant interest in any shares in which the company has a relevant interest.

Consequently, each of the Vendor Shareholders are also deemed to have a relevant interest in the shares in which the Company itself has a relevant interest. This gives a total relevant interest for each Vendor Shareholder of 49,085,544 shares.

Directors' Interests in Contracts
Directors' interests in contracts are disclosed in Note 25 to the financial statements.

Auditor's Independence Declaration
A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-Audit Services
Non-audit services are approved by resolution of the Audit, Compliance and Risk Management committee and approval is notified to the Board of Directors. Non-audit services provided by Pitcher Partners, the auditors of the Company, during the year are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2009 $	2008 $
Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to the Company:	-	-

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Remuneration Report

The Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the key executives of the Company.

For the purposes of this report, the terms 'executive' encompasses the Chief Operating Officer, Chief Financial Officer, senior executives and senior employees of the Company.

Nomination and Remuneration Committee
The Nomination and Remuneration committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executive team.

The Nomination and Remuneration committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality, high performing Board and executive team.

Remuneration Philosophy
The performance of the Company depends on the quality and performance of its directors and executives. To prosper, the Company must attract, motivate, develop and retain highly skilled directors and executives. The remuneration philosophy of the Company is part of a broader strategy to attract and retain staff, by among other elements, ensuring that the work of the Company reflects the values and aspirations of the people within it. The Company will continue to monitor the level of alignment between the values of the Company and its people.

The Company embodies the following principles in its remuneration framework:

- Provide fair and competitive rewards to attract high calibre executives (by providing a fixed remuneration compensation and offering specific short and longer term incentives to executives);
- Link executive rewards to the creation of sustainable shareholder value;
- Have a portion of executive remuneration 'at risk';
- Establish appropriate, demanding performance hurdles for variable executive remuneration; and
- Provide long term incentives and rewards for performance through the Employee Ownership Plan ("EOP").

Remuneration Structure
In accordance with good corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration
Objective
The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders and other stakeholders.

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was an aggregate remuneration of $500,000.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. In determining the remuneration of non-executive directors, the Board considers the time commitment and nature of the contribution required by directors. Advice is obtained from external consultants independent of management and the remuneration paid to non-executive directors of comparable companies is taken into account when undertaking the annual review process.

The remuneration of non-executive directors is set for the position of Chair of the Board at $110,000 and for a director at $55,000. An additional fee of $12,500 is paid for any director who acts as a Chair of a Board sub-committee. The payment of the additional fees for being the Chair of a Board sub-committee is to reflect the additional time commitment required by the director. Non executive directors receive no other form of remuneration however reasonable expenses incurred in the course of their role are reimbursed.

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Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company, Practice Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

It is the Board's policy that Directors' fees are not paid to Executive Directors. The adequacy and form of remuneration of the Managing Director, and senior Company executives are reviewed by the Nomination and Remuneration committee. The remuneration policy for these executives takes into account personal competence, experience and the achievement of key performance indicators ("KPI's" – financial KPI's include achievement of budgets for profitability, working capital management; non-financial KPI's include practice and staff management and business development).

The Nomination and Remuneration committee is responsible for ensuring that senior executive remuneration is reasonable in comparison with industry and other relevant measures including promoting the long term growth of shareholder value. The Managing Director, in conjunction with the Nomination and Remuneration committee (where appropriate), annually reviews senior executives' KPI's for their on-going adequacy and achievement.

The Managing Director, in liaison with other senior executives is responsible for the level and components of remuneration paid to other senior Company executives/employees. Remuneration levels vary across the Company and regard is had to geographical and local circumstances and the need to maintain attractive and competitive income levels.

Executive remuneration is made up from the following components:

- Base remuneration – this element reflects the scope of the role, level of skills and experience and is typically fixed.
- Performance based remuneration – this element comprises two components:
  - Short term incentives in the form of cash bonuses; and
  - Long term incentives in the form of the acquisition of equity through the EOP.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Nomination and Remuneration committee. The process consists of a review of Company, Practice Group and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed base remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating an additional cost for the Company.

Variable Remuneration – Short Term Incentive ("STI")

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Cash bonuses to executives/senior employees are paid under predetermined bonus arrangements and are subject to a range of performance criteria. The bonus arrangement varies between executives depending upon their position and responsibilities. The criteria are predominantly weighted on the financial performance of practices and/or the Company. Discretionary components are assessed or approved by the Company's Nomination and Remuneration committee.

Cash bonuses are paid as an incentive to align executives with the objectives of their respective practices. Performance measures are determined in advance and are specifically tailored to the executives/senior employee's circumstances. Financial budgets are used to measure financial performance, whilst KPI's are used to target key areas identified by the Directors and senior management for achieving Practice Group and/or the Company objectives.

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KMP
The performance of KMP is measured against criteria agreed with each executive and is based on a range of financial and non financial performance measures. This performance is assessed annually by the Nomination and Remuneration committee with regard to the desired and actual outcomes, taking into account the evolving nature of the business and the creation of shareholder wealth in the long term.

The Board may exercise its discretion in recommending changes to the Nomination and Remuneration committee's assessment of the performance of the KMP.

The KMP who may be eligible to a cash performance bonus in respect of the year ended 30 June 2009 are Mike Feehan, Wayne Brown, Cath Evans, Ken Fowlie, Paul Henderson and Hayden Stephens. Those cash performance bonuses paid in the year ended 30 June 2009 to Mike Feehan and Wayne Brown relate to performance for the year ending 30 June 2008.

Variable Remuneration – Long Term Incentive ("LTI")
Objective
In the financial year ending 30 June 2007 (prior to listing on the ASX) the firm introduced the EOP to provide an opportunity for senior employees to build a shareholding in the Company over time. The EOP serves as an incentive and reward for longer term performance and a retention strategy for key employees.

Structure
The Board has the authority to invite employees to participate in the EOP and subscribe for VCR shares. VCR shares are vesting, converting and redeemable shares in the capital of the Company. The EOP provides for the issue of VCR shares to participants in a number of tranches and for the Company to make a loan to participants equal to the total amount that is to be subscribed.

When making an offer to an employee to subscribe for VCR shares, the Board has the power to specify:

- The number of VCR shares which may be subscribed for by a particular employee;
- The issue price. The Board sets the issue price based on the previous 20 business day Volume Weighted Average Price ("VWAP") prior to the date of the issue;
- The number of tranches into which the VCR shares will be divided and the vesting date for each tranche;
- The period for which an absolute restriction on disposal will apply (this period may not exceed 3 years from vesting);
- Any conditions to be placed on vesting (achievement of pre set KPI's which are relevant to the employee);
- Any events which would result in the forfeiture of the VCR shares; and
- The period for which the Company will be able to buy back or require the forfeiture of the converted shares.

The EOP provides for a limited recourse interest free loan from the Company to the employee to facilitate the employee's subscription for VCR shares. The offer made by the Board must specify the date by which the loan must be repaid. This date may not be later than 5 years after vesting. Refer to Note 23.

The vesting conditions for VCR shares are based on the KPI's set and approved by the Board for the relevant senior employee in respect of their area(s) of responsibility. The KPI's will include financial and non-financial KPI's.

The EOP provides for senior managers to be offered from one to several allocations of VCR shares over their career with the Company. Individuals can therefore build a substantial stake in the Company over time.

If the participant ceases employment with the Company their vested and unvested VCR shares can be forfeited or bought back by the Company and set off against any outstanding loan.

At the cessation of the period of the restriction (three years maximum) following vesting and conversion of a VCR Share, each participant is required to enter into a Binding Commitment with the Company in respect of their converted VCR shares. Under the Binding Commitment the participants in the EOP will be under the following restrictions:

- They will be required to maintain a minimum level of shareholding for as long as they remain an employee of the Company. The minimum holding is calculated based on the lower of 5 times the employee's annual salary and 20% of the aggregate VCR shares issued to that employee which have vested and converted to shares.

- If they cease to be employed by the Company, they may forfeit or be required to dispose of some or all of their vested and unvested VCR shares upon such termination. The ramifications of a departure from employment are linked to the circumstances surrounding that departure.

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The KMP who have shares under the EOP (refer Note 23) subject to performance criteria in respect of the year ended 30 June 2009 are the Chief Operating Officer, Mike Feehan, and the Chief Financial Officer, Wayne Brown.

Employment Contracts

Managing Director
The Managing Director, Mr Andrew Grech, is employed under a rolling contract. The current employment contract commenced on 1 July 2006. Under the terms of the present contract:

- Mr Grech receives fixed remuneration of $375,000 per annum (inclusive of superannuation);
- Mr Grech may resign from his position and thus terminate this contract by giving three months written notice;
- The Company may terminate this employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Grech's remuneration);
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination;
- The employment agreement contains a restraint of trade provision which applies for a period of 12 months (or, in the case of a direct competitor of the Company 24 months);
- The performance of the Managing Director is reviewed annually by the Nomination and Remuneration committee and/or the Board. The Managing Director is assessed on achievement of Company goals and budgets applicable to the year in review. The committee also reviews the remuneration of the Managing Director on an annual basis. The findings are reported to, and approved by, the Board; and
- In addition, Mr Grech is a Vendor Shareholder and is subject to a Shareholders Agreement which has been entered into by all seven Vendor Shareholders. This agreement places restrictions on the ability of Mr Grech and all other Vendor Shareholders to dispose of their shareholding which includes the following provision:
    - If a Vendor Shareholder cease(s) to be employed by the Company, they may be required to transfer some or all of their shares to, or at the direction of, the other Vendor Shareholders for nominal consideration. The ramifications of a departure from employment are linked to the circumstances surrounding that departure, as determined pursuant to the terms of the agreement by simple majority decision of the other Vendor Shareholders.

The Company is not a party to the Shareholders Agreement and cannot enforce the Shareholders Agreement. Only the Vendor Shareholders may enforce compliance with these restrictions. Those rights are vested in the Vendor Shareholders jointly and severally.

Other Executives (standard contracts)
- All executives have rolling contracts.
- The Company may terminate the executive's employment agreement by providing one to three months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration).
- Any executive who is an Employee Ownership Plan Participant is subject to consequences which flow from the cessation of their employment as discussed above in the LTI.
- Any executive who is a Vendor Shareholder is subject to the consequences which flow from the cessation of their employment as a term of the Shareholders Agreement which has been entered into by the seven Vendor Shareholders as discussed above.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.
- The employment agreement contains a restraint of trade provision which applies for a period of 12 months (or, in the case of a direct competitor of the Company 24 months).

The names and positions of each person who held the position of director at any time during the financial year are provided above.

Further details regarding components of KMP remuneration are detailed below.

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Directors' Remuneration:

2009	**Short term**			**Post employment**		**Equity**	**Other benefits**	**Total**
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits			
A Booth	106,881	-	-	9,619	-	-	-	116,500
P Gordon[(1)]	353,687	-	8,500	13,745	-	-	-	375,932
A Grech[(1)]	314,150	-	17,406	13,745	-	-	29,699	375,000
I Court	61,927	-	-	5,573	-	-	-	67,500
K Fowlie[(1)]	330,805	-	5,450	13,745	-	-	-	350,000
E Lane[(2)]	15,138	-	-	1,362	-	-	-	16,500
2008								
A Booth	106,881	-	-	9,619	-	-	-	116,500
P Gordon[(1)]	354,303	-	8,500	13,129	-	-	-	375,932
A Grech[(1)]	315,699	-	17,406	13,247	-	-	28,648	375,000
I Court	61,927	-	-	5,573	-	-	-	67,500
K Fowlie[(1)]	300,592	-	11,279	13,129	-	-	-	325,000

(1) These are also executives and would be included for the purposes of the Executives' Remuneration.
(2) Appointed a director on 22 December 2008.

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Executives' Remuneration:

2009		**Short term**			**Post employment**		**Equity**	**Other benefit**	**Total**	**Total performance related**		**Total performance related %**	
	Position	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits				Cash Bonus	Non-Monetary	Cash Bonus	Non-Monetary
P Henderson	Divisional Practice Group Leader - Civil Law	275,798	-	8,894	13,745	-	-	26,563	325,000	-	-	-	-
H Stephens	Divisional Practice Group Leader - Work Place Relations & Accidents	326,023	-	8,894	13,745	-	-	1,338	350,000	-	-	-	-
C Evans	State Manager – Victoria and Divisional Practice Group Leader - MVA	301,450	-	7,568	13,745	-	-	2,679	325,442	-	-	-	-
M Feehan	Chief Operating Officer	297,872	91,667	15,363	13,745	-	-	67,487[3]	486,134	91,667	-	18.8%	-
W Brown	Chief Financial Officer	235,050	30,000	8,894	13,745	-	-	15,144[3]	302,833	30,000	-	9.9%	-
2008													
P Henderson	Divisional Practice Group Leader - Civil Law	277,740	-	8,500	13,129	-	-	26,563	325,932	-	-	-	-
H Stephens	Divisional Practice Group Leader - Work Place Relations & Accidents	296,878	-	15,770	13,129	-	-	155	325,932	-	-	-	-
C Evans	State Manager – Victoria and Divisional Practice Group Leader - MVA	295,397	-	17,406	13,129	-	-	-	325,932	-	-	-	-
M Clayton	National Practice Group Leader	211,871	-	-	13,129	-	-	-	225,000		-		
M Feehan	Chief Operating Officer	254,780	50,000	7,091	13,129	-	-	38,694[3]	363,694	50,000	-	13.7%	-
W Brown	Chief Financial Officer	184,924	-	8,500	13,129	-	-	11,678[3]	218,231	-	-	-	-

(3) Includes notional benefit on interest-free VCR Share loan calculated at a commercial interest rate.

There are no other non-director executives

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Rounding of Amounts

The amounts contained in the directors' report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Anna Booth
Chair

Andrew Grech
Managing Director

Melbourne
31 August 2009

SLATER & GORDON LIMITED
ABN 93 097 297 400

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Slater & Gordon Limited

In relation to the independent audit for the year ended 30 June 2009, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

P A JOSE
Partner
31 August 2009

PITCHER PARTNERS
Melbourne

Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners, including Johnston Rorke is a association of independent firms
Melbourne | Sydney | Brisbane | Perth | Adelaide
An independent member of Baker Tilly International

SLATER & GORDON LIMITED
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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $'000	2008 $'000
Revenue	3	103,023	79,715
Bad and doubtful debts	4	(1,999)	(1,356)
Salaries and employee benefits expense		(52,633)	(39,915)
Depreciation and amortisation expenses	4	(917)	(400)
Rent expense		(4,861)	(3,130)
Advertising and marketing expense		(3,781)	(2,488)
Consultant fees		(370)	(356)
Administration and office expenses		(8,742)	(6,161)
Finance costs	4	(1,453)	(743)
Other expenses		(3,598)	(3,425)
Profit before income tax expense		24,669	21,741
Income tax expense	5	(7,622)	(6,637)
Profit after tax		17,047	15,104
Basic earnings per share (cents)	21	15.9 cents	15.3 cents
Diluted earnings per share (cents)	21	14.8 cents	13.8 cents

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

SLATER & GORDON LIMITED
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BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 $'000	2008 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	29	2,327
Receivables	8	66,565	45,539
Work in progress	9	91,879	82,578
Current tax asset	5	1,695	-
Other current assets	10	3,770	1,152
TOTAL CURRENT ASSETS		163,938	131,596
NON-CURRENT ASSETS			
Plant and equipment	11	2,256	1,762
Work in progress	9	7,351	3,438
Intangible assets	12	18,714	16,075
Other non-current assets	13	14,656	11,132
TOTAL NON-CURRENT ASSETS		42,977	32,407
TOTAL ASSETS		206,915	164,003
CURRENT LIABILITIES			
Payables	14	30,027	24,531
Short term borrowings	15	4,432	1,749
Current tax liabilities	5	-	1,613
Provisions	16	7,435	5,489
TOTAL CURRENT LIABILITIES		41,894	33,382
NON-CURRENT LIABILITIES			
Payables	14	41	4,242
Long term borrowings	15	23,855	13,000
Deferred tax liabilities	5	34,666	26,690
Provisions	16	1,055	1,489
TOTAL NON-CURRENT LIABILITIES		59,617	45,421
TOTAL LIABILITIES		101,511	78,803
NET ASSETS		105,404	85,200
EQUITY			
Contributed equity	17	53,784	46,339
Retained profits	18	51,620	38,861
TOTAL EQUITY		105,404	85,200

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

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $'000	2008 $'000
Total equity at the beginning of the year		85,200	67,549
Net Profit after tax for the year		17,047	15,104
Total income and expense recognised in equity for the year		17,047	15,104
Transactions with equity holders in their capacity as equity holders:			
Shares issued	**17**	7,807	5,549
VCR shares issued	**17**	47	938
Buy-backs	**17**	(409)	-
Dividends paid	**6**	(4,288)	(3,940)
Total equity at the end of the year		105,404	85,200

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $'000	2008 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		70,134	70,014
Payments to suppliers and employees		(66,213)	(54,878)
Interest received		32	68
Finance costs		(1,449)	(754)
Income tax paid		(3,276)	(2,887)
Net cash provided/(used in) by operating activities	**19 (b)**	(772)	11,563
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for software development		(2,021)	-
Payment for plant and equipment		(1,248)	(776)
Payment for acquisition of businesses - current year acquisitions		(3,581)	(12,525)
Payment for acquisition of businesses - acquisitions in prior years		(3,940)	(1,504)
Net cash used in investing activities		(10,790)	(14,805)
CASH FLOW FROM FINANCING ACTIVITIES			
Costs of raising equity		(47)	(183)
Proceeds from/(repayments to) related parties		61	(450)
Proceeds from borrowings		11,715	6,010
Repayment of borrowings		-	(1,360)
Dividends paid		(4,288)	(3,940)
Net cash provided by financing activities		7,441	77
Net decrease in cash held		(4,121)	(3,165)
Cash at beginning of financial year		1,578	4,743
Cash at end of financial year	**19 (a)**	(2,543)	1,578

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

NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Slater & Gordon Limited ("the Company") which is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the directors as at the date of the Directors' Report.

The following is a summary of material accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards ("IFRS").

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Revenue recognition

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services for Project Litigation

Where there is an enforceable contractual agreement and the outcome can be reliably measured:

- control of a right to be compensated for the services has been attained and the stage of completion can be reasonably measured. Stage of completion is measured by reference to the time incurred to date as a percentage of the expected time for an outcome to be rendered in the case.

Where there is not an enforceable contractual agreement or the outcome cannot be reliably measured:

- revenue can only be recognised to the extent of costs incurred or only if the client is under obligation to pay the costs as part of the enforceable contractual agreement.

Interest Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Other Revenue

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax.

SLATER & GORDON LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: BASIS OF PREPARATION (Continued)

(c) Income tax

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to a temporary difference between the tax base of assets and liabilities and their carrying amounts in the financial statements, to unused tax losses.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit/loss.

Deferred tax liabilities and assets are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Current and deferred tax balances attributable to amounts recognised directly in equity, are also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(d) 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding banking overdrafts.

(e) Disbursements

Disbursements represent costs incurred during the course of a matter that are recovered from clients. A provision for non-recoverable disbursements is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. The provision is established based on the Company's history of amounts not recovered over the previous four years.

(f) Work in progress

Work in progress is carried at cost, and for certain practice areas as described below, also includes profit recognised to date based on the value of work completed. Cost includes both variable and fixed costs directly related to cases and those that can be attributed to case activity and that can be allocated to specific projects on a reasonable basis. The following methodologies are used in determining the value of work completed:

Non-personal Injury

For Family Law, Estate/Probate, Industrial Law, Commercial Law and funded Project Litigation matters, time records and historical levels of fees billed are used in determining the value of work completed.

Personal Injury

Work in progress for practice areas, other than Project Litigation matters, that do not calculate the fees due by a client solely by reference to time records is recognised using the percentage of completion method when the stage of completion can be reasonably determined, and the fee per file and probability of success can be reliably estimated, making allowance for the "No Win, No Fee" conditional fee arrangements, under which the Personal Injury practice operates.

Project Litigation

Work in progress on Project Litigation is recognised on self funded Project Litigation matters for which a favourable outcome is considered probable. For such projects, work in progress is initially valued at costs incurred less a discount for the likely recovery of those costs. Where a Project Litigation matter has reached partial or full settlement and an enforceable agreement to recover the professional fees exists, work in progress is valued at the settled fee amount and discounted for percentage file completion, and the probability of the full fee being collected. Project Litigation matters that are not expected to be realised within 12 months are classified as non current.

NOTE 1: BASIS OF PREPARATION (Continued)

(g) Plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amounts of all fixed assets are depreciated over their estimated useful lives, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of fixed asset	*Depreciation rates*	*Depreciation Method*
Plant and equipment	7.50 – 40.00%	Straight Line & Diminishing Value
Low value asset pool	18.75 – 37.50%	Diminishing Value

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(h) Leases

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

(i) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of net identifiable assets of the acquired entity at the date of acquisition.

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

Software Development Costs

Software development costs are carried at cost less accumulated amortisation and accumulated impairment losses. These assets have been assessed as having a finite useful life and once operating in the Company are amortised over the useful life.

(j) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested at least annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate the carrying amount of the asset may be impaired.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: BASIS OF PREPARATION (Continued)

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

For the purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(k) Acquisition of assets

All assets acquired, including plant and equipment and intangibles, other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

(l) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, and ancillary costs incurred in connection with the arrangement of borrowings.

(m) Provisions

Provisions are recognised when the Company 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 and that an outflow can be reliably measured.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(n) Employee benefits

Service benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable 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 government bonds with matching terms to maturity.

Share-based payment transactions

The Company operates an Employee Ownership Plan ("EOP"). The EOP allows employees to purchase Vesting Convertible Redeemable ("VCR") shares in the Company by way of an interest-free loan. The loan has been recorded as a financial instrument as described in section (p) below.

The VCR shares vest over a specified period of time. At the time of vesting, VCR shares convert into ordinary shares with disposal restrictions. The terms and conditions of these shares are further described at Note 23.

The value of the benefit received by an employee from issue of the VCR shares is assessed as the difference between the value of the VCR shares at the date of issue and the present value of the amount payable by the employee for purchase of the VCR shares. In accordance with AASB 2 Share Based Payments, the benefit is expensed on a proportional basis over the period from issue date to the date on which the employee becomes unconditionally entitled to the full benefit of ownership of the shares.

(o) Solicitor liability claims

Provision is made for the potential future cost of claims brought against the Company by former clients. The provision is determined by including the estimated maximum amount payable by the Company under its Professional Indemnity Insurance Policy on all claims notified by its insurer.

NOTE 1: BASIS OF PREPARATION (Continued)

(p) Financial instruments

Loans and Receivables

VCR share loans receivable are non-interest bearing, non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loans are initially recognised based on fair value and are subsequently stated at amortised cost using the effective interest rate method. Refer Note 23 for further details.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(q) Goods and services tax ("GST")

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

(r) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(s) Earnings per share

Basic earnings per share ("EPS") is calculated as net profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated as net profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(t) Rounding amounts

The Company is of a kind referred to in ASIC Class Order 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(u) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective and are detailed below. New accounting standards which are likely to have an impact on the financial statements of the Company are detailed below:

- AASB 3 Business combinations
- AASB 127 Consolidated and separate financial statements
- AASB 101 Presentation of financial statements

The directors have not yet assessed the impact of these standards or interpretations.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes certain estimates and assumptions concerning the future, which by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Estimated impairment of goodwill

Goodwill is allocated to cash generating units ("CGU's") according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. Refer to Note 12 for further detail.

(b) Income taxes

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

(c) Work in Progress

The following estimates and judgements are applied in valuing work in progress:

Non-personal Injury

An estimate is made of the recoverability of time recorded on a file.

Personal Injury

An estimate is made of fees to be earned on a file with reference to internal and external (where available) historical and forecast fee levels. An estimate of the percentage of completion and probability of success is made with reference to internal and external (where available) information and experience, and having regard to where a file is in its life cycle.

Project Litigation

An estimate is made as to the likely recovery of costs incurred as at the reporting date in respect of each project.

	Note	2009 $'000	2008 $'000
NOTE 3: REVENUE			
Revenues from operations			
– rendering of services		100,968	77,586
– service and licence fee		563	1,057
– interest	**3(a)**	1,062	743
– other revenue		430	329
Total Revenue		103,023	79,715
(a) Interest from			
– Other persons		32	68
– VCR share loans to employees	**23**	1,030	675
		1,062	743

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 4: PROFIT FROM CONTINUING ACTIVITIES

	2009	2008
	$'000	$'000
Finance costs expense	1,453	743
Depreciation of non-current assets		
– Plant and equipment	754	400
– Software development	163	-
Total Depreciation of non-current assets	917	400
Bad and doubtful debts	1,999	1,356
Share based payments expense	1,525	1,057
Onerous lease	500	-

NOTE 5: INCOME TAX

	2009	2008
Income tax expense:		
Current tax	(52)	2,719
Deferred tax	7,654	3,918
Adjustment for current tax of prior periods	20	-
	7,622	6,637
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(565)	(551)
Increase in deferred tax liabilities	8,542	5,637
Deferred income tax related to items charged or credited directly to equity – costs of equity raising	14	55
Deferred taxes arising from business combinations	(337)	(1,223)
	7,654	3,918
The prima facie tax payable on profit differs from the income tax provided in the financial statements as follows:		
Total profit before income tax expense	24,669	21,740
At the statutory income tax rate of 30% (2008 - 30%)	7,401	6,522
Add:		
Tax effect of:		
– other non-allowable items	197	151
	7,598	6,673
Less:		
Tax effect of:		
– other non-assessable items	(24)	36
Income tax expense attributable to profit	7,622	6,637

SLATER & GORDON LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 5: INCOME TAX (Continued)	2009 $'000	2008 $'000
Current tax (asset)/liability:		
Balance at the beginning of the year	1,613	1,199
Income tax	(52)	2,719
Tax payments	(3,276)	(2,887)
Adjustment to tax relating to corporate restructuring in prior year	-	582
Under provision from prior year	20	-
Balance at the end of the year	(1,695)	1,613
Deferred tax assets:		
The balance comprises:		
– Provision for doubtful debts and non-recoverable disbursements	997	711
– Employee benefits	2,323	2,039
– Provision for legal costs	75	54
– Accruals	198	39
– Undeducted business related costs	50	564
– Other	380	50
	4,023	3,457
Deferred tax liabilities:		
The balance comprises temporary differences attributable to:		
– Prepayments	436	29
– Work in Progress	29,770	22,954
– Unrendered disbursements	8,593	7,231
– Plant and equipment	(110)	(67)
	38,689	30,147
Balance after set off of deferred tax assets and (liabilities)	(34,666)	(26,690)

NOTE 6: DIVIDENDS

(a) Dividends paid during the year

Dividends on ordinary shares		
Interim franked dividend at the tax rate of 30% for 2009: 1.0 cent per share (2008 – 2.0 cents per share)	1,088	2,035
Final franked dividend at the tax rate of 30% for 2008: 3.0 cents per share (2007 – 2.0 cents per share)	3,200	1,905
Total Dividends paid during the year	4,288	3,940

(b) Dividends proposed and not recognised as a liability

Dividends on ordinary shares final franked dividend at the tax rate of 30% for the year ending 30 June 2009: 3.25 cents per share (2008 – 3.0 cents per share)	3,538	3,053

NOTE 6: DIVIDENDS (continued)	Note	2009 $'000	2008 $'000
(c) Franking credit balance			
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:		10,507	9,070
Impact on franking account of dividend recommended by the directors since the year end but not recognised as a liability at year end:		1,516	1,308

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank	**19(a)**	29	2,327
		29	2,327

NOTE 8: RECEIVABLES

CURRENT			
Trade debtors		33,221	22,263
Provision for doubtful debts		(1,756)	(1,217)
		31,465	21,046
Disbursements		35,253	24,103
Less provision for non-recoverable disbursements		(1,749)	(1,154)
		33,504	22,949
Related party receivables			
Associates			
- Slater & Gordon Lawyers	**25**	949	969
		949	969
Other receivables		647	575
Total Current Receivables		66,565	45,539

NOTE 9: WORK IN PROGRESS

CURRENT			
Non-personal injury		3,484	6,421
Personal injury		88,395	76,157
Project litigation		-	-
		91,879	82,578
NON CURRENT			
Project litigation		7,351	3,438
		7,351	3,438
Total Work in Progress		99,230	86,016

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 10: OTHER ASSETS

	2009 $'000	2008 $'000
CURRENT		
Prepayments	3,341	931
Other current assets	429	221
	3,770	1,152

NOTE 11: PLANT AND EQUIPMENT

	2009 $'000	2008 $'000
Plant and equipment at cost	3,339	2,259
Less accumulated depreciation	(1,330)	(675)
	2,009	1,584
Low value asset pool at cost	494	329
Less accumulated depreciation	(247)	(151)
	247	178
Total Plant and Equipment	2,256	1,762

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	2009 $'000	2008 $'000
Plant and Equipment		
Balance at the beginning of the year	1,584	1,029
Additions	1,083	634
Additions through acquisition of entities	-	256
Depreciation expense	(658)	(335)
Carrying amount at end of year	2,009	1,584
Low Value Asset Pool		
Balance at the beginning of the year	178	101
Additions	165	142
Depreciation expense	(96)	(65)
Carrying amount at end of year	247	178

NOTE 12: INTANGIBLE ASSETS

		2009 $'000	2008 $'000
Goodwill – at cost		16,167	15,386
Accumulated impairment loss		-	-
Net carrying amount	(a)	16,167	15,386
Software development – at cost		2,710	689
Accumulated amortisation		(163)	-
Net carrying amount		2,547	689
Total Intangible Assets		18,714	16,075

	2009 $'000	2008 $'000
(a) Movements in carrying amount of goodwill between the beginning and the end of the current financial year.		
Opening net book amount	15,386	3,460
Additions	781	11,926
Impairment charge	-	-
Closing net book value	16,167	15,386

Goodwill acquired through business combinations has been allocated to individual cash generating units ("CGU") for the purposes of impairment testing being the operations in the states of New South Wales, Queensland, Victoria and Western Australia and the operations in the Australian Capital Territory.

The recoverable amount of the CGU has been determined based on a value in use calculation as required by AASB 136 Impairment of Assets. This uses financial budgets and cash flow projections approved by senior management covering a five year period.

The value in use is compared to the net carrying amount of goodwill recognised in the accounts. If the calculated recoverable amount exceeds the net carrying amount, no impairment loss is recorded.

The key assumptions made by management in determining the value in use include:

	CGU NSW	CGU QLD	CGU VIC	CGU WA	CGU ACT
Goodwill recognised ($'000)	$10,239	$3,527	$1,491	$684	$226
Growth in fees	5.00%	5.00%	5.00%	5.00%	5.00%
Risk free discount rate	5.50%	5.50%	5.50%	5.50%	5.50%
Assumed debt ratio	13.00%	13.00%	13.00%	13.00%	13.00%
Equity risk premium	6.50%	6.50%	6.50%	6.50%	6.50%
Weighted average cost of capital	12.81%	12.81%	12.81%	12.81%	12.81%

NOTE 13: OTHER NON-CURRENT ASSETS

	Note	2009 $'000	2008 $'000
VCR loans to employees	23	14,656	11,132
		14,656	11,132

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14: PAYABLES

	Note	2009 $'000	2008 $'000
CURRENT			
Unsecured liabilities			
Trade creditors		1,491	392
Legal creditors and accruals		22,274	15,822
Vendor liabilities – acquisitions		6,262	8,317
		30,027	24,531
NON-CURRENT			
Unsecured liabilities			
Non-interest bearing		-	225
Vendor liabilities – acquisitions		41	4,017
		41	4,242

NOTE 15: BORROWINGS

	Note	2009 $'000	2008 $'000
CURRENT			
Secured			
Bank overdraft	**19(a)**	2,572	749
Bills of exchange		1,860	1,000
		4,432	1,749
NON-CURRENT			
Secured			
Bills of exchange		23,855	13,000
		23,855	13,000

(a) Terms and conditions relating to the above financial instruments:

The bank overdraft and commercial bills are both provided by Westpac Banking Corporation ("Westpac") and are secured by a fixed and floating charge over the assets and uncalled capital of the Company.

Interest on the bank overdraft is charged at a variable rate as determined by Westpac.

NOTE 16: PROVISIONS

	Note	2009 $'000	2008 $'000
CURRENT			
Employee benefits	(a)	6,685	5,309
Solicitor liability claim		250	180
Onerous contract relating to existing Melbourne office premises	**4**	500	-
		7,435	5,489
NON-CURRENT			
Employee benefits	(a)	1,055	1,489
(a) Aggregate employee benefits liability		7,740	6,798
(b) Number of employees at year end		639	576

NOTE 17: CONTRIBUTED EQUITY

	2009		2008	
	Shares	**$'000**	**Shares**	**$'000**
Ordinary shares fully paid	108,870,729	47,884	101,741,734	40,213
VCR shares	8,148,214	5,900	10,107,151	6,126
Total issued capital	117,018,943	53,784	111,848,885	46,339

a) Movement in ordinary share capital				
Balance at the beginning of the year	101,741,734	40,213	95,252,848	34,664
Shares issued as consideration for acquisitions – 4 December 2007	-	-	1,444,236	2,475
Conversion of vested shares – 4 December 2007	-	-	5,044,650	3,202
Shares issued as consideration for acquisitions – 21 November 2008	2,412,918	3,458	-	-
Conversion of vested shares – 25 August 2008	4,930,363	4,357	-	-
Share Buy-back – 31 December 2008	(214,286)	(136)	-	-
Less capital raising costs	-	(8)	-	(128)
Balance at end of the year	108,870,729	47,884	101,741,734	40,213

b) Movement in VCR share capital				
Balance at the beginning of the year	10,107,151	6,126	12,526,801	5,188
Conversion of vested VCR shares to ordinary shares – 4 December 2007	-	-	(5,044,650)	(3,202)
Share capital issued under Employee Ownership Plan – 19 February 2008	-	-	2,625,000	3,083
Conversion of vested VCR shares to ordinary shares – 25 August 2008	(4,930,363)	(4,357)	-	-
Share capital issued under Employee Ownership Plan – 21 November 2008	3,721,427	2,904	-	-
Share Buy-back – 31 December 2008	(750,001)	(273)	-	-
Less capital raising costs	-	(25)	-	-
Share based payments cost	-	1,525	-	1,057
Balance at end of the year	8,148,214	5,900	10,107,151	6,126

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.

VCR shares

Please refer to Note 23 for detailed discussion on the rights attached to VCR shares.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 18: RETAINED PROFITS

	Note	2009 $'000	2008 $'000
Retained earnings	**18(a)**	51,620	38,861
(a) Retained earnings			
Balance at the beginning of year		38,861	27,697
Net profit attributable to ordinary equity holders		17,047	15,104
Total available for appropriation		55,908	42,801
Dividends paid		(4,288)	(3,940)
Balance at end of year		51,620	38,861

NOTE 19: CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Note	2009 $'000	2008 $'000
Cash on hand	**7**	29	2,327
Bank overdraft	**15**	(2,572)	(749)
		(2,543)	1,578

(b) Reconciliation of cash flow from operations with profit after income tax

	2009 $'000	2008 $'000
Profit after income tax	17,047	15,104
Non-cash flows in profit from ordinary activities		
Notional interest on VCR share loans	(1,030)	(675)
Depreciation and amortisation	917	400
Share based payments expenses	1,542	1,057
Changes in assets and liabilities		
Increase in receivables	(20,295)	(5,103)
(Increase)/decrease in other assets	(2,470)	607
Increase in work in progress	(9,273)	(4,383)
Increase/(decrease) in payables	7,641	(548)
Increase/(decrease) in income tax payable	(3,308)	414
Increase in deferred taxes	7,630	3,863
Increase in provisions	827	772
Increase in deferred taxes capital	-	55
Cash flows from operations	(772)	11,563

Refer to Note 26 for details on Business Combinations and to Note 28 for details on financing facilities.

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NOTE 20: COMMITMENTS AND CONTINGENCIES

	2009 $'000	2008 $'000
Operating lease commitments		
Non-cancellable operating leases (including rental of office space) contracted but not capitalised in the financial statements:		
Within one year	8,244	5,216
One year or later and not later than five years	15,171	10,036
Greater than five years	12,199	1,804
	35,614	17,056
Bank guarantees in respect of rental properties and acquisitions	2,783	1,760

Slater & Gordon acted for Rolah McCabe and following her death, her estate in an action against British American Tobacco Australia Services Limited ("BATAS") which commenced in 2001 and in which judgement on an appeal by BATAS was delivered in December 2002 ("the McCabe proceedings"). While Mrs McCabe was successful in obtaining an award of damages in the Supreme Court of Victoria, that judgement was subsequently set aside by the Victorian Court of Appeal.

In November 2006, BATAS and British American Tobacco Australia Limited (together, "BAT") commenced two proceedings in the Equity Division of the Supreme Court of New South Wales against Slater & Gordon. Peter Gordon is also a defendant in one of the proceedings ("the BAT proceedings").

The BAT proceedings potentially expose the Company to cost orders in favour of BAT. The level of potential exposure depends, in part, on whether the proceedings proceed to trial and also on whether the Company is successful at trial or on any subsequent appeal.

BAT has obtained costs orders against the Company in respect of interlocutory applications in the BAT proceedings. The costs ordered to be paid by the Company will either be agreed between the Company and BAT or assessed independently. In either case the directors do not expect the value of those costs orders to be material.

The McCabe family is now represented by independent lawyers and counsel. All appropriate legal regulatory authorities are now possessed of the information BAT seek to protect from further disclosure. In those circumstances, the Company offered to resolve the proceedings against the BAT companies on appropriate terms and did so. However, neither BAT company accepted the offer and neither made any form of counter-offer.

In light of the fact that the proceedings have not been resolved the Company is required to continue to defend the proceedings and regards the defence of the proceedings to be of sufficient importance to the values of the Company, in particular having regard to the professional obligations of Australian Legal Practitioners, to justify the risk and expense involved.

The directors are of the opinion that the BAT proceedings will be successfully defended. However if the BAT proceedings are not successfully defended then there remains a risk that the proceedings may result in a material financial exposure to the Company in the future to the extent that continuing to defend the BAT proceedings may expose the Company to a risk that it will be ordered to pay further legal costs by the court.

There is no other current or threatened litigation of a material nature of which the Company is aware.

Slater & Gordon has entered into an agreement with ASK Funding ("ASK") to provide financial guarantees to ASK with respect to "disbursement funding" borrowings by the company's clients. The nature of this agreement is that ASK will fund disbursements in respect of individual matters and will be reimbursed out of any settlement proceeds on the matter. The Company has provided a financial guarantee for the repayment of the clients' obligations to ASK. The total amount funded by ASK to the Company's clients at 30 June 2009 is $269,102. The maximum exposure of the Company at 30 June 2009 is $269,102.

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NOTE 21: EARNINGS PER SHARE

	2009 $'000	2008 $'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net profit after tax	17,047	15,104
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	17,047	15,104

	2009 ’000	2008 ’000
Weighted average number of ordinary shares used in calculating basic earnings per share	107,290	98,976
Effect of dilutive securities:		
VCR shares	7,809	10,586
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	115,099	109,562

VCR shares

VCR shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. Refer to Note 23 for a detailed explanation of VCR shares.

NOTE 22: KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

(i) Directors

Anna Booth	Chair – Non-Executive
Peter Gordon	Deputy Chair and Executive Director
Andrew Grech	Managing Director
Ian Court	Director – Non-Executive
Ken Fowlie	Executive Director, State Manager - NSW and Divisional Practice Group Leader - Commercial & Project Litigation
Erica Lane	Director – Non-Executive – Appointed 22 December 2008

(ii) Executives

Paul Henderson	Divisional Practice Group Leader - Civil Law
Hayden Stephens	Divisional Practice Group Leader - Work Place Relations & Accidents
Cath Evans	State Manager – Victoria and Divisional Practice Group Leader - MVA
Mike Feehan	Chief Operating Officer
Wayne Brown	Chief Financial Officer

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NOTE 22: KEY MANAGEMENT PERSONNEL (continued)
(b) Shareholdings of Key Management Personnel
Shares held in Slater & Gordon Limited (number)

Net movement in share capital 2009

Key Management Personnel[(a)]	Ordinary shares balance at beginning of year	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares balance at end of year
Andrew Grech	10,211,642	-	-	10,211,642
Peter Gordon	9,957,675	-	(1,991,535)	7,966,140
Paul Henderson	8,857,152	-	(1,771,431)	7,085,721
Ken Fowlie	6,819,721	-	-	6,819,721
Hayden Stephens	7,116,794	-	(700,000)	6,416,794
Cath Evans	7,250,476	-	(700,000)	6,550,476
Anna Booth	50,000	-	-	50,000
Ian Court	15,000	-	-	15,000
Erica Lane	-	-	-	-
Mike Feehan	100,000	500,000	-	600,000
Wayne Brown	110,143	107,143	-	217,286
Total	**52,895,843**	**607,143**	**(5,644,415)**	**47,858,571**

Key Management Personnel[(a)]	VCR shares balance at beginning of year	VCR shares issued	VCR shares vested as Ordinary shares 25 August 2008	VCR shares balance at end of year
Mike Feehan	900,000	-	(500,000)	400,000
Wayne Brown	214,286	-	(107,143)	107,143
Total	**1,114,286**	**-**	**(607,143)**	**507,143**

[(a)] Includes Key Management Personnel and their related entities/parties

Net movement in share capital 2008

Key Management Personnel[(a)]	Ordinary shares balance at beginning of year	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares balance at end of year
Andrew Grech	10,211,642	-	-	10,211,642
Peter Gordon	9,957,675	-	-	9,957,675
Paul Henderson	8,857,152	-	-	8,857,152
Ken Fowlie	6,819,721	-	-	6,819,721
Hayden Stephens	7,116,794	-	-	7,116,794
Cath Evans	7,250,476	-	-	7,250,476
Marcus Clayton	2,407,240	-	-	2,407,240
Anna Booth	50,000	-	-	50,000
Ian Court	15,000	-	-	15,000
Mike Feehan	100,000	-	-	100,000
Wayne Brown	3,000	107,143	-	110,143
Total	**52,788,700**	**107,143**	**-**	**52,895,843**

Key Management Personnel[(a)]	VCR shares balance at beginning of year	VCR shares issued	VCR shares vested as Ordinary shares 4 December 2007	VCR shares balance at end of year
Mike Feehan	-	900,000	-	900,000
Wayne Brown	321,429	-	(107,143)	214,286
Total	**321,429**	**900,000**	**(107,143)**	**1,114,286**

[(a)] Includes Key Management Personnel and their related entities/parties

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NOTE 22: KEY MANAGEMENT PERSONNEL (Continued)

(c) Balances to Key Management Personnel ("KMP")

(i) Details of aggregates of balances with KMP are as follows:

Negative amounts represent a payable of the Company to KMP. Positive amounts represent a receivable due to the Company by KMP.

	Balance at beginning of year $	Balance at end of year $	Number in Group
2009	1,184,760	1,636,571	2
2008	(495,376)	1,184,760	6

(ii) Details of KMP with balances above $100,000 in the reporting period are as follows:

30 June 2009	Balance at beginning of year	Balance at end of year	Highest balance during the year
Mike Feehan	1,220,246	1,328,489	1,328,489
Wayne Brown	149,265	308,082	308,082

30 June 2008	Balance at beginning of year	Balance at end of year	Highest balance during the year
Mike Feehan	-	1,220,246	1,220,246
Wayne Brown	138,037	149,265	149,265

(iii) Terms and Conditions of balances to Key Management Personnel:

The balances at the end of the period due to the Company by Mike Feehan and Wayne Brown are pursuant to the EOP. The terms and conditions of which are disclosed in Note 23. Notional interest of $12,833 for Wayne Brown (2008 - $11,473) and $67,487 for Mike Feehan (2008 – $38,694) was not charged on this loan balance.

NOTE 23: EMPLOYEE OWNERSHIP PLAN ("EOP")

The EOP provides employees of the Company with an opportunity to participate in the ownership of the Company.

Invitation and Eligibility
The Board has the authority to invite employees to participate in the EOP and subscribe for VCR shares. VCR shares are vesting, converting, and redeemable shares in the capital of the Company.

Plan
The EOP provides for the issue of VCR shares to participants in a number of tranches and for the Company to make a loan to participants equal to the total amount that is to be subscribed.

When making an offer to an employee to subscribe for VCR shares, the Board has the power to specify:
- The number of VCR shares which may be subscribed for by a particular employee;
- The issue price. The Board sets the issue price at the value of a share as at the date of the issue;
- The number of tranches into which the VCR shares will be divided and the vesting date for each tranche;
- The period for which an absolute restriction on disposal will apply (this period may not exceed 3 years from vesting);
- Any conditions to be placed on vesting;
- Any events which would result in the forfeiture of the VCR shares; and
- The period for which the Company will be able to buy back or require the forfeiture of the converted shares.

NOTE 23: EMPLOYEE OWNERSHIP PLAN ("EOP") (Continued)

The EOP provides for a limited recourse loan from the Company to the employee to facilitate the employee's subscription for VCR shares. The offer made by the Board must specify the date by which the loan must be repaid. This date may not be later than 5 years after vesting.

Vesting, Redemptions and Conversion

VCR shares do not carry rights to participate in issues by the Company or to receive any dividends paid by the Company and cannot be transferred or otherwise disposed of without the prior written consent of the Board. VCR shares will not confer a right to notices of general meetings, a right to attend or speak at general meetings nor a right to vote at general meetings except as may be required by law.

Vesting conditions are set by the Board and relate to the performance of the participant and the performance of the Company. Cessation of employment with the Company results in the forfeiture of that participant's VCR shares. The Board has the power to specify other forfeiture events.

Where vesting conditions are not met or a forfeiture event occurs, the Company has the power to redeem the relevant tranche (or tranches) of VCR shares for an amount equal to the relevant proportion of the subscribed amount (this amount may be offset against any loan made to the participant).

If all vesting conditions are satisfied, and no forfeiture event has occurred, each tranche of VCR shares vests, and then automatically converts to ordinary shares on a one for one basis, on the relevant vesting date.

After conversion

After conversion the shares rank in all respects pari passu with all other shares on issue. However those shares will be subject to disposal restrictions.

If the participant ceases employment with the Company, their converted VCR shares can be forfeited or bought back by the Company and set off against any outstanding loan.

At the cessation of the Buyback Period, each participant is required to enter into a Binding Commitment with the Company in respect of their converted VCR shares. Under the Binding Commitment the participants in the EOP will be under the following restrictions:

- They will be required to maintain a minimum level of shareholding for as long as they remain an employee of the Company. The minimum holding is calculated based on the lower of 5 times the employee's annual salary and 20% of the aggregate VCR shares issued to that employee which have vested and been converted to ordinary shares.
- If they cease to be employed by the Company, they may forfeit or be required to dispose of some or all of their shares upon such termination. The ramifications of a departure from employment are linked to the circumstances surrounding that departure.

Transfer

VCR shares may not be transferred. During the Buyback Period, converted VCR shares may not be transferred, however, an exception applies for a takeover or scheme of arrangement relating to the Company that meets certain conditions set out in the EOP.

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NOTE 23: EMPLOYEE OWNERSHIP PLAN ("EOP") (Continued)

Profile of vesting, conversion and redemption of VCR shares to ordinary shares

The profile of the vesting of VCR shares into ordinary shares, conversion into ordinary shares (subject to disposal restrictions) or scheduled for redemption as VCR shares based on the shares issued under the EOP as at 30 June 2009.

	Vested '000	1 year or less '000	1 to 5 years '000	More than 5 years '000	Total '000
VCR shares which have (or may) vest as ordinary shares	13,332	2,646	4,283	-	20,261
VCR shares which may convert to ordinary shares but are subject to disposal restrictions	-	4,964	14,091	1,206	20,261
VCR shares to be redeemed	-	1,219	-	-	1,219

Recognition in the Accounts

The VCR Share loan receivable is valued at its fair value and is ascertained with reference to the effective interest method under AASB 139 Financial Instruments: Recognition and Measurement. The profit and loss impact is taken as the difference between the expected repayment period and the expected present value of the loan amount at the reporting date and is recognised as interest income.

The key assumptions used in the present value calculation are:

Date VCR shares issued	22 December 2006	19 February 2008	17 November 2008
Shares issued	15,175,000 (post share split March 2007 - 16,258,946)	2,625,000	3,721,427
Issue price	$0.68 (post share split March 2007 - $0.635)	$1.75	$1.31
Effective interest rate	7.8%	8.5%	8.5%
Final repayment date	1 July 2011 to 1 July 2012	1 July 2011 to 1 July 2013	1 July 2012 to 1 July 2014

The interest income recognised on VCR Share loans to employees has been disclosed in Note 3.

The benefit provided to the employee is required to be recognised in the accounts under AASB2 Share-based Payments. The benefit is assessed as the difference between the fair value of the VCR shares, at the issue date and the present value discounted over the vesting period. The benefit is expensed with reference to the effective interest rate method over the vesting period.

The share based payments expense has been disclosed in Note 4.

NOTE 24: AUDITOR'S REMUNERATION

	2009 $'000	2008 $'000
Amounts received or due and receivable by Pitcher Partners and related entities for:		
An audit and review of financial reports of the Company and review of statutory accounts	152	121
	152	121

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NOTE 25: RELATED PARTY DISCLOSURES

(a) The Company does not have any subsidiaries or controlled entities.
(b) The following provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Transactions with KMP of the entity or its parent and their personally-related entities

- As outlined in the replacement Prospectus ("the Prospectus") dated 13 April 2007 and Financial Report for the year ended 30 June 2008 the South Australian practice was operated by Andrew Grech as a sole practitioner trading as Slater & Gordon Lawyers under a Service and Licence Agreement between Andrew Grech and the Company. In 2009 the Service and Licence Fee totalled $563,000 (2008 - $1,057,588); and
- Anna Booth is a director of Members Equity Bank for which the Company provides legal services in the ordinary course of business

The shareholdings are disclosed in Note 22 and remuneration of KMP are disclosed in the Directors' Report and Note 22.

Outstanding receivables, if any, between related parties are disclosed in Note 8. Outstanding payables, if any, are disclosed in Note 14.

NOTE 26: BUSINESS COMBINATIONS

2009
The Company acquired on 9 November 2008 part of the practice of Carter Capner and on 13 February 2009 John Micallef & Co:

	$'000
Consideration	
- Cash	3,785
- Deferred cash consideration	954
- Costs associated with acquisition	155
Total cash consideration	4,894
Equity (shares) issued as consideration	-
Equity (shares) issued as deferred consideration	-
Total Equity issued as consideration	-
Total acquisition cost	4,894

Net assets acquired	**Fair Value**	**Carrying Amount**
Assets		
- Trade and other receivables	704	704
- Work in progress	3,941	3,941
- Plant and equipment	2	2
Total assets acquired	4,647	4,647

	Fair Value	**Carrying Amount**
Liabilities		
- Provisions	410	410
Total liabilities acquired	410	410
Net assets acquired	4,237	4,237
Goodwill on acquisition	657	

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NOTE 26: BUSINESS COMBINATIONS (Continued)

The profit and loss results of the acquired businesses are not set out. It is not practicable to disclose the profit and loss results of the acquired businesses as they have been integrated into the existing operations and reporting structure of the Company.

It is not practicable to disclose the revenue and profit and loss of the combined entity as if the acquisitions took place at 1 July 2008, as the Company does not have access to appropriate financial information to reliably determine the revenue and profit of the acquired businesses from 1 July 2008 to the date of acquisition.

The key items that flowed from the acquisitions that gave rise to the goodwill were:
- Synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Company;
- Access to geographic locations not previously served by the Company; and
- Access to referral networks not previously available to the Company.

2008
The Company acquired on 2 July 2007 D'Arcys Solicitors, on 31 August 2007 McClellands, on 30 November 2007 Nagle & McGuire, on 7 December 2007 Edwin Abdo & Associates, on 29 February 2008 Crane, Butcher McKinnon, on 20 March 2008 part of the practice of Quinn & Scattini, on 31 March 2008 Blessington Judd, on 30 May 2008, Rugendyke Lawyers and on 1 June 2008 Secombs:

	$'000
Consideration	
- Cash	9,378
- Deferred cash consideration	7,577
- Costs associated with acquisition	1,117
Total cash consideration	18,072
Equity (shares) issued as consideration	5,933
Equity (shares) issued as deferred consideration	283
Total Equity issued as consideration	6,216
Total acquisition cost	24,288

Net assets acquired	**Fair Value**	**Carrying Amount**
Assets		
- Trade and other receivables	3,832	3,832
- Work in progress	12,654	12,654
- Plant and equipment	256	256
Total assets acquired	16,742	16,742

	Fair Value	**Carrying Amount**
Liabilities		
- Trade Creditors	217	217
- Borrowings	1,938	1,938
- Provisions	2,139	2,139
Total liabilities acquired	4,294	4,294
Net assets acquired	12,448	12,448
Goodwill on acquisition	11,840	

The profit and loss results of the acquired businesses are not set out. It is not practicable to disclose the profit and loss results of some of the acquired businesses as they have been integrated into the existing operations and reporting structure of the Company. In respect to the other acquired businesses the profit and loss results of the acquired businesses are not material to the Company's result.

NOTE 26: BUSINESS COMBINATIONS (Continued)

It is not practicable to disclose the revenue and profit and loss of the combined entity as if the acquisitions took place at 1 July 2007, as the Company does not have access to appropriate financial information to reliably determine the revenue and profit of the acquired businesses from 1 July 2007 to the date of acquisition.

The key items that flowed from the acquisitions that gave rise to the goodwill were:
- Synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Company;
- Access to geographic locations not previously served by the Company;
- Access to areas of practice not previously offered by the Company; and
- Access to referral networks not previously available to the Company.

NOTE 27: SEGMENT INFORMATION

The Company conducts legal services within the geographical area of Australia.

NOTE 28: FINANCIAL RISK MANAGMENT

The Company is exposed to a variety of financial risks comprising:
- (i) Credit Risk
- (ii) Liquidity Risk
- (iii) Fair Values
- (iv) Interest Rate Risk

(i) *Credit risk exposures*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main exposure to credit risk in the Company is represented by the receivables (debtors and disbursements) owing to the Company.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions against those assets, as disclosed in Balance Sheet and Notes to the Financial Statements.

Concentrations of credit risk
The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of clients.

Management of credit risk
The Company actively manages its credit risk by:
- Assessing the capability of a client to meet its obligations under the fee and retainer agreement;
- Periodically reviewing the reasons for bad debt write offs in order to improve the future decision making process;
- Maintaining an adequate provision against the future recovery of debtors and disbursements;
- Including in each practitioner's Key Performance Indicators ("KPI's") measurements in respect of both debtor levels, recovery and investment in disbursements;
- Providing ongoing training to staff in the management of their personal and practice group debtor portfolios; and
- Where necessary, pursuing the recovery of debts owed to the Company through external mercantile agents and the courts.

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NOTE 28: FINANCIAL RISK MANAGMENT (Continued)

(ii) *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Management of liquidity risk
The Company 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 19: Cash Flow Information, for further information on the historical cash flows and the current borrowing facilities.

The Company actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

	2009 $'000	2008 $'000
Bank Facility		
Total credit facility including bank overdraft	56,000	27,095
Amount utilised	(28,287)	(14,749)
	27,713	12,346

Banking Overdrafts
Bank overdraft facilities are arranged with Westpac with the general terms and conditions being set and agreed to annually. The current facility is $5,000,000.

Interest rates are variable and subject to adjustment.

Commercial Bill Facility
The current facility is $51,000,000 (2008: $22,045,000) variable interest rate facility provided by Westpac, expiring no later than 5 years.

(iii) *Fair values*

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Balance Sheet and Notes to the Financial Statements. The main exposure to fair value risk is contained in the balance of Work in Progress ("WIP").

Management of fair value risk in WIP

The Company actively manages the fair value risk by:
- Using strict file acceptance criteria on new client enquiries, as required under the Legal Profession Act in each jurisdiction, to only undertake claims that have a viable and sustainable cause of action to be pursued;
- Performing ongoing file reviews of all active files;
- Actively reviewing file loads and outcomes by individual Legal Practitioner; and
- Diversifying the areas of practice (in both areas of law and geographic location) to reduce the potential of legislative change to impact the business.

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NOTE 28: FINANCIAL RISK MANAGEMENT (Continued)

(iv) ***Interest rate risk***

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Weighted average interest rate		Non interest bearing		Variable interest rate		Fixed interest rate maturing in: 1 year or less		1 to 5 years		More than 5 years		Total	
	2009	2008	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(i) Financial assets														
Cash	0.51%	3.85%	-	-	-	-	29	2,327	-	-	-	-	29	2,327
Trade debtors			33,221	22,263	-	-	-	-	-	-	-	-	33,221	22,263
Disbursements			35,253	24,103	-	-	-	-	-	-	-	-	35,253	24,103
Receivables from related parties			949	969	-	-	-	-	-	-	-	-	949	969
Other receivables			647	575	-	-	-	-	-	-	-	-	647	575
VCR share loans receivable			14,656	11,132	-	-	-	-	-	-	-	-	14,656	11,132
Total financial assets			84,726	59,042	-	-	29	2,327	-	-	-	-	84,755	61,369
(ii) Financial liabilities														
Bank overdraft	9.51%	11.37%	-	-	2,572	749	-	-	-	-	-	-	2,572	749
Trade creditors			1,491	392	-	-	-	-	-	-	-	-	1,491	392
Legal creditors and accruals			29,036	28,156	-	-	-	-	-	-	-	-	29,036	28,156
Payables to related parties			41	225	-	-	-	-	-	-	-	-	41	225
Provision for employee entitlements			7,740	6,798	-	-	-	-	-	-	-	-	7,740	6,798
Commercial bills	5.08%	7.69%	-	-	-	-	1,860	1,000	23,855	13,000	-	-	25,715	14,000
Total financial liabilities			38,308	35,571	2,572	749	1,860	1,000	23,855	13,000	-	-	66,595	50,320

SLATER & GORDON LIMITED
ABN 93 097 297 400
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 29: SUBSEQUENT EVENTS

The following subsequent event has occurred:

- An agreement effective 31 July 2009 was executed for the acquisition of Long Howland Lawyers, a firm based in Gunnedah, New South Wales, which practices in Commercial Litigation, Conveyancing, Business Law and Personal Injury Law. The consideration for the acquisition of the Long Howland practice totalled $1,300,000 involving an initial payment of $304,000 and the issue of $306,000 in Company Ordinary Shares at the Volume Weighted Average Price (VWAP) at which shares traded during the five business days prior to completion. The balance of $690,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.

SLATER & GORDON LIMITED
ABN 93 097 297 400

SLATER & GORDON LIMITED

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 45 to 77 and the additional disclosures in the directors' report designated as audited are in accordance with the *Corporations Act 2001*:

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

(b) Give a true and fair view of the financial position of the Company as at 30 June 2009 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

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

Anna Booth	Andrew Grech
Chair	Managing Director

Melbourne
31 August 2009

SLATER & GORDON LIMITED
ABN 93 097 297 400

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLATER & GORDON LIMITED

We have audited the accompanying financial report of Slater & Gordon Limited, which comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

SLATER & GORDON LIMITED
ABN 93 097 297 400

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SLATER & GORDON LIMITED

Auditor's Opinion

In our opinion,

(a) the financial report of Slater & Gordon Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 41 to 46 of the directors' report for the year ended 30 June 2009. 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.

Auditor’s Opinion

In our opinion the Remuneration Report of Slater & Gordon Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

P A JOSE
Partner
31 August 2009

PITCHER PARTNERS
Melbourne

SLATER & GORDON LIMITED
ABN 93 097 297 400

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 25 August 2009.

(a) Distribution of shareholders and option holders.

Holding		Number of Ordinary Shareholders
1	- 1,000	318
1,001	- 5,000	480
5,001	- 10,000	156
10,001	- 100,000	110
100,001	- Over	69
		1,133

There are 36 shareholders holding less than a marketable parcel (i.e. less than $500 per parcel of shares).

(b) Twenty largest shareholders

	Shareholder	Number of Shares Held	% Held
1	Andrew Grech	10,211,642	9.38%
2	Peter Gordon	7,966,140	7.32%
3	Ken Fowlie	6,819,721	6.26%
4	Paul Henderson	6,585,721	6.05%
5	Cath Evans	6,550,476	6.02%
6	Hayden Stephens	6,416,794	5.89%
7	J P Morgan Nominees Australia Limited	6,007,299	5.52%
8	National Nominees Limited	5,366,880	4.93%
9	Cogent Nominees Pty Limited	5,310,069	4.88%
10	RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/C)	5,135,134	4.72%
11	HSBC Custody Nominees (Australia) Limited	4,747,126	4.36%
12	Citicorp Nominees Pty Limited	4,009,000	3.68%
13	RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	3,893,728	3.58%
14	James Higgins	3,375,000	3.10%
15	Marcus Clayton	1,925,791	1.77%
16	Tim Hammond	1,785,715	1.64%
17	Craig Lee (Lee Super Fund)	866,608	0.80%
18	Gregory Keating	702,133	0.64%
19	Stuart Barnett	693,286	0.64%
20	Citicorp Nominees Pty Limited	679,059	0.62%
		89,047,322	81.77%

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

	Ordinary Shares	
Shareholder	**Number**	**% ***
Andrew Grech	53,654,015	49.28%
Ken Fowlie	52,297,247	48.04%
Cath Evans	51,769,549	47.55%
Hayden Stephens	51,716,075	47.50%
Peter Gordon	51,560,892	47.36%
Paul Henderson	51,340,788	47.16%
Marcus Clayton	50,050,804	45.97%
Perpetual Limited and Subsidiaries	9,058,097	8.32%
Aviva Investors Australia Ltd & entities in Aviva plc Group	6,758,944	6.21%

** Percentage of shares held at total issued capital of the Company at the time a substantial shareholder notice was provided to the Company.*

(d) VCR shares
Total number of VCR shares on issue at 25 August 2009 is 8,148,214 held by 46 employee shareholders.

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Corporate Directory

Directors
Anna Booth, Chair
Peter Gordon, Deputy Chair
Andrew Grech, Managing Director
Ian Court
Ken Fowlie
Erica Lane

Company Secretary
Wayne Brown
Kirsten Morrison

Registered Office and Corporate Office
485 La Trobe Street
Melbourne Victoria 3000
Telephone: (03) 9602 6888
Facsimile: (03) 9600 0290

Company Website
www.slatergordon.com.au

Company Numbers
ACN 097 297 400

Auditors
Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

Bankers
Westpac Banking Corporation
Level 7
360 Collins Street
Melbourne Victoria 3000

Solicitors
Arnold Bloch Leibler
Level 21
333 Collins Street
Melbourne Victoria 3000

Stock Exchange Listing
Slater & Gordon Limited shares are listed on the Australian Stock Exchange Limited.
The Home Exchange is Melbourne.

ASX Code
SGH

Share/Security Registers
The Registrar
Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
GPO Box 2975 EE
Melbourne Victoria 3000
Telephone
Toll Free 1300 850 505 (Australia)
+61 3 9415 4000 (Overseas)

Investor Centre Website:
www.computershare.com.au

Email:
web.queries@computershare.com.au

Slater & Gordon Lawyers

www.slatergordon.com.au