

**Slater &  
Gordon**  
*Lawyers*



A circular collage of images representing various aspects of corporate social responsibility. The collage includes a handshake, a person in a hard hat, a person in a headset, a person with a backpack, and a person holding a document. The images are arranged in a circular pattern, with some overlapping. The overall theme is corporate social responsibility and sustainable business practices.

# Slater & Gordon Limited

# Key Dates and General Information

## KEY DATES

Offer Opens <sup>1</sup>	13 April 2007
Offer Closes <sup>2</sup>	4 May 2007
Expected date for issue of Shares	11 May 2007
Transaction confirmation statements expected to be dispatched	16 May 2007
Expected quotation of Shares on the ASX	21 May 2007

## OFFER STATISTICS

Offer Price	\$1.00
Number of Shares offered	35,000,000
Diluted shares on issue after listing <sup>3</sup>	107,779,649
Market Capitalisation at Offer Price <sup>4</sup>	\$107.8 million
Pro forma Net Debt <sup>5</sup>	\$5.4 million
Enterprise Value at Offer Price <sup>6</sup>	\$113.2 million

## PRO FORMA FORECAST <sup>7 8</sup>

	2007	2008
Total revenue	\$58.7 million	\$65.4 million
EBIT	\$14.0 million	\$15.8 million
NPAT	\$9.1 million	\$11.3 million
Basic earnings per Share <sup>9</sup>	11.8 cents	11.2 cents
Diluted earnings per share <sup>10</sup>	10.9 cents	10.3 cents
Enterprise value/EBIT multiple	8.1 times	7.3 times
Price earnings multiple	11.9 times	9.8 times
Interim dividend to be paid to Existing Shareholders by 31 May 2007	2.0 cents	-
Forecast dividend per Share (fully franked). (Final dividend for 2007, aggregate interim and final for 2008)	2.0 cents	4.5 cents
Dividend yield (fully franked) <sup>11</sup>	4.0%	4.5%

<sup>1</sup> If ASIC does not agree to reduce the Exposure Period, the Offer will not open until 17 April 2007.

<sup>2</sup> Slater & Gordon reserves the right to alter dates, to extend the Offer, or to close the Offer early. This may affect other dates.

<sup>3</sup> Includes Shares and VCR Shares.

<sup>4</sup> Market Capitalisation is calculated on a fully diluted basis, including all Shares and VCR Shares.

<sup>5</sup> Pro forma Net Debt is calculated based on the Pro-forma Balance Sheet in Section 5.6.

<sup>6</sup> Calculated as the sum of the Market Capitalisation at the Offer Price and the pro forma Net Debt outstanding upon Listing.

<sup>7</sup> The pro forma forecast total revenue, Net Fee Revenue, EBIT, NPAT, earnings per Share, diluted earnings per share and financial ratios for 2007 and 2008 have been presented on a pro-forma full year basis. The basis upon which the pro forma forecast has been prepared is described in Section 5.

<sup>8</sup> This information is based on the pro forma forecast income statement. The pro forma forecast income statement is based on a number of assumptions made by the Board, which are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Board, and are not reliably predictable. Full details of the pro forma forecast income statement, the assumptions on which it is based, a sensitivity analysis, the Investigating Accountant's Report and the material risks associated with an investment in Slater & Gordon are set out in Sections 5, 6 and 7.

<sup>9</sup> Refer to Section 5.8 for a more detailed description of the calculation of earnings per Share.

<sup>10</sup> Calculation includes Shares and VCR Shares.

<sup>11</sup> Calculated based on the aggregate of the interim and final dividend and assuming a \$1.00 Offer Price.

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# Important Notices

The Offer contained in this Prospectus is an invitation to apply for Shares in Slater & Gordon Ltd. This Prospectus is dated 13 April 2007 and was lodged with ASIC on that date. It is a replacement prospectus which replaces the prospectus which was dated 2 April 2007 and lodged with ASIC on that date ("Original Prospectus"). Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

No Shares will be issued or allocated on the basis of this Prospectus later than the Expiry Date. No person is authorised to give any information or to make any representation in connection with the Offer other than as contained in this Prospectus. Any information or representation in connection with the Offer which is not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer. Neither the Company nor any other person warrants the financial performance of the Company or the performance of the Share price.

## PROSPECTUS

This Prospectus will be made generally available during the Exposure Period (without Application Forms) and the Offer Period (with Application Forms) by being posted on the Company's website at [www.slatergordon.com.au](http://www.slatergordon.com.au). A paper copy of this Prospectus will be provided free of charge to any person in Australia requesting the same during the Offer Period by telephoning Austock on 1800 806 362.

It is important that you read the entire Prospectus and consider the risk factors described in Section 7 that are associated with any investment in Slater & Gordon. You should consider any investment in light of your particular financial circumstances and investment objectives and seek professional advice from your financial advisor, lawyer, accountant or stockbroker before deciding whether to invest. Applications for Shares may only be made on an Application Form which is included in or accompanies this Prospectus. By submitting an Application Form, you are acknowledging that you have read this Prospectus in full.

## EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications received until after the Exposure Period. The Exposure Period is the seven day period (excluding public holidays) from the date of this Prospectus and may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable examination of this Prospectus by market participants prior to the offering of Shares. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications under this Prospectus received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

## ELECTRONIC PROSPECTUS

The Offer constituted by the electronic version of this Prospectus is only available to Australian residents accessing, downloading or printing the electronic version of this Prospectus in Australia. Persons who access the electronic version of this Prospectus should download and read the entire Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or included in a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

## FINANCIAL INFORMATION

The Forecast Financial Information has been prepared based on the assumptions made by the Directors, which reflect the Directors' assessment of current economic and industry conditions and a number of assumptions regarding future events and actions which, at the Prospectus Date, the Directors reasonably expect to occur. The key assumptions underlying the Forecast Financial Information are set out in Section 5. While the Forecast Financial Information has been prepared with due care and attention, no guarantee or assurance is given that it will be achieved by the Company. You should note that past results do

not guarantee future performance and that Slater & Gordon's business is subject to risks. The Historical Financial Information and the Forecast Financial Information set out in Section 5 should be read in conjunction with the Investigating Accountant's Report in Section 6, the risks described in Section 7 and the other information set out in this Prospectus.

## FOREIGN JURISDICTIONS

Neither this Prospectus nor any Application Form constitutes an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this Prospectus (including in electronic form) in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this Prospectus should seek advice on and observe any such restrictions, as any failure to comply with such restrictions may constitute a violation of applicable securities law.

No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. In particular, Shares have not and will not be registered under the US Securities Act of 1933 and may not be offered or sold within the United States.

## PRIVACY DISCLOSURE STATEMENT

If you apply for Shares, you will provide personal information to the Company, Austock and the Share Registry. The Company, Austock and the Share Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. If you become a Shareholder, the Corporations Act requires the Company to include information about you (including your name, address and details of the Shares held) in its public register of members. The information contained in the Company's register of members remains in the register even after you cease to be a Shareholder.

By submitting an Application Form, you are agreeing that the Company, Austock or the Share Registry may use the information provided by you on an Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's related bodies corporate, Austock, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

If you do not provide the information required on the Application Form, the Company, Austock or the Share Registry may not be able to process or accept the Application or administer your Shareholding appropriately. You have a right to gain access to the information that the Company, Austock or the Share Registry hold about you, subject to certain exemptions under law.

## DEFINED TERMS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in the Glossary in Section 9.

## AMOUNTS

The financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Any difference between totals of component figures in tables or financial information is due to rounding.

## TIMES

All times referred to in this Prospectus are Melbourne times unless otherwise stated.

**This Prospectus is important and you should read it in full.**



# IMPLANT COMPENSATION FOR 250 WOMEN

Breast op women to claim for \$1 billion fund

## NO WIN NO PAY

Law firm's move to shake up legal system

Asbestos  
win to  
cost  
'tens of  
millions'

\$25 Million  
Wittenoom  
payout expected

### Jury awards \$870,000 to dying AIDS father



# Investment Highlights

## POWERFUL BRAND

- Slater & Gordon is a well known name in the Australian legal market.
- This reputation generated over 30,000 potential new client enquiries during 2006.
- Alignment with core brand values attracts and retains excellent staff.

## STRONG BUSINESS BASE

- Slater & Gordon has a 70 year history as a law firm.
- The Company's Core Business has produced consistently good returns.
- Long-standing relationships provide a consistent source of new client referrals.
- Project Litigation can produce high returns, attract and develop high quality lawyers and build profile.
- Strong position in Victorian personal injury market.
- Recent strong growth in other States and Territories and in other areas of law.
- Now has one of the largest national networks of law offices.
- Prior investment in systems and processes provides a strong scalable base for growth.

## ATTRACTIVE FINANCIAL FUNDAMENTALS

- 2007 forecast NPAT \$9.1m on total revenue of \$58.7m and Net Fee Revenue of \$55.5m.
- Forecast 2007 dividend yield of 4.0% (fully franked and including the interim dividend declared on 22 March 2007, and to be paid to Existing Shareholders by 31 May 2007).
- Forecast final dividend of 2 cents per Share (fully franked) for 2007 payable in or around October 2007.

## EXCELLENT GROWTH PROSPECTS

- Changes in legislation have contributed to opportunities in the national personal injuries market for growth through acquisitions.
- Personal injuries legal market is highly fragmented – provides a number of potential acquisition candidates.
- Acquisition track record – five completed in past two years.
- Equity raised will support Slater & Gordon's ongoing acquisition program and an acceleration of the organic growth of the business through national brand building initiatives.





# Key Risks

See Section 7 for a description of risk factors which may impact on an investment in Slater & Gordon.

## CONFLICT OF DUTIES

- Lawyers have a primary duty to the courts and a secondary duty to their clients. These duties are paramount given the nature of the Company's business as an Incorporated Legal Practice. There could be circumstances in which the lawyers of Slater & Gordon are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of Shareholders or the short-term profitability of the Company.

## GOVERNMENT ACTIONS AND LEGAL DEVELOPMENTS

- The Company's business operations could be adversely affected by changes in Commonwealth, State or Territory Government legislation, guidelines and regulations.
- Slater & Gordon is subject to regulation by the regulator of lawyers in the States and Territories in which it practises. The regulators' powers include the right, in certain circumstances, to disqualify lawyers from practice. Additionally, it is a requirement of the Legal Profession Acts that a person who is disqualified from practice as a lawyer may not have any financial interest in an Incorporated Legal Practice. There are certain safeguards built into the Constitution to assist Slater & Gordon to comply with this requirement. The Constitution is summarised in Section 8.2.

## REPUTATION RISK

- The reputation of the Company could be damaged if it does not meet client expectations or is involved in high profile, unsuccessful or unpopular legal proceedings.

## ACQUISITION RISK

- There is a risk that the Company will not be able fully to complete its acquisition program, or integrate acquired firms successfully.
- Competition from rival law firms may inhibit the acquisition program.

## GROWTH RISK

- Diversification of services may not attract clients to new areas of operation to the extent anticipated.
- Costs associated with growth may increase beyond current estimates.

## PERSONNEL

- Reliance on key personnel.
- Market for high quality lawyers is very competitive.
- Growth is reliant on retaining and attracting the best lawyers.

## CONTROL

- Ownership of a large proportion of the Shares in the Company is concentrated in the hands of the Vendor Shareholders, and there are restrictions that apply to the ability of the Vendor Shareholders and other Existing Shareholders to Dispose of their Shares. While there are exceptions to those restrictions in certain circumstances in the event of a takeover or scheme of arrangement, the concentration of ownership may reduce the likelihood of a takeover, and the restrictions may affect the ability of a prospective bidder to secure a pre-bid stake in the Company.



## Letter from the Chair

13 April 2007

Dear Investor,

On behalf of the Board of Slater & Gordon, I am delighted to present this unprecedented opportunity to invest in one of Australia's best-known law firms.

Over its 70 year history, the law firm Slater & Gordon has developed a reputation for fighting for the rights of ordinary Australians. That reputation and the high profile the Company has gained through some of the landmark cases it has run and won generated over 30,000 enquiries from potential clients in 2006.

For the past three years the Company's management team has been implementing a growth strategy that builds on the strength of the existing business to broaden the national reach of Slater & Gordon. That strategy has seen the Company achieve strong growth in its Core Business. We now have one of the largest national networks of law offices, providing services in over twenty geographic locations with more than 400 staff.

Our growth to date has been funded internally by key shareholders and through debt. This Offer provides an opportunity for those key shareholders who have provided that funding to sell down part of their holding in Slater & Gordon. In addition, we are now seeking an injection of capital to accelerate the delivery of our growth strategy.

In particular we see the opportunity to capitalise on legislative changes in the personal injury sector by pursuing an acquisition program. We consider that widespread consolidation of the national personal injury market is inevitable as firms come to grips with the tougher legislative environment. The application of additional capital will give us the resources to pursue our objective of leading that market consolidation. We have already completed the acquisition of five smaller firms in the last two years and have successfully integrated those into our business.

We consider that Slater & Gordon has established an excellent foundation for growth based on:

- the experience of our management team;
- the expertise and passion of our staff;
- the strength of our brand;
- the performance of our existing business;
- the scalability of our systems and processes; and
- our track record of integrating acquired practices into our business.

The details of the Offer and operating and financial information on Slater & Gordon are set out in this Prospectus. I encourage you to read this Prospectus in full, including Section 7, which describes the risk factors associated with an investment in Slater & Gordon.

I look forward to welcoming you as a shareholder.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anna Booth'. The signature is fluid and cursive, with a long, sweeping underline.

ANNA BOOTH  
Chair

# section one

## Investment Overview



## 1.1 BUSINESS OVERVIEW

- The Company

The firm of Slater & Gordon was established in Melbourne in 1935, and is now a consumer law firm that operates in most States and Territories. The Company employs over 400 staff across its key practice areas of asbestos litigation, personal injuries litigation, commercial litigation, wills, probate and estate litigation, industrial and employment law, family law and advisory services.

- The legal profession

Each Australian State and Territory has its own legislation, regulations and professional conduct and practice rules which govern legal practise and the duties of lawyers. The Constitution of the Company provides that the Directors, who must always include at least one lawyer, must give primacy to the duties a lawyer owes first to the Court and secondly to clients.

The Company operates as an Incorporated Legal Practice and must therefore comply with legislation, regulations and rules of conduct which apply to Incorporated Legal Practices in each State and Territory in which it operates. More detailed information concerning the legal profession is set out at Section 4.3.

- The brand

Slater & Gordon has built a powerful reputation, fighting for the rights of its clients, typically against much bigger opponents. The profile established from the many landmark cases the Company has conducted on behalf of its clients has made Slater & Gordon one of the most recognisable names in the Australian legal market. A study commissioned in 2004 found general public awareness of the Slater & Gordon name was 60% nationally and 83% in Melbourne.

The Company has a strong focus on continuing to build brand recognition through media and other marketing initiatives.

- Sources of new clients

The strength of the Slater & Gordon brand generated over 30,000 enquiries from potential clients to the Slater & Gordon Legal Help Line in 2006. Long-standing relationships with trade unions and professional groups also provide a consistent source of new client referrals.

- Growth to date

With its long history in Victoria, Slater & Gordon enjoys a strong position in the personal injuries litigation market in that State. Over the past few years the Company has also broadened its business base, both geographically and in the areas of law it practises. Around 37% of 2007 revenue is expected to be generated from outside Victoria. This is an increase from 21% in 2003 and is projected to continue to increase as the Company's national growth strategy is implemented.

Core Business Net Fee Revenue has grown at a compound average growth rate in excess of 10% per annum since 2002, with forecast Core Business Net Fee Revenue growth to continue in excess of 12% compound average growth per annum in 2007 and 2008. Growth to date has been both organic and through the acquisition of smaller firms. Slater & Gordon has completed five acquisitions in the last two years.

- Growth strategy

Slater & Gordon considers that the tougher personal injuries legislative environment has created opportunities for specialists like Slater & Gordon and should also create opportunities for consolidation in the sector. The new capital raised by Slater & Gordon will be used to pursue the Company's growth strategy, including an ongoing acquisition program and the acceleration of the organic growth of the business through national brand building initiatives.

The Company will also continue to pursue opportunities to increase its presence in practice areas outside the personal injuries sector.



# Investment Overview

## 1.2 SUMMARY FINANCIAL INFORMATION

The following table summarises the normalised historical income statement of Slater & Gordon for 2005 and 2006 together with the pro forma forecast income statement for 2007 and 2008.

This information is intended as a summary only. The table should be read in conjunction with the detailed Historical and Forecast Financial Information set out in Section 5 (including the assumptions underlying the pro forma forecast), the Investigating Accountant's Report in Section 6, the risks described in Section 7 and the other information set out in this Prospectus.

Table 1.1 - Historical and Forecast Financial Information

	2005 Normalised Actual \$'000	2006 Normalised Actual \$'000	31 Dec 2006 Half Year Actual \$'000	2007 Forecast \$'000	2008 Forecast \$'000
Core Business Net Fee Revenue	39,972	43,149	27,508	55,214	61,921
Project Litigation Net Fee Revenue	6,515	378	250	250	-
Movement in WIP and Sundry Income	(185)	845	1,714	3,224	3,500
<b>Total Income</b>	<b>46,302</b>	<b>44,372</b>	<b>29,472</b>	<b>58,688</b>	<b>65,421</b>
<b>Core Business EBIT</b>	<b>12,593</b>	<b>9,132</b>	<b>6,764</b>	<b>14,285</b>	<b>16,007</b>
<b>EBIT</b>	<b>12,505</b>	<b>7,901</b>	<b>6,899</b>	<b>14,044</b>	<b>15,830</b>
<b>NPAT</b>	<b>7,283</b>	<b>5,113</b>	<b>4,430</b>	<b>9,052</b>	<b>11,267</b>
Basic earnings <sup>12</sup> per Share (cents)	-	-	-	11.8 cents	11.2 cents
Diluted earnings <sup>13</sup> per share (cents)	-	-	-	10.9 cents	10.3 cents
Interim dividend to be paid to Existing Shareholders by 31 May 2007	-	-	-	2.0 cents	-
Forecast dividend per Share (fully franked). (Final dividend for 2007, aggregate interim and final for 2008)	-	-	-	2.0 cents	4.5 cents
Core Business EBIT margin on Core Business Net Fee Revenue	31.5%	21.2%	24.6%	25.9%	25.9%
Company EBIT margin on Company Net Fee Revenue	26.9%	18.2%	24.9%	25.3%	25.6%

<sup>12</sup> Refer to Section 5.8 for a more detailed description of the calculation of earnings per Share.

<sup>13</sup> Calculation includes Shares and VCR Shares.



# Investment Overview

## 1.3 KEY RISKS

You should be aware that there are risks associated with any investment in the share market. In addition, there are a number of risk factors specific to Slater & Gordon and the business environment in which it operates.

A number of key risks that may negatively affect an investment in Slater & Gordon are:

- **Conflict of duties** – Lawyers have a primary duty to the courts and a secondary duty to their clients. These duties are paramount given the nature of the Company's business as an Incorporated Legal Practice. There could be circumstances in which the lawyers of Slater & Gordon are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of Shareholders or the short-term profitability of the Company.
- **Government actions and legal developments** – Slater & Gordon operates in a highly regulated environment. The Company's business operations could be adversely affected by actions of the State, Territory and Commonwealth Governments and changes in government legislation, guidelines and regulations.

Additionally, it is a requirement of the Legal Profession Acts that a person who is disqualified from practice as a lawyer may not have any financial interest in an Incorporated Legal Practice. There are certain safeguards built into the Constitution to assist Slater & Gordon to comply with this requirement. The Constitution is summarised in Section 8.2.

- **Reputation risk** – If Slater & Gordon does not meet a client's expectations or if it is involved in litigation relating to its performance in a particular matter, the reputation of the Company could be significantly damaged. The reputation of the Company could also be damaged through Slater & Gordon's involvement (as an adviser or as a litigant) in high profile or unpopular legal proceedings.
- **Acquisition risk** – Although an expansion process is already in place, one component of the Company's growth strategy is the acquisition of other legal practices. There can be no assurance that this strategy will be successful. There is a risk that the Company will not be able to complete all acquisitions successfully within the identified parameters and time frames. Additionally, competition from rival law firms may impact upon the success of this acquisition strategy.
- **Growth risk** – An element of the Company's growth strategy is to diversify its operations beyond the areas of law traditionally practised by Slater & Gordon. There is no guarantee that this strategy will be successful. The Company may not be able to hire appropriate lawyers to develop new practice groups, and may not be successful in attracting clients to new areas.
- **Personnel** – As a service provider, Slater & Gordon is heavily reliant on its ability to attract new key personnel and retain existing key personnel. The market for high quality lawyers is very competitive, and the Company may experience difficulty in hiring employees with appropriate qualifications and experience. Further, the Company relies heavily on existing key personnel to maintain business and client relationships. If Slater & Gordon is unable to attract, retain and motivate these key employees, the Company's profitability could be harmed.
- **Control** – Ownership of a large proportion of the Shares in the Company is concentrated in the hands of the Vendor Shareholders, and there are restrictions that apply to the ability of the Vendor Shareholders and other Existing Shareholders to Dispose of their Shares. While there are exceptions to those restrictions in certain circumstances in the event of a takeover or scheme of arrangement, the concentration of ownership may reduce the likelihood of a takeover, and the restrictions may affect the ability of a prospective bidder to secure a pre-bid stake in the Company.

The above risk factors may impact on the performance and financial position of Slater & Gordon. You should read this Prospectus in full to appreciate the risk factors associated with an investment in the Company. Details of these key risk factors, as well as additional risk factors of which you should be aware, are set out in Section 7.

# section two

Details of the Offer



2.1 THE OFFER

The Offer is made up of a new issue of 17.7 million Shares to raise \$17.7 million, and a \$17.3 million sell down of 17.3 million Shares by Vendor Shareholders. The total number of Shares offered pursuant to this Prospectus is therefore 35.0 million, for a total Offer size of \$35.0 million.

Investors are invited by the Company and the Vendor Shareholders to acquire Shares at the Offer Price of \$1.00 per Share.

Applications must be for a minimum of 2,000 Shares and thereafter in multiples of 1,000 Shares.

The Company reserves the right to allocate Shares in full, to allocate a lesser number of Shares than those for which an Application has been made, to accept a late Application or to decline an Application. All Applications will be treated as irrevocable.

Payment for the Shares is to be made in full on Application. The rights of Shareholders are detailed in Section 8.2. No brokerage or stamp duty is payable under the Offer.

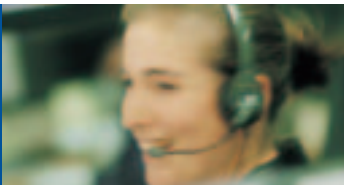
The timetable for the Offer is as follows:

Offer Opens <sup>14</sup>	13 April 2007
Offer Closes <sup>15</sup>	4 May 2007
Expected date for allocation of Shares	11 May 2007
Transaction confirmation statements expected to be dispatched	16 May 2007
Expected quotation of Shares on the ASX	21 May 2007

All dates are subject to change and are indicative only. Slater & Gordon has the right to vary these dates without prior notice, including the right to close the Offer early or to withdraw the Offer, and to accept late Applications. You are encouraged to submit your Application Forms as early as possible.

<sup>14</sup> If ASIC does not agree to reduce the Exposure Period, the Offer will not open until 17 April 2007.  
<sup>15</sup> Slater & Gordon reserves the right to alter dates, to extend the Offer, or to close the Offer early. This may affect other dates.





## 2.2 USE OF FUNDS

- The proceeds of the \$17.3 million component of the Offer represented by the sell down of Shares by Vendor Shareholders will be paid to those Vendor Shareholders (see Section 8.1.1 for details).
- The proceeds of the \$17.7 million component of the Offer represented by an issue of new Shares will, in the short term, be applied to meet the costs of the Offer (which are estimated to be \$2.3 million) and to reduce the amount drawn down by the Company under its debt facilities.
- Thereafter, the Company will draw down debt under those facilities to fund its growth strategy, including the investigation of the potential acquisition of law firms, advertising, Project Litigation and additional working capital. Details of the Company’s growth strategy are set out in Section 3.5.

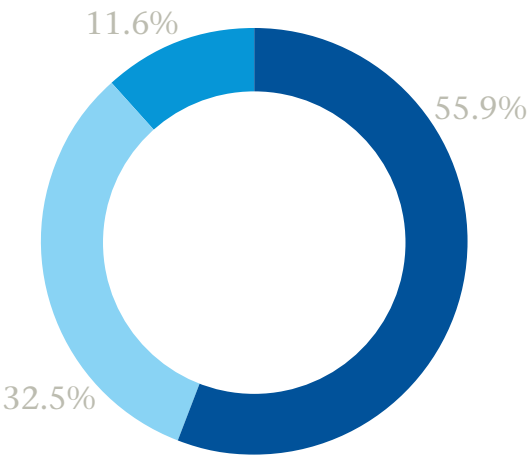
## 2.3 CAPITAL STRUCTURE

Upon listing, Slater & Gordon will have two classes of shares on issue. The rights attaching to the Shares the subject of this Offer are disclosed in more detail in Section 8.2.

To date, the Company’s growth has (in part) been funded by the Vendor Shareholders, principally Peter Gordon, Andrew Grech and Paul Henderson. Prior to the date of this Prospectus, those three individuals, in addition to their holdings of Shares, held Foundation Shares, a special class of preference share issued in connection with that funding. Prior to Listing, all Foundation Shares will be converted into Shares in accordance with their terms. Of the 17.3 million Shares to be sold by Vendor Shareholders pursuant to this Prospectus, approximately 14.0 million are Shares held by those three key individuals on conversion of their Foundation Shares. Details of the identity of the Vendor Shareholders and their respective sell down of Shares are set out in Section 8.1.1.

Slater & Gordon also has VCR Shares on issue. VCR Shares have been and will continue to be issued to the Company’s employees under the Employee Ownership Plan. The Employee Ownership Plan was established to provide key employees with a personal stake in the Company’s performance and success. It is also designed to provide incentives to, and assist in retaining key employees. VCR Shares will not be listed on the ASX. The rights attaching to VCR Shares are disclosed in more detail in Section 8.1.3.

Upon completion of the Offer, Slater & Gordon will have the following shares on issue:



SHARES HELD BY EXISTING SHAREHOLDERS <sup>16</sup>	60,252,848
SHARES BEING OFFERED UNDER THIS PROSPECTUS	35,000,000
VCR SHARES <sup>17</sup>	12,526,801

TOTAL ISSUED CAPITAL ON COMPLETION OF OFFER 107,779,649

<sup>16</sup> See Section 8.1.2 for information regarding the restrictions placed on the trading of these Shares.

<sup>17</sup> VCR Shares are not voting shares. The percentages in the above graph are calculated on a fully diluted basis.

## 2.4 DIVIDEND POLICY

Subject to the pro forma forecast NPAT being achieved, future business conditions and opportunities, and the future cash flow requirements of the Company, the Company will endeavour to pay fully franked dividends.

The Company has declared a fully franked interim dividend of 2.0 cents per Share to Existing Shareholders for 2007. That interim dividend will be paid to Existing Shareholders by 31 May 2007. The Directors currently intend to pay a fully franked final dividend of 2.0 cents per Share for 2007 in or around October 2007. This represents a full year dividend of 4.0 cents per Share for 2007.

Slater & Gordon's current dividend policy is to pay a fully franked dividend of approximately 40% - 50% of NPAT excluding the net movements in WIP. Based upon the 2008 NPAT forecast, and number of Shares that will be on issue, this represents a full year dividend of 4.5 cents per Share in 2008.

No guarantee can be given about the payment of dividends, the level of franking or imputation of such dividends or the size of payout ratios, for 2007 or for any future period. These matters will depend on a number of factors, including the future profits of the Company, its financial and taxation position and the Board's view of the appropriate dividend policy.

## 2.5 UNDERWRITING

All Shares offered under this Prospectus have been fully underwritten by Austock (the Lead Manager & Underwriter). The Underwriting Agreement provides that Austock may terminate the Underwriting Agreement in certain circumstances. The Underwriting Agreement is summarised in Section 8.3.1.

If the Underwriting Agreement is terminated, the Company reserves the right to withdraw the Offer, in which case all Application Monies will be refunded in full without interest.

## 2.6 HOW TO APPLY FOR SHARES

Applications for Shares may only be made on the Application Form attached to and forming part of this Prospectus in its paper copy form or as downloaded in its entirety from [www.slatergordon.com.au](http://www.slatergordon.com.au). Detailed instructions on how to complete the Application Form are set out on the reverse of the Application Form.

An Application must be made by completing a paper copy of the Application Form and must be accompanied by payment in Australian currency of \$1.00 per Share.

Cheques or bank drafts must be made payable to the "Slater & Gordon Share Offer" and should be crossed and marked "Not Negotiable". The Company will not accept an Application Form electronically. Completed Application Forms and Application Monies must be returned prior to the Closing Date to:

Mailed to: Austock Corporate Finance Limited  
 PO Box 263  
 Collins Street West  
 Melbourne VIC 8007

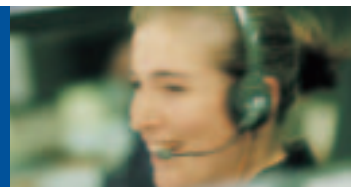
Delivered to: Austock Corporate Finance Limited  
 Level 1, 350 Collins Street  
 Melbourne VIC 3000

If you have any questions on how to complete the Application Form or require additional copies of this Prospectus, please contact Austock on 1800 806 362 between the hours of 9:00am to 5:00pm on business days up to the Closing Date or visit the Company's website at [www.slatergordon.com.au](http://www.slatergordon.com.au) to download the electronic version of this Prospectus.

As an Incorporated Legal Practice, the Company is regulated by the Legal Profession Acts in the States and Territories in which it practises. It is a requirement of the Legal Profession Acts that a person who is disqualified from practice as a lawyer may not have any financial interest in an Incorporated Legal Practice. Further detail regarding what it means to be disqualified from practice and the safeguards built into Slater & Gordon's Constitution to assist it to comply with this requirement, are set out in Section 8.2.

When completing the Application Form you will be asked to declare that you are not a "disqualified person". If you are unsure as to whether you are a "disqualified person" you should seek legal advice before completing the Application Form.

# Details of the Offer



## 2.7 STRUCTURE OF THE OFFER

There are two components to the Offer:

- the Broker Firm Offer open to Australian resident retail investors who have received a firm allocation from Austock (or a broker appointed by Austock); and
- the Institutional Offer open to certain institutional and professional investors.

The Offer does not contain a general public offer component.

### a. Broker Firm Offer

The Broker Firm Offer of Shares is open to Australian resident retail investors who have received a firm allocation of Shares from Austock (or a broker appointed by Austock). The Broker Firm Offer opens on Friday, 13 April 2007 and closes at 5.00 pm on Friday, 4 May 2007. The Company, in conjunction with Austock, reserves the right to vary the Closing Date of the Broker Firm Offer without notice.

If you have been offered a firm allocation of Shares by Austock (or a broker appointed by Austock) you should complete and lodge the Application Form together with your Application Monies, in accordance with the instructions of Austock (or broker appointed by Austock) from whom you received the firm allocation of Shares.

If you elect to participate in the Broker Firm Offer through Austock (or a broker appointed by Austock), Austock (or a broker appointed by Austock) will act as your agent in submitting your Application Form and Application Monies. The Company, the Share Registry and Austock take no responsibility for any acts or omissions by a broker appointed by Austock in connection with your Application.

Applications under the Broker Firm Offer for Shares must be for a minimum of 2,000 Shares (\$2,000) and thereafter in multiples of 1,000 Shares (\$1,000).

### b. Institutional Offer

The Institutional Offer of Shares is open only to institutional and professional investors. These are investors to whom the Offer may be made without the need for a disclosure document under the Corporations Act. The Institutional Offer opens on Friday, 13 April 2007 and closes at 5.00 pm on Friday, 4 May 2007. Slater & Gordon, in conjunction with Austock, reserves the right to vary the closing date of the Institutional Offer without notice.

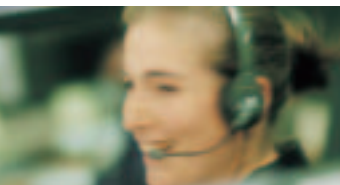
Application procedures will be advised to institutional and professional investors by Austock or a broker appointed by Austock. The Company and Austock will determine the allocation of Shares in the Institutional Offer among Institutional Offer applicants. The Company and Austock have absolute discretion regarding the basis of allocation of Shares in the Institutional Offer, and there is no assurance that any Institutional Offer applicant will be allocated any Shares, or the number of Shares for which they have applied.

## 2.8 ALLOCATION OF SHARES

The Company will allocate Shares as soon as possible after the Closing Date and reserves the right to allocate Shares in full, to allocate a lesser number of Shares than those for which an Application has been made, to accept a late Application or to decline an Application. Where no allocation is made to you or the number of Shares allocated to you is less than the number for which you have applied, surplus Application Monies will be returned to you. No interest will be paid on refunded Application Monies. Any interest earned on Application Monies prior to the allocation of Shares or return of Application Monies will be, and will remain, the property of the Company.

If successful in your Application, you will be notified in writing of the number of Shares allocated to you as soon as possible following the allocation of Shares made after the Closing Date. It is your responsibility to confirm the number of Shares allocated to you prior to trading in Shares. If you sell Shares before you receive notice of Shares allocated, then you do so at your own risk.

In the event that admission to the Official List is denied, or for any reason the Offer does not proceed, all Application Monies will be refunded to you in full without interest.



# Details of the Offer

## 2.9 ASX LISTING

An application will be made to the ASX not later than 7 days after the date of this Prospectus for the Company to be admitted to the Official List and for official quotation of the Shares on the ASX.

The fact that the ASX may admit Slater & Gordon to the Official List is not to be taken as an indication of the merits of Slater & Gordon or the Shares that are the subject of the Offer. Official quotation of Shares, if granted, will commence as soon as practicable after the release of initial shareholding statements.

If permission is not granted for the official quotation of the Shares on the ASX within 3 months of the date of this Prospectus, all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

## 2.10 SELLING SHARES AND CHESSE

Slater & Gordon will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESSE), in accordance with the Listing Rules and ASTC Settlement Rules. CHESSE is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in a paperless form.

When the Shares become CHESSE Approved Securities, holdings will be registered in one of two subregisters, an electronic CHESSE subregister or an issuer sponsored subregister. All other Shares will be registered on the issuer-sponsored subregister.

Following completion of the Offer, Shareholders will be sent an initial statement of holding that sets out the number of Shares that have been allocated. This statement will also provide details of the Shareholder's Holder Identification Number (HIN) or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored shareholders.

Shareholders will subsequently be issued statements showing any changes to their shareholding. Certificates will not be issued.

## 2.11 OVERSEAS APPLICANTS

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares outside Australia.

This Prospectus does not, and is not intended to, constitute an Offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer or to issue this Prospectus. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## 2.12 WITHDRAWAL

Slater & Gordon reserves the right not to proceed with the Offer at any time before the allocation of Shares. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.



# section three

Overview of Slater & Gordon



### 3.1 HISTORY

1935



1935

William Slater and Hugh Gordon founded Slater & Gordon as a law firm focussed on servicing the needs of unions and their members, in particular in the area of workers compensation.



1960s-1970s

Opened branch offices in Morwell in Victoria's Latrobe Valley and in the Melbourne suburb of Carlton.



1984

Opened a major branch office in the Melbourne suburb of Footscray.



1984

Conducted the first successful asbestos related cancer claim in Australia.



1985

Opened an office in Perth to service the needs of the victims of the blue asbestos mine in Wittenoom.



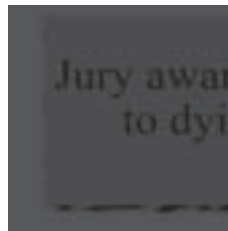
1988

Won the first successful asbestos action by a former Wittenoom employee.



1989

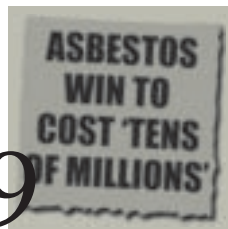
Conducted the first group settlement in Australia for 200 Wittenoom asbestos victims.



1990

Conducted one of the first successful HIV AIDS common law claims in the world.

1999



1999

Won the historic Cimmmins case in the High Court, clearing the way for waterside workers and their families to be compensated for asbestos disease.

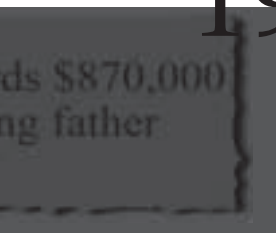
# Overview of Slater & Gordon



1986

Opened an office in Sydney principally to conduct the Dalkon Shield IUD litigation.

1994



1994

Introduced the *No Win No Fee* initiative in Australia, firmly establishing Slater & Gordon as a consumer brand.



1997

Conducted the Kraft peanut butter contamination case, one of the first Federal Court class action settlements.



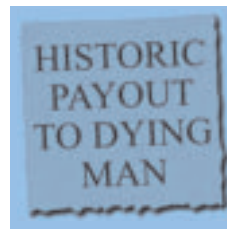
2001

Became an Incorporated Legal Practice and was set on the strategic path to expand geographically and in areas of law.



2002

Achieved the first mass breast implant settlement against Dow Corning worldwide.



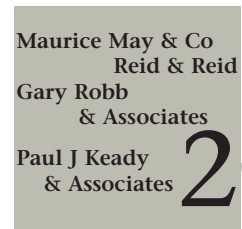
2004

Represented the ACTU and asbestos victim support groups in the James Hardie Inquiry. This resulted in the establishment of a trust in 2006 to meet asbestos claims, which are currently estimated to be valued at \$1.5 billion.



2005

Completed the acquisition of Geoffrey Edwards & Co (Sydney and Newcastle).



2006

Completed the acquisition of Maurice May & Co (Sydney and Wollongong), Reid & Reid (Newcastle), Gary Robb & Associates (ACT) and Paul J Keady & Associates (Broken Hill).

2006

## 3.2 PRACTICE AREAS

Slater & Gordon's business is operationally structured on a State and Territory basis, with the State and Territory practice group leaders ultimately responsible for the performance of the practices in their respective jurisdictions. Networks of national practice groups provide additional professional leadership in each specialist area of law.

### 3.2.1 Personal Injury Practices

Slater & Gordon has specialist legal teams in each of the following personal injury practice areas:

- Asbestos Litigation;
- Comcare and Military Compensation;
- Medical Negligence;
- Motor Vehicle Accident;
- Public and Product Liability; and
- Workers Compensation.

The reputation and cumulative experience Slater & Gordon has gained and the expertise of its lawyers combine to give Slater & Gordon considerable strength in each practice area, particularly in Victoria but increasingly in other States and Territories as well. The national practice groups in each of the personal injury practices are led by experienced lawyers.

The Asbestos Litigation practice is the one of the largest in Australia and has acted in several landmark cases that have redefined the compensation benefits paid to victims and their families. Recently, Slater & Gordon was involved in the James Hardie Inquiry, acting on behalf of the ACTU and asbestos victim support groups.

The Comcare and Military Compensation practice is one of the largest national Commonwealth workers' compensation practices acting for claimants in Australia.

### 3.2.2 Non-Personal Injury Practices

Slater & Gordon has a long standing Industrial and Employment Law practice but over the last few years the Company's diversification strategy has also driven growth in other non-personal injury practices, particularly in Commercial Litigation.

Slater & Gordon now has practices in the following areas of law:

- Commercial Litigation, which covers a wide range of commercial disputes including those involved with businesses, property, franchising, financial services, insurance and shareholder actions.
- Industrial and Employment Law, conducted on behalf of the Company's many union clients. Slater & Gordon acts for more than 50 union branches and offices nationally.
- Family Law.
- Wills, Probate and Estate Litigation.

As with the personal injury practices, networks of national practice groups provide additional professional leadership in each of these specialist areas of law.

The Company is also building its capability to handle advisory and transactional work, both to offer a more complete range of legal services to existing and new clients and to complement the non-personal injury litigation practices through cross referrals.

### 3.2.3 Project Litigation

Slater & Gordon has been involved in identifying and conducting a number of large class or group legal actions. The benefits to the Company of these often groundbreaking projects are the potential for impressive returns and the boost to the Company's public profile. Project Litigation is also instrumental in the Company's ability to attract and retain staff. See Section 3.4.6 for further details on Project Litigation.



# Overview of Slater & Gordon

## 3.3 MARKET

The claimant personal injuries legal market is highly fragmented. The Board considers that Slater & Gordon has the highest share of the personal injuries legal market nationally, but that share is estimated to be not much more than 10% of the total market. The Company's practices in its targeted non-personal injury market sectors of commercial litigation, family law, industrial and employment law, wills, probate and estate litigation and commercial advisory services are growing but the Company's market share in those sectors remains modest.

- Litigation markets resistant to general market cycles

Non-litigious commercial legal work, comprising mergers and acquisitions, capital raisings and initial public offerings, tends to be dominated by the very large national law firms. Slater & Gordon considers that while fees generated by non-litigious commercial legal work will typically rise and fall in line with prevailing economic cycles, litigation work, particularly personal injury work, is generally not as sensitive to prevailing macroeconomic conditions.

- Legislative changes present opportunities in personal injury market

There has recently been a period of intense change in the legislation that governs personal injury claims and litigation. These changes, originally intended to be implemented uniformly in all jurisdictions, emerged in late 2001 and early 2002 in response to a perceived public liability and medical indemnity crisis.

The changes involved the introduction of caps on the amount of compensation that can be recovered for a personal injury and also introduced procedural changes designed to eliminate small claims and lower the costs of personal injury litigation.

The States and Territories have not adopted the recommendations uniformly, which has resulted in different challenges and opportunities for litigation law firms in the various jurisdictions. The common element in all jurisdictions is that personal injuries cases are now generally more complex and it is therefore more difficult to practise in this area of law. Clients are now looking to specialists like Slater & Gordon to run their complex matters in this tougher legislative environment.

- Personal injuries market fragmentation presents opportunities for acquisitions

Slater & Gordon expects that the increasing complexity of the law will drive a consolidation of the market, led by the larger specialist firms. Slater & Gordon has already completed the acquisition of five firms in the past two years and believes that there will be a number of other opportunities to pursue in the future.

- Further growth potential in other practice areas

While Slater & Gordon's non-personal injuries practices have enjoyed average annual double digit annual growth in Net Fee Revenue over the past four years, the Company's share of the total market remains small. The Company intends to utilise its profile and extensive referral sources, including the members of its union clients, to increase its share of those markets over time.

## 3.4 KEY STRENGTHS OF SLATER & GORDON

### 3.4.1 Human Capital

- Alignment of staff to core values of the Company

A significant majority of the employees responding to a 2003 climate survey conducted by Slater & Gordon cited a commitment to Slater & Gordon's core value of social justice as their main reason for joining and staying with Slater & Gordon.

This shared commitment translates into a shared determination to fight for the best outcome for clients, a trait for which Slater & Gordon has become known.

- Pioneering legal work attracts and retains top lawyers

Slater & Gordon's preparedness to test new areas of law provides a stimulating environment for some of the top lawyers in their fields.

- Focussed on outcomes

Since introducing the *No Win No Fee* initiative in Australia in 1994, Slater & Gordon lawyers have become accustomed to working on a conditional fee basis. This has resulted in the development of a strong outcome focussed culture across the Company where the result for the client is paramount.



# Overview of Slater & Gordon

- Most new clients come to the Company rather than through individual lawyers

The power of the Slater & Gordon brand, can in certain practice areas, minimise the impact of the departure of individual lawyers.

- Victorian result sets benchmark for other States and Territories

The 83% brand awareness in Melbourne has developed through a combination of Slater & Gordon's history, size, presence in the media and advertising. As Slater & Gordon builds its presence in other States and Territories and supplements media coverage generated by high profile cases with selective advertising, there is the potential to increase brand awareness throughout Australia.

- Strong brand gives competitive advantage in jurisdictions with advertising restrictions

Some Australian jurisdictions have imposed restrictions on the advertising of personal injuries and workers compensation legal services. New South Wales, Queensland and Western Australia have the most heavily regulated advertising regimes with personal injuries and workers compensation practices essentially only able to promote their name and not the services they offer. Firms such as Slater & Gordon, which already have strong brand awareness, have an advantage in this environment.

## 3.4.3 Referral Relationships

While a large percentage of new client enquiries come to Slater & Gordon because of its general reputation and brand awareness, a significant number also come through various referral sources.

- Union clients represent over 250,000 members

The trade unions and branches that Slater & Gordon represent have over 250,000 members. These union members already represent a valuable source of work, but they are also a potentially responsive market for other legal services offered by the Company.

- Professional service providers a significant referral source

Most Slater & Gordon practices have developed strong relationships with other professionals in their areas of practice. These include other lawyers, health professionals, support groups, financial planners and accountants. The referrals received from these professionals provide a significant flow of work to Slater & Gordon. Slater & Gordon considers that these referrals are dependent on its reputation for obtaining results.

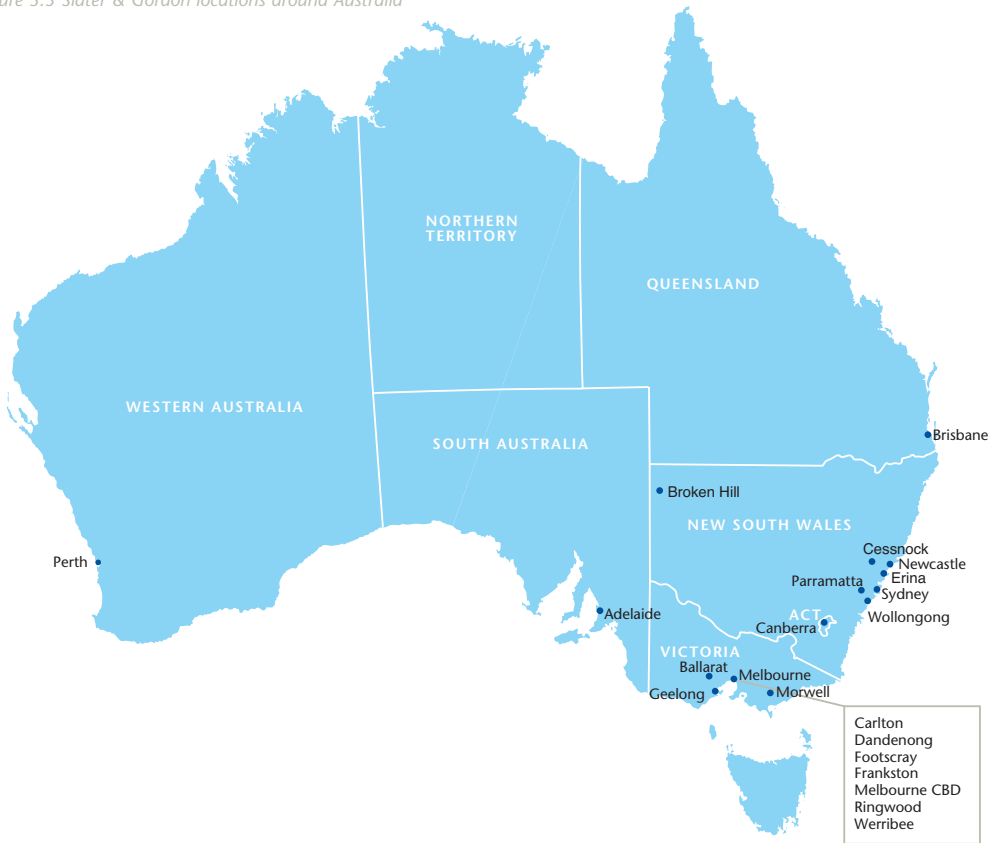
- Existing and former clients a rich referral source

Eighty percent of current clients polled in a 2006 client satisfaction survey conducted by Slater & Gordon said that they would recommend Slater & Gordon to their friends. Slater & Gordon has over 20,000 currently active client matters.



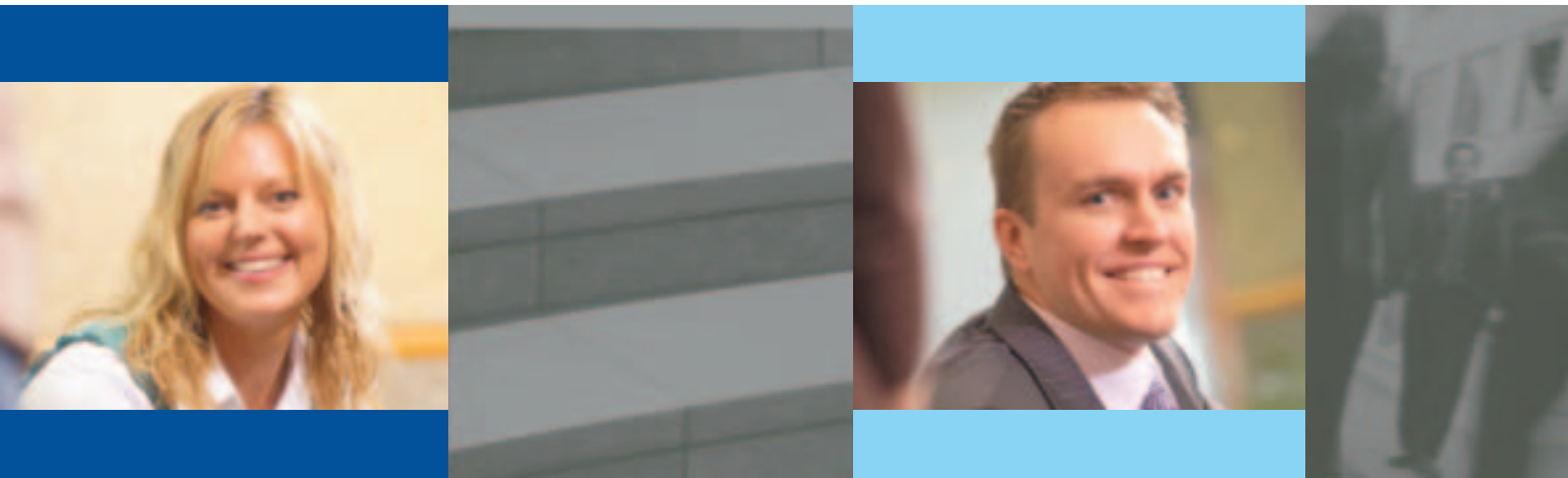
# Overview of Slater & Gordon

Figure 3.3 Slater & Gordon locations around Australia



\*Note: Offices in Adelaide and Brisbane are operated by Andrew Grech under the Slater & Gordon name through the Service Agreements outlined in Section 8.3.2. Net Fee Revenue derived by the Company from those practices is in the form of service and licence fees paid by Andrew Grech, and are not fees paid to the Company by clients. The quantum of the licence fees is re-calculated on a regular basis, and will adjust by reference to the value contributed to the practices in Adelaide and Brisbane by the Company and the Slater & Gordon brand.

Offices in Frankston, Werribee, Cessnock and Erina operate as visiting services with no staff permanently on site.







# Overview of Slater & Gordon

## 3.4.6 Project Litigation

Project Litigation (which refers to legal cases involving large groups of clients with similar or related claims) creates the potential for substantial earnings to be generated over time and also enhances the Company's public profile. Slater & Gordon has demonstrated its capability of identifying and successfully conducting Project Litigation for its clients.

Examples of the Company's track record in this area include:

Wittenoom Asbestos Litigation Group Action  
HIV Group Action  
Hepatitis C Group Action  
Kraft Food Contamination Class Action

Wallis Lakes Oysters Class Action  
Sydney Water Class Action for financial loss claimants  
Breast Implant Litigation  
Goldsborough Investment Class Action  
Esso Class Action to recover financial losses.

- Risk and reward

Project Litigation can be high risk as it quite often involves advising clients in areas where the law, and therefore the outcome, is uncertain. However it can also deliver correspondingly high returns. The publicity generated (both positive and negative) by Slater & Gordon's Project Litigation work invariably leads to a surge in potential new client enquiries across the entire Company. Class actions are often the most effective legal strategy available to Slater & Gordon's clients.

- Attracts the best people

Project Litigation provides other benefits for the Company. Project Litigation will often involve embarking on novel or untested litigation strategies for clients. Conducting this work assists the Company in attracting and retaining the best people available in the legal profession and also plays an important part in the continuing professional development of current Slater & Gordon staff.

- Source of ongoing work

On occasions the conduct of test cases has led to the establishment of ongoing work for the Company beyond the life of the initial project. This was the case with the Wittenoom Asbestos Group Action.

- Projects today

Project Litigation work currently being conducted by the Company includes two tobacco related claims, the Vioxx class action as well as a number of commercial class actions (such as the shareholder class action against Telstra).

By raising new capital, the Company can more confidently and comprehensively investigate Project Litigation opportunities in the knowledge that it has the financial capability to run projects on behalf of clients that pass the Company's strict evaluation process.

## 3.4.7 Commitment to Social Justice

Slater & Gordon has made and continues to make a substantial commitment to public interest matters. The Company believes this commitment is an essential part of its commitment to the advancement of social justice issues.

The Company's *No Win No Fee* initiative provides enhanced access to the legal system for many Australians. From time to time the Company conducts public interest matters exploring new areas of law, protecting rights or acting for disenfranchised members of the community.

- Philanthropy for causes linked to the Company's activities

Established by key Slater & Gordon shareholders in 2001, the Slater & Gordon Foundation supports community and social welfare activities linked with the firm's values and activities. A particular focus is on providing support for people who are marginalised as a result of the effects of serious injury. The Slater & Gordon Foundation is part of the Melbourne Community Foundation.

The Asbestos Research Fund was established in 2004. Slater & Gordon has made a commitment to contribute \$500,000 to the Asbestos Research Fund over five years from the time of its establishment, \$350,000 of which has already been contributed. The Asbestos Research Fund contributes towards medical research into asbestos-related diseases and towards support services for victims of those diseases. Families and friends of asbestos victims have also made contributions to the Fund. The Asbestos Research Fund is also part of the Melbourne Community Foundation.



## 3.5.3 Acquisitions

Over the past few years Slater & Gordon has pursued a growth strategy through acquiring smaller law firms. The acquisition of other firms assists Slater & Gordon to broaden its business base geographically and across the areas of law in which it operates. This strategy was partially a response to legislative changes, which eroded the rights of individuals to recover compensation for personal injuries. Recognising the impact these changes could have on the personal injury practices in some jurisdictions, the Company sought to spread its business base and to seek out opportunities presented by the changing regulatory environment.

- Diversification strategy taking effect

The strategy has already delivered strong growth in the Net Fee Revenue and profitability of the Company and a substantial change in the geographic breakdown of Net Fee Revenue. Core Business Net Fee Revenue generated from outside Victoria has increased from 21% in 2003 to a forecast proportion of 37% in 2007.

- Personal injury acquisitions

Slater & Gordon considers that the increased level of complexity of personal injury cases has placed pressure on smaller personal injury law firms. For this reason, Slater & Gordon expects that many practitioners will stop practising in this area completely and others will seek to merge with larger firms that may have the necessary expertise, systems and processes to run these more complex cases. Slater & Gordon considers that it is well placed to lead a consolidation of the personal injuries market.

- Five successful acquisitions

Slater & Gordon has demonstrated an ability to identify good quality acquisition candidates, assess them thoroughly, complete the transactions and integrate the acquired practices into the national Slater & Gordon business. Over the past two years, the Company has completed the acquisition of Geoffrey Edwards and Co (Sydney and Newcastle), Maurice May & Co (Sydney and Wollongong), Reid & Reid (Newcastle), Gary Robb & Associates (ACT) and Paul J Keady & Associates (Broken Hill).

- Acquired firms delivering on expectations

Slater & Gordon focuses on ensuring that all existing client referral relationships and new client enquiry sources are maintained while acquired firms are integrated into the Company.

## 3.5.4 Requirement for capital

In the short term, approximately \$15.4 million of the capital raised through Listing will be applied to reduce the amount drawn down by the Company under its debt facilities. Thereafter, the Company's growth strategy will be funded through the draw down of debt under these facilities. See Section 5 for further details. The Company's growth strategy is set out below:

- Additional acquisitions will be investigated. The Board will seek to position Slater & Gordon as the leading legal services provider in the Australian personal injury litigation market.
- Additional funding will be allocated to accelerate the growth of Slater & Gordon's non-personal injury practices. This growth will be achieved by a combination of marketing, recruitment and the acquisition of other legal practices.
- Investment in marketing and advertising will be increased in most States and Territories to continue to build the Slater & Gordon brand and drive new client enquiries.
- Investments in selected Project Litigation will be made where the Board considers that investment will have the potential to strengthen the Slater & Gordon brand and deliver high returns.
- The advisory and transactions practice of Slater & Gordon will be developed to maximise complementary benefits to the existing litigation businesses.

The specific allocation between the various aspects of the strategy will depend on the Board's assessment of the availability of suitable acquisition targets and brand building initiatives.

# section four

Board and Management



# Board and Management

## 4.1 BOARD MEMBERS



**ANNA BOOTH** CHAIR

In 1987 Anna became the first woman National Secretary of the Clothing and Allied Trades Union of Australia. She has been a vice president of the Australian Council of Trade Unions and a member of the boards of the Commonwealth Bank of Australia and the NRMA. She was also a member of the Sydney Organising Committee for the Olympic Games (SOCOG). Anna is a non-executive director of Members Equity Bank and an executive director of CoSolve where she also consults in workplace relations. She is a fellow of the Macquarie University Labour-Management Studies Foundation and chairs the Mothers Day Classic Sydney Organising Committee which stages an annual event to raise funds for the National Breast Cancer Foundation.



**PETER GORDON** EXECUTIVE DIRECTOR AND DEPUTY CHAIR

Internationally renowned for his work on numerous landmark cases, Peter conducted the first successful asbestos cancer common law case in Australia in 1984 and led the litigation against CSR in relation to the Wittenoom asbestos mine. Peter has also played a leading role in the class actions relating to medically acquired HIV, breast implants, claims of sexual abuse against the Christian Brothers, Ok Tedi and the Kraft peanut butter and Wallis Lake Oysters contamination cases. More recently Peter represented the ACTU and asbestos support groups in the James Hardie Inquiry and also assisted the United States of America Department of Justice in its successful litigation against the tobacco industry. Peter also led the rescue of the Footscray Football Club in 1989 (serving as its President for the next seven years). Peter currently divides his time between tobacco litigation; asbestos litigation and class action litigation. Peter is also a Board member of the Victorian Health Promotion Foundation.



**ANDREW GRECH** 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. Since he became Managing Director in 2000, the Company has enjoyed substantial growth and has opened or acquired new offices in Canberra, Parramatta, Newcastle, Wollongong, Broken Hill, Geelong and Ballarat. In the same period Andrew also opened offices in Adelaide and Brisbane which he operates under the Slater & Gordon name through Service Agreements with the Company. Andrew has been the architect of the next phase of growth for the Company and has successfully managed the acquisition and integration of five smaller firms over the past two years.



**KEN FOWLIE** EXECUTIVE DIRECTOR

Ken has taken a lead role in establishing Slater & Gordon's presence in New South Wales. One of two Slater & Gordon employees in that State in 1996, Ken now leads a team of 80, the majority of whom have joined the Company through the acquisition of smaller firms. Ken remains a highly regarded asbestos lawyer. Since 2004 Ken has acted for the ACTU and asbestos support groups in negotiations involving James Hardie and the New South Wales Government which resulted in the establishment of a compensation fund for future asbestos victims. Over his ten year career with Slater & Gordon, Ken has also led several high profile class actions with Peter Gordon. He is currently working on the Telstra class action.



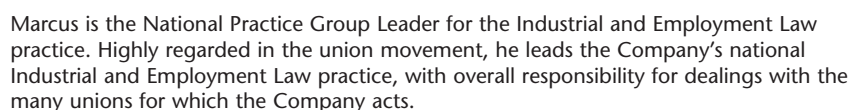
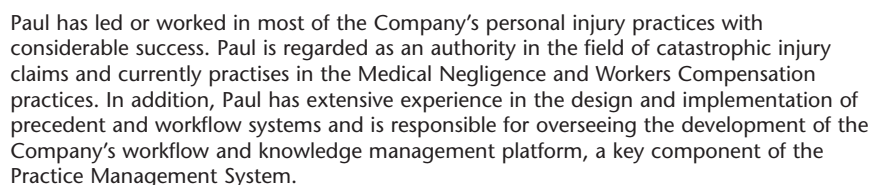
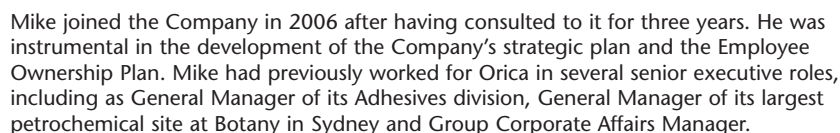
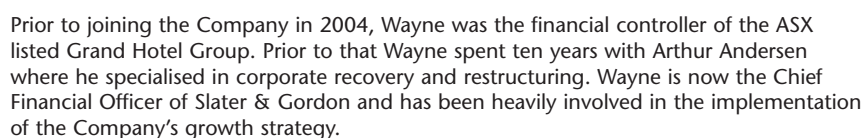
**IAN COURT** NON-EXECUTIVE DIRECTOR

Ian has over 30 years experience in senior executive positions and as a non-executive director of private and public companies. Ian has worked in superannuation administration and investment, infrastructure and private equity funds management, financial services, industrial relations/human resources, industry development and public policy at the national and state levels. His experience covers a wide range of industry sectors.

Ian is currently a non-executive director of Pacific Hydro Pty Ltd, Victorian Funds Management Corporation, Bennelong Funds Management Pty Ltd and ACTU Member Connect Pty Ltd. He was a former chief executive of Development Australia Fund Management Ltd and a former executive chairman of the trustee of Cbus. Earlier in his career, Ian was a senior ACTU industrial officer.



**KEN FOWLIE** – Executive Director and NSW Practice Group Leader





# Board and Management



**CATH EVANS** NATIONAL PRACTICE GROUP LEADER – MOTOR VEHICLE ACCIDENT

Cath is the National Practice Group Leader for the Motor Vehicle Accident practice. Cath oversaw rapid growth in the Melbourne Motor Vehicle Accident practice, and now leads that practice nationally.



**HAYDEN STEPHENS** NATIONAL PRACTICE GROUP LEADER – WORKERS COMPENSATION

Hayden is the National Practice Group Leader for the Workers Compensation practice. In his previous role Hayden was instrumental in the rapid growth of the Perth practice. Hayden has now returned to Melbourne to take national responsibility for the growth of the Workers Compensation practice.



**JAMES HIGGINS** PRINCIPAL LAWYER – ASBESTOS AND PROJECT LITIGATION

A former senior advisor to the Premier of Victoria, James is now a Principal lawyer conducting asbestos litigation and class actions. James has recently returned from the Brisbane office where he was State Practice Manager during a period of rapid growth in that practice.



**MARK WALTER** NATIONAL PRACTICE GROUP LEADER – COMMERCIAL LITIGATION

Mark is the National Practice Group Leader for the Commercial Litigation practice. Mark has overseen the growth of the commercial and commercial litigation practices in Melbourne and now, as National Practice Group Leader, has the responsibility for the growth of commercial law services nationally.



**TIM HAMMOND** STATE PRACTICE GROUP LEADER – QUEENSLAND

Tim is the State Practice Group Leader of the Queensland practice (which is conducted by Andrew Grech pursuant to a Service Agreement). Tim has extensive litigation experience, having practised in many areas of personal injuries law. Tim has more recently specialised in asbestos litigation, where he continues to participate in the leadership of Slater & Gordon's ongoing fight for the victims of asbestos disease.



**CHRIS PRAST** STATE PRACTICE GROUP LEADER – WESTERN AUSTRALIA

Although not a lawyer, Chris has 30 years experience in litigation in Western Australia. Chris has a particular interest in the rights of injured workers and has appeared regularly as an advocate in compensation Tribunals in Western Australia over the last 20 years.



# Board and Management

## b. Committees of the Board

To assist in the execution of its corporate governance responsibilities, the Board has established the Audit, Compliance and Risk Management Committee and the Nomination and Remuneration Committee. Charters and standing rules have been established for each of the committees. The requirement for further Board committees will be reviewed regularly. All committees of the Board operate in a review or advisory capacity, except in cases where powers are expressly conferred on or delegated to a committee by the Board.

The ASX recommends that the Audit Committee of the Company is made up of at least three Non-Executive Directors, with the majority being independent. The Audit Committee should be chaired by an Independent Director other than the Chair of the Board. The Company's Audit, Compliance and Risk Management Committee comprises Ian Court (Chair), Anna Booth and Ken Fowlie. The Company's Nomination and Remuneration Committee comprises Anna Booth (Chair), Ian Court and Andrew Grech. The Board believes its committees are suitably skilled, experienced and structured to properly discharge its responsibilities under its Charter of appointment.

## 4.4 VENDOR SHAREHOLDERS DEALINGS IN SHARES

After Slater & Gordon is listed on the ASX, the ability of Vendor Shareholders to deal in their Shares will be restricted in several ways. (These restrictions do not extend to the sell down of Shares by Vendor Shareholders which is to be undertaken pursuant to this Prospectus).

### 4.4.1 Shareholders Agreement - Vendor Shareholders

Under the Shareholders Agreement, each of the Vendor Shareholders have agreed with each other that they will not Dispose of any of their Shares after Listing until the first to occur of the time that is 24 hours after Slater & Gordon releases to the ASX its results for 2008, and 30 September 2008. After this period, they have agreed with each other to limit the Shares that each Vendor Shareholder can sell in any year. In the first period (as per the table below) after the release of the 2008 results, 80% of a Vendor Shareholder's Shares will be restrained from sale. This percentage reduces to zero over a five year period (subject to certain other conditions, and a minimum holding requirement). Exceptions to the restrictions on Disposal apply in certain circumstances where the Company is subject to a takeover or scheme of arrangement. A more detailed summary of the Shareholders Agreement between the Vendor Shareholders is set out in Section 8.1.2.3.

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

### 4.4.2 Confirmation - Vendor Shareholders

Each Vendor Shareholder confirms that he or she will not Dispose of any Retained Shares (not including the sell down of Shares pursuant to this Prospectus) during the periods described in the table below except in response to or in the context of a takeover bid or a scheme of arrangement in respect of the Shares where the takeover bid or scheme of arrangement meet certain conditions. In order to constitute an exception to the confirmation by the Vendor Shareholders that they will not Dispose of any Retained Shares:

- in the case of a takeover bid, the offer must have been accepted by the holders of at least half of the Shares that are not subject to any of the restrictions on Disposal set out in Sections 4.4 and 4.5. If the bid is an off-market bid and is conditional, the confirmation in this Section 4.4.2 will apply to the Shares of the Vendor Shareholders if the offer lapses; and
- in the case of a scheme of arrangement, the confirmation in this Section 4.4.2 will apply to the Shares of the Vendor Shareholders if the merger by way of scheme of arrangement does not take effect.

This confirmation does not constitute a binding contractual obligation, and is only a representation made by each Vendor Shareholder as at the date of this Prospectus. This confirmation provided by a Vendor Shareholder may not be relied upon by the Company or by any of the other Vendor Shareholders.

Period:	Percentage of Total Holding of Shares that may be disposed of:	Percentage of Total Holding of Shares that are Retained Shares:
From Listing until the first to occur of the time that is 24 hours after Slater & Gordon releases to the ASX its results for 2008, and 30 September 2008.	0%	100%
From the first to occur of the time that is 24 hours after Slater & Gordon releases to the ASX its results for 2008, and 30 September 2008 until two years after Listing	20%	80%
From the date two years after Listing until three years after Listing	20%	60%
From the date three years after Listing until four years after Listing	20%	40%
From the date four years after Listing until five years after Listing	20%	20%
From the date five years after Listing	20%	0%

For the purpose of the above table, “Total Holding” means the number of Shares that were held, in aggregate, by the relevant Vendor Shareholder upon Listing. Details of the Shares which will be held by the Vendor Shareholders on Listing are set out in Section 8.1. Further, for the avoidance of doubt, the percentages of Total Holding of Shares that may be Disposed of are cumulative from one period to the next.

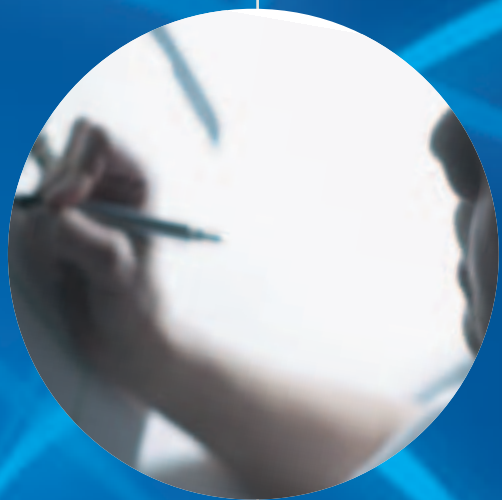
While the confirmations are representations made as at the date of the Prospectus, the Vendor Shareholders may make different or even contradictory representations at some later date. You may not be able to rely on the confirmations for the period indicated. If the Vendor Shareholders act inconsistently with those representations at some later date, such conduct may give rise to rights on the part of investors in the Company to seek damages to recover losses caused as a consequence of the breach of representation. It is unlikely however to give an investor grounds to obtain an injunction to stop a Disposal of Shares from occurring.

#### 4.5 EXISTING SHAREHOLDERS OTHER THAN VENDOR SHAREHOLDERS DEALING IN SHARES

Various restrictions will apply to Existing Shareholders other than Vendor Shareholders dealing in Shares. These restrictions are summarised at Sections 8.1.2 and 8.1.3.

# section five

Financial Information







# Financial Information

In addition to its Core Business, the Company also runs Project Litigation matters. Project Litigation is discussed in Section 3.4.6. One of the benefits to the Company of Project Litigation is the potential for impressive returns. However Project Litigation matters can take years to deliver a return and can require substantial funding by the Company in the interim. As a result, when revenue generated by Project Litigation is combined with the Company's Core Business, the Net Fee Revenue of the Company is more variable. This is shown in Table 5.2.

Since 2002, Personal Injury Net Fee Revenue has increased at an average compound growth rate of 6% per annum and Non-Personal Injury Net Fee Revenue has increased at an average compound growth rate of 20% per annum.

Personal Injury Net Fee Revenue is forecast to grow at 25% for 2007. A significant contributor to this growth has been the four acquisitions made over the past 12 months. Maurice May & Co (Sydney and Wollongong) and Reid & Reid (Newcastle), were acquired in the second half of 2006 and Gary Robb & Associates (ACT) and Paul J Keady & Associates (Broken Hill) in the first half of 2007. These practices all had significant personal injury litigation practices which will significantly contribute to Net Fee Revenue growth. The Directors estimate that these acquisitions will provide in excess of \$8 million in revenue in 2008.

In addition, the Company undertook an expanded advertising campaign in 2006 and 2007, which is expected to generate growth in client numbers, contributing to the forecast Net Fee Revenue growth in 2007 and 2008.

The Company's Non-Personal Injury practices have achieved significant growth in Net Fee Revenue over the past five years. This has been a result of the Company's strategy to leverage off its strong brand name in personal injury litigation and diversify its revenue base. The growth has been achieved principally by organic growth, with some uplift in Net Fee Revenue achieved through the acquisitions noted above.

The 2003, 2004 and 2005 financial results include revenue derived from the successful conclusion of a number of Project Litigation cases conducted by the Company. Revenue attributed to these projects (including movement in WIP) in those years was \$2.3 million, \$9.2 million and \$1.5 million respectively.

Since 2005 Slater & Gordon has been involved in a number of Project Litigation cases, however it has been assumed for the purposes of the forecast that these cases will not be concluded and invoiced in 2007 or 2008. As such, no additional Net Fee Revenue from Project Litigation matters has been included in the Forecast Financial Information. The expenses associated with those Project Litigation matters have been included in the Forecast Financial Information and some of these costs have been capitalised within WIP for 2007 and 2008 in accordance with the Company's accounting policies.

In addition, the Company receives quarterly service and licence fees under the Service Agreements for the provision of support services and a licence to use certain intellectual property (including the 'Slater & Gordon' name) to the practices conducted by Andrew Grech in Adelaide and Brisbane.

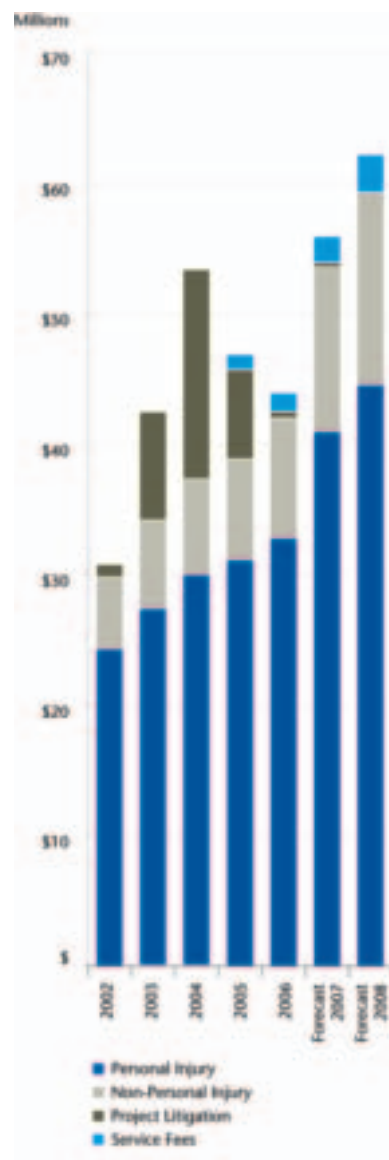


Table 5.2:  
Net Fee Revenue (excluding WIP)  
split by Personal Injury,  
Non-Personal Injury and  
Project Litigation Practice Groups

### 5.3 EBIT

Profit growth in nominal terms has been driven primarily by the revenue growth as noted in Section 5.2. The scalability of operations of the Company has allowed it to also increase its profitability on an EBIT to Net Fee Revenue basis.

As noted previously, the completion of one or more Project Litigation matters in any one period can significantly impact the profitability of the Company. As such, a comparison of Company and Core Business EBIT to Net Fee Revenue is provided below.

The profitability of Slater & Gordon's Core Business has consistently increased over the analysis period, with EBIT forecast to increase by 56% in 2007 and 12% in 2008.

Growth in earnings has been achieved by a number of factors. After incorporation in 2001, the Company adopted a national practice group management model. This focus on a national model has enabled the Company to improve profitability through operational efficiencies. One example of this is the Slater & Gordon Legal Helpline which is scalable for the national practice. A further example is the recent advertising campaign undertaken, from which most practice groups and offices will benefit.

	2005 Normalised Actual	2006 Normalised Actual	Half-Year to 31 Dec 2006 Actual	2007 Forecast	2008 Forecast
Core Business EBIT to Core Business Net Fee Revenue	31.5%	21.2%	24.6%	25.9%	25.9%
Company EBIT to Company Net Fee Revenue	26.9%	18.2%	24.9%	25.3%	25.6%

Table 5.3:  
EBIT to Net Fee Revenue Ratio

### 5.4 HISTORICAL AND FORECAST INCOME STATEMENTS

The Company's financial statements have been audited annually by Pitcher Partners since 2005 and the Company has received unqualified audit reports.

	2005 Normalised Actual \$000's	2006 Normalised Actual \$000's	Half-Year to 31 Dec 2006 Actual \$000's	2007 Forecast \$000's	2008 Forecast \$000's
Core Business Net Fee Revenue	39,972	43,149	27,508	55,214	61,921
Project Litigation Net Fee Revenue	6,515	378	250	250	-
Movement in WIP and Sundry Income	(185)	845	1,714	3,224	3,500
Total Income	46,302	44,372	29,472	58,688	65,421
Expenses	(33,797)	(36,471)	(22,573)	(44,644)	(49,591)
EBIT	12,505	7,901	6,899	14,044	15,830
Net Interest	(1,875)	(654)	(541)	(1,443)	(540)
Interest attributable - to Employee Ownership Plan	-	-	-	280	711
Profit before Tax	10,630	7,247	6,358	12,881	16,001
Income Tax Expense	(3,347)	(2,134)	(1,928)	(3,829)	(4,734)
NPAT	7,283	5,113	4,430	9,052	11,267

Table 5.4:  
Historical and Forecast  
Income Statements

Net Fee Revenue represents fees charged to clients and service and licence fees net of fee and disbursement write-offs. Fee revenue disclosed in the Investigating Accountant's Report in Section 6 represents fee revenue before any invoiced fee and disbursement write-offs. Sundry income and expenses in Table 5.4 excludes interest income and interest expense. Interest income and expense are included as net interest in Table 5.4. In the Investigating Accountant's Report in Section 6, interest income is included in other income and interest expense is included in finance costs.



The Historical and Forecast Financial Information includes the following normalisation adjustments:

## 2005

- The Company Income Statement has been presented on a normalised pro-forma basis to reflect the results of the practices in ACT, New South Wales and Western Australia each of which is now operated by the Company.
- The Company Income Statement has been restated to include a service charge and licence fee charged to the practices in Brisbane and Adelaide under the Service Agreements.
- An adjustment to salaries of Directors to reflect market rates of remuneration which were agreed from 1 July 2006.

## 2006

- Adjustments have been made to the 2006 Income Statement to reflect costs that were initially expensed related to the capital restructuring of the Company.
- Payments made to former partners and shareholders initially expensed in 2006 were reversed to reflect the accounting period in which they occurred.
- The Company Income Statement has been presented on a normalised pro-forma basis to reflect the results of the practice in ACT, which is now operated by the Company.
- The Company Income Statement has been restated to include a service charge and licence fee charged to the practices in Brisbane and Adelaide under the Service Agreements.

The Forecast Financial Information includes the following revenue and expenses items:

## 2007

- Recognition of interest income of \$0.3 million associated with the issue of VCR Shares under the Employee Ownership Plan. This revenue recognition is a requirement of AIFRS and recognises the effect of the interest free loan provided to employees to acquire VCR Shares. This is non-cash revenue.
- An allocation of \$0.5 million within labour expenses relating to the issue of interest free loans to employees pursuant to the Employee Ownership Plan. This expense allocation is a requirement of AIFRS and recognises the effect of the interest free loan provided to employees to acquire VCR Shares. This is a non-cash expense. This expense is recognised within the EBIT calculation of the Company whereas the corresponding revenue item noted above is excluded from EBIT.

## 2008

- Recognition of interest income of \$0.7 million associated with the issue of VCR Shares under the Employee Ownership Plan. This revenue recognition is a requirement of AIFRS and recognises the effect of the interest free loan provided to employees to acquire VCR Shares. This is non-cash revenue.
- An allocation of \$1.0 million within labour expenses relating to the issue of interest free loans to employees pursuant to the Employee Ownership Plan. This expense allocation is a requirement of AIFRS and recognises the effect of the interest free loan provided to employees to acquire VCR Shares. This expense is a non-cash expense. This expense is recognised within the EBIT calculation of the Company whereas the corresponding revenue item noted above is excluded from EBIT.

## 5.5 FORECAST FINANCIAL INFORMATION - ASSUMPTIONS

The Forecast Financial Information is based on the Directors' assessment of current economic and operating conditions and on a number of assumptions regarding future events and actions which, at the date the Forecast Financial Information was adopted, the Directors consider will take place.

However, the Forecast Financial Information is, by its very nature, subject to uncertainties and unexpected events, many of which are outside the control of the Company and the Board. Events and circumstances often do not occur as anticipated and therefore actual results may differ from the Forecast Financial Information and these differences may be material. Accordingly, the Directors cannot and do not give any guarantee that the Forecast Financial Information will be achieved.

Events and outcomes may differ in quantum and timing from the best estimate assumptions, with material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the general and specific assumptions outlined below, the sensitivity analysis set out in Section 5.5.3, the Investigating Accountant's Report in Section 6, the risks described in Section 7 and the other information set out in this Section and this Prospectus.

The material assumptions made by the Directors in preparing the Forecast Financial Information are as follows:

#### 5.5.1 General Assumptions

- There is no loss of key management personnel.
- There are no material adverse effects arising from the actions of competitors.
- The operating and financial performance of the Company is influenced by a variety of general economic and business conditions. The Forecast Financial Information assumes that there will be no material changes in these conditions.
- There is no material amendment to any material agreement relating to the Company.
- There is no change to the Company's funding or capital structure other than as outlined in this Prospectus.
- There are no changes to the statutory, legal or regulatory environment, including taxation, which would materially impact the Company or its clients.
- Accounting policies will remain consistent with those adopted in preparing the Historical Financial Information and Forecast Financial Information, as set out in the Investigating Accountants Report in Section 6.
- There are no material changes in Australian Accounting Standards, Statements of Accounting Concepts or other mandatory professional reporting requirements or the Corporations Act which would have a material effect on the Forecast Financial Information.

#### 5.5.2 Specific Assumptions

- Net Fee Revenue for 2007 and 2008 is formulated on the basis that existing client matters will be resolved and billed in accordance with historical resolution rates, and new client matters will be instigated during 2007 or 2008 which will be invoiced during the period. Net Fee Revenue has been assessed in light of existing and forecast practice group operating capacities.
- Movements in WIP recognised as revenue within the Forecast Financial Information have been based upon the Board's assessment of the historical relationship and trend between WIP and Net Fee Revenue for each major component of the business.
- Labour costs are based upon a review of the current staff in each practice area and the anticipated changes over 2007 and 2008 (taking into account staff going on temporary or permanent leave, new hires and internal reclassification of staff). Labour costs include increased salaries for all staff on individual employment agreements and certified agreements, and include bonuses based on the achievement of forecast revenue targets.
- There are a number of ongoing Project Litigation cases being conducted by the Company. It is assumed for the purposes of the forecast that these cases will not be concluded and invoiced in 2007 or 2008. As such, no additional Net Fee Revenue from Project Litigation matters has been included in the Forecast Financial Information. The expenses associated with that Project Litigation during 2007 and 2008 have been included in the Forecast Financial Information. Some of these costs have been capitalised within WIP for 2007 and 2008 in accordance with the Company's accounting policies.
- Additional expenditure will be incurred in 2007 and 2008 to invest in the Company's information technology and Practice Management Systems. It is expected that this expenditure will be funded out of working capital, and has been included on that basis in the Forecast Financial Information.
- There are no material acquisitions or disposals by the Company of businesses or companies. The Company has stated that its growth strategy includes acquisitions. The effect of such acquisitions, whether in terms of financial results, or Shares that may be issued as consideration, have not been taken into account in the preparation of the Forecast Financial Information.
- Allowance has been made for the issue of 2.1 million VCR Shares in 2008 under the Employee Ownership Plan.
- It has been assumed that 5.4 million VCR Shares will vest upon the meeting of performance hurdles at 30 June 2007 and 6.1 million VCR Shares vesting upon the meeting of performance hurdles at 30 June 2008.
- Allowance has been made for incremental public company and integration costs.
- Forecast income tax expense has been based on the statutory company tax rate of 30% after adjusting for permanent differences.
- In the short term, approximately \$15.4 million of the capital raised through Listing will be applied to reduce the amount drawn down by the Company under its debt facilities. Thereafter, the Company's growth strategy will be funded through the draw down of debt under these facilities. The Company's growth strategy is described in Section 3.5.4.
- \$2.3 million of the proceeds of the Offer will be used to pay costs associated with the Offer.



## 5.5.3 Sensitivity Analysis on Profit Forecasts

The Forecast Financial Information is based on certain economic and business assumptions about future events. The pro forma forecast EBIT of the Company is sensitive in varying degrees to movements in a number of key business drivers.

A summary of the likely impact of movements in certain key assumptions on the Company's forecast earnings for 2007 and 2008 is set out in Table 5.5.

The effect on earnings presented for each sensitivity scenario is not intended to be indicative or predictive of the likely range of outcomes to be experienced with each scenario nor are the changes in the key assumptions detailed below intended to be indicative of the complete range of variations that may occur.

	% Change	Impact on Pro-Forma FY 2007 Forecast EBIT		Impact on Pro-Forma FY 2008 Forecast EBIT	
		\$'000	%	\$'000	%
Net Fee Revenue	+/- 5.0%	2,773	19.7%	3,096	19.6%
Labour costs	+/- 3.0%	954	6.8%	1,003	6.4%
All Other Expenses	+/- 5.0%	620	4.4%	755	4.8%

Table 5.5  
Sensitivity analysis

Extreme caution should be taken in interpreting this information. This analysis treats each movement in an assumption in isolation from possible movements in other assumptions, which may not be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the effects of which are not reflected in the following analysis. For example should Net Fee Revenue not meet forecast levels, labour costs are likely to also decrease as not all bonuses are likely to be payable.

Further, it is possible that more than one assumption may move at any one point in time, giving rise to cumulative effects, which also are not reflected in this analysis.

In practice, the management of Slater & Gordon would respond to any adverse change in one variable by taking action to endeavour to minimise its impact. The effect of any such mitigating action has been excluded from the above table.







## 5.7 PRO FORMA ADJUSTMENTS TO THE BALANCE SHEET AS AT 31 DECEMBER 2006

The pro forma adjustments to the Balance Sheet as at 31 December 2006 reflect the following transactions and events as if they had occurred as at 31 December 2006:

- the issue of 17,700,002 new fully paid Shares at an issue price of \$1.00 per Share pursuant to this Prospectus raising \$17.7 million of new equity;
- the application of proceeds from the Offer to the costs associated with the Offer of approximately \$2.3 million. These costs are described in Sections 8.6;
- the disposal of 17,299,998 Shares by the Vendor Shareholders pursuant to this Prospectus;
- the reduction of long-term debt facilities by \$6.0 million;
- the reduction of short-term debt facilities by \$8.1 million;
- the depositing of \$1.4 million cash in short-term deposit facilities; and
- the declaration and provision for an interim dividend of \$1.2 million at 31 December 2006.

The pro forma adjusted balance sheet does not reflect the trading of the Company since 31 December 2006.

Investors should also note that the Balance Sheet that will arise following the Offer will be based on the actual assets and liabilities as at the date of listing the Company. Accordingly, the actual Balance Sheet will differ to the indicative position set out above.

The adjusted statements of financial position have been reviewed by PPC as set out in the Investigating Accountant's Report in Section 6.

## 5.8 EARNINGS PER SHARE

Earnings per Share has been calculated in accordance with AIFRS.

Basic Earnings per Share has been calculated by dividing the NPAT attributable to Shareholders by the weighted average number of Shares outstanding during that period.

The pro-forma weighted average number of Shares has been calculated based upon:

- 69,920,698 Shares being on issue at the beginning of 2007;
- 7,632,148 Shares being issued on 31 December 2006;
- 17,700,002 Shares being allocated under this Prospectus on 4 May 2007; and
- 5,419,652 VCR Shares being converted to Shares on 1 July 2007.

This results in a calculation of 76,538,920 weighted average number of Shares being on issue for 2007 and 100,672,500 weighted average number of Shares being on issue for 2008.

Diluted Earnings per Share has been calculated by adjusting the weighted average number of Shares outstanding, for the effects of all dilutive potential Shares. The dilutive potential Shares included in this calculation are:

- 12,526,801 VCR Shares being on issue from 31 December 2006, with performance criteria to be met over the period from 30 June 2007 to 30 June 2009; and
- 2,100,000 VCR Shares forecast to be issued on 1 July 2007, with performance criteria to be met over the period from 30 June 2008 to 30 June 2010.

This results in a calculation of 82,930,640 diluted weighted average number of Shares being on issue for 2007 and 109,879,649 diluted weighted average number of Shares being on issue for 2008.

No impact on the diluted NPAT has been assumed in the conversion of the VCR Shares to Shares because the loan provided to employees to acquire VCR Shares is not repaid upon conversion but at an agreed future date in accordance with the terms of the Employee Ownership Plan. The Employee Ownership Plan is described in Section 8.1.3.

## 5.9 WORK IN PROGRESS (WIP)

### 5.9.1 Non Personal Injuries

For all Non Personal Injury Practices the value of WIP is determined with reference to the time records and the level of fees billed on each matter.

### 5.9.2 Personal Injuries

WIP for practice areas, other than Project Litigation, that do not time record is recognised using the percentage of completion method whereby the stage of completion can be reasonably determined and the average fee per file and probability of success can be reasonably estimated.

Slater & Gordon has a 'No Win No Fee' policy for Personal Injury Practice Groups where clients are only charged professional fees when a successful outcome is achieved. All matters within Personal Injury Practice Groups are continually reviewed for the ability to achieve a successful outcome for the Company's clients. The assessment of the probability of success is based upon the Company's historical performance for each Personal Injury Practice Group.

### 5.9.3 Project Litigation

WIP on Project Litigation is only recognised on Projects for which a favourable outcome is considered probable. For such Projects, WIP is initially valued at costs incurred less a discount for the likely recovery of those costs. Where a Project has reached partial or full settlement and a signed agreement for fee exists, WIP is valued at the settled fee amount and discounted for percentage file completion, and the probability of the full fee being collected.

## 5.10 DIVIDEND POLICY

The Directors currently intend to pay a fully franked final dividend of 2.0 cents per Share in respect of 2007. An interim dividend of 2.0 cents per Share has already been declared with respect to 2007 and will be paid to Existing Shareholders by 31 May 2007. This represents a full year dividend payment of 4.0 cents per Share for 2007.

The Company's current intended dividend policy is to pay a fully franked dividend of approximately 40% - 50% of NPAT excluding net movements in WIP. Based upon the 2008 NPAT forecast and the current number of Shares on issue, this represents a forecast full year dividend of 4.5 cents per Share for 2008.

No guarantee can be given about the payment of dividends, the level of franking or imputation of such dividends or the extent of payout ratios, for 2007 or for any future period. These matters will depend on a number of factors including the future profits of the Company, its financial and taxation position and the Board's view of the appropriate payout ratio from time to time.

## 5.11 BASIS OF PREPARATION OF NORMALISED HISTORICAL FINANCIAL INFORMATION AND FORECAST FINANCIAL INFORMATION

Slater & Gordon was incorporated as Slater & Gordon Pty Ltd in 2001. Prior to that the firm had operated as a partnership since 1935.

The Company is audited by Pitcher Partners. Pitcher Partners has issued unqualified audit reports on the Company's financial statements in respect of 2005 and 2006 and an unqualified review report for the six months ended 31 December 2006.

PPC is the Investigating Accountant and has performed a review of the trading results of Slater & Gordon for 2005 and 2006 and for the six months to 31 December 2006. In addition, the Investigating Accountant has reviewed the Forecast Financial Information for 2007 and 2008. The Investigating Accountant's Report is contained in Section 6.

# section six

Investigating Accountant's Report

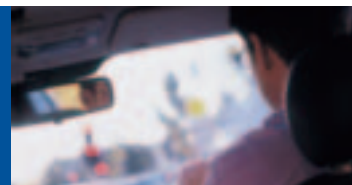


## CORPORATE PTY LTD

ABN 53 175 240 145  
AFS LICENCE NO. 229841

www.pitcher.com.au  
partners@pitcher.com.au

Pitcher Partners is an association of Independent firms  
| Melbourne | Sydney | Brisbane | Perth



PITCHER PARTNERS

## 2006

- The Victorian, New South Wales & Western Australian practices were operated by the Company;
- The ACT practice was operated as a partnership; and
- The South Australia & Queensland practices were operated as partnerships for the period 1 July 2005 to 28 February 2006; and
- The South Australia & Queensland practices were operated by Andrew Grech under the Service Agreements for the period 1 March 2006 to 30 June 2006.

## 2007

- The Victorian, New South Wales, Western Australia and ACT practices were operated by the Company; and
- The South Australia & Queensland practices were operated by Andrew Grech under the Service Agreements.

## Historical Financial Information

The Historical Financial Information set out in Section 5: Financial Information of the Prospectus and Appendix 2 of this report comprises:

- the audited Income Statements and Statements of Cash Flows for the two years ended 30 June 2005 and 30 June 2006;
- the reviewed Balance Sheet and Statement of Changes in Equity as at 31 December 2006;
- the reviewed Income Statement and Statement of Cash Flows for the 6 months ended 31 December 2006;
- the Pro forma Balance Sheet and Pro forma Statement of Changes in Equity as at 31 December 2006 ("the Pro forma Financial Information") on the assumption that all transactions stated in Appendix 1 of this report have occurred or will occur as a consequence of the Offer proceeding; and
- the notes to the above Historical Financial Information.

The Historical Financial Information set out in Appendix 2 has been extracted from the audited financial statements of the Company. The financial statements were either audited or reviewed by Pitcher Partners who issued unqualified audit reports in respect of the financial statements of the Company for the financial years ended 30 June 2005 and 30 June 2006 and an unqualified review report for the 6 months ended 31 December 2006.

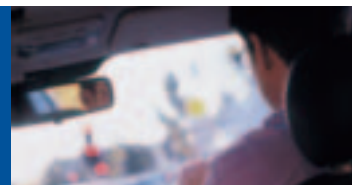
The Pro forma Financial Information relates to Slater & Gordon Limited. The Pro forma Financial Information discloses the transactions expected to occur at listing date as if they had occurred at 31 December 2006.

The Directors of the Company are responsible for the preparation of the Historical Financial Information. The accounting policies adopted in the preparation of the Historical Financial Information are as set out in the notes to the Financial Statements included in Appendix 2 to this report.





# Investigating Accountant's Report



PITCHER PARTNERS

These procedures have been undertaken to form an opinion whether, in all material respects, the Historical Financial Information is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

## **Review of Forecast Financial Information**

We have reviewed the Forecast Financial Information together with the underlying assumptions on which the Forecast Financial Information is based as set out in Section 5 of the Prospectus in order to give a statement thereon to the Directors of the Company.

This report has been prepared having regard to the guidance set out in AUS 804 "The Audit of Prospective Financial Information", AGS 1062 "Reporting in connection with Proposed Fundraising", and ASIC Policy Statement 170 "Prospective Financial Information".

Our review of the Forecast Financial Information has been conducted in accordance with AUS 902 "Review of Financial Reports" applicable to review engagements. Our procedures consisted primarily of enquiry, comparison, and analytical review procedures including discussions with management and Directors of the Company of the factors considered in determining their assumptions. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information and the evaluation of Accounting Policies used in the Forecast Financial Information. These procedures have been undertaken in order to state whether anything has come to our attention, which causes us to believe that:

- the Directors' best-estimate assumptions, as set out in Section 5: Financial Information of the Prospectus, do not provide reasonable grounds for the preparation of the Forecast Financial Information; and
- whether in all material respects, the Forecast Financial Information is not properly compiled on the basis of the Directors' best-estimate assumptions, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies of the Company to present a view consistent with our understanding of the Company's historical and forecast operations.

The Directors are responsible for the preparation of the Forecast Financial Information which is provided to potential investors as a guide to Slater & Gordon's potential future performance. There is a significant degree of subjective judgment in the preparation of forecasts. As such actual results may vary materially from the financial forecast information. Accordingly, investors should have regard to the investment risks and sensitivities outlined in Section 7: Risk Factors of the Prospectus.

Our review, which is not an audit, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards and provides less assurance than an audit. Accordingly, we do not express an opinion of the Forecast Financial Information.

The Forecast Financial Information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the underlying assumptions, these assumptions are generally future-orientated and therefore speculative in nature. Actual financial performance may vary from the Forecast Financial Information presented in the Prospectus and such variations may be material.



# Investigating Accountant's Report



## **Financial Services Guide**

Our Financial Services Guide has been included at the end of this report to assist retail investors in their use of any general financial product advice that may be in our report.

Yours faithfully,

**PITCHER PARTNERS CORPORATE PTY LTD**

A handwritten signature in black ink, appearing to read 'M Pringle', written over a light blue rectangular background.

**M W PRINGLE**  
Director and Representative

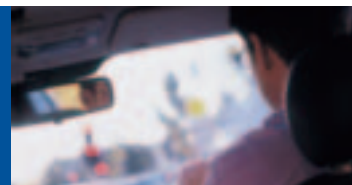
## 1. Normalisation Adjustments – Historical Trading Results

For comparative purposes the Company, in Section 5: Financial Information of the Prospectus, has reflected normalised results for the years ended 30 June 2005 and 30 June 2006. These adjustments have been made in order to reflect the results as if the business had operated under the current corporate structure and as if the South Australia and Queensland practices operated under the Service Agreements for the full period. In addition, further amendments have been made to reflect one-off, non-recurring events.

- (i) Adjustment to reflect market rates for senior executives' salaries previously taken as partnership drawings;
- (ii) Adjustment for costs incurred in a capital restructuring of business which was one-off in nature;
- (iii) Adjustment for payments to former partners and shareholders which related to profit entitlements from prior years;
- (iv) Adjustment to reflect notional service fee and licence fee income as if the South Australia and Queensland practices had at all relevant times been operating on this basis

The following is a summary of the significant transactions that have occurred or are likely to occur by the time of the completion of the Offer. These transactions are assumed to have occurred at 31 December 2006 for the purposes of the Pro forma Financial Information.

- 3,483,334 Vested VCR Shares convert to 3,483,334 Ordinary shares prior to listing.
- Declaration of a fully franked dividend of 2 cents per share to ordinary shareholders and holders of vested VCR Shares eligible for dividend payments at 27 March 2007. The total dividend payment will amount to \$1,186,320.
- Share split of 15 shares for every 14 held for Ordinary shareholdings.
- Share split of 15 shares for every 14 held for VCR shareholdings.
- Conversion of all 13,999,998 Foundation shares into 13,999,998 Ordinary shares.
- The Offer is fully subscribed resulting in the issue of 17,700,002 New Shares in the Company for \$1.00 per share.
- The payment of \$2.3 million of costs relating to the Offer borne by the Company.



## **APPENDIX 2**

### **SLATER & GORDON LIMITED – FINANCIAL INFORMATION HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

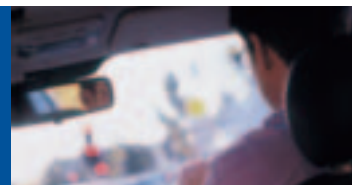
Set out below is the Historical and Pro forma Financial Information of the Company. The Pro forma Financial Information reflects the Pro forma adjustments to the reviewed financial statements of Slater & Gordon as at 31 December 2006 to give effect to the impact of the significant transactions that are likely to occur and are contingent upon the completion of the Offer.

These statements reflect the normalisation adjustments and pro forma assumptions as set out in Appendix 1.





# Investigating Accountant's Report



## SLATER & GORDON LIMITED BALANCE SHEETS

	Notes	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		366,615	1,746,547
Receivables	5	34,248,126	34,248,126
Work in progress	6	62,290,369	62,290,369
Other current assets	7	1,457,502	1,457,502
<b>TOTAL CURRENT ASSETS</b>		<u>98,362,612</u>	<u>99,742,544</u>
<b>NON-CURRENT ASSETS</b>			
Work in progress	6	3,354,063	3,354,063
Plant and equipment	8	767,149	767,149
Intangible assets	9	3,435,083	3,435,083
Other non-current assets	10	7,093,764	7,093,764
<b>TOTAL NON-CURRENT ASSETS</b>		<u>14,650,059</u>	<u>14,650,059</u>
<b>TOTAL ASSETS</b>		<u>113,012,671</u>	<u>114,392,603</u>
<b>CURRENT LIABILITIES</b>			
Payables	11	16,886,974	16,886,974
Short-term borrowings	12	15,186,040	7,132,000
Current tax liabilities	3	(994,167)	(994,167)
Short-term provisions	13	4,272,620	5,458,940
<b>TOTAL CURRENT LIABILITIES</b>		<u>35,351,467</u>	<u>28,483,747</u>
<b>NON-CURRENT LIABILITIES</b>			
Payables	11	2,837,719	2,837,719
Long-term borrowings	12	6,000,000	-
Deferred tax liabilities	3	21,615,134	21,615,134
Long-term provisions	13	959,029	959,029
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>31,411,882</u>	<u>25,411,882</u>
<b>TOTAL LIABILITIES</b>		<u>66,763,349</u>	<u>53,895,629</u>
<b>NET ASSETS</b>		<u>46,249,322</u>	<u>60,496,974</u>
<b>EQUITY</b>			
Share capital	14	23,590,057	39,024,029
Retained profits	15	22,659,265	21,472,945
<b>TOTAL EQUITY</b>		<u>46,249,322</u>	<u>60,496,974</u>

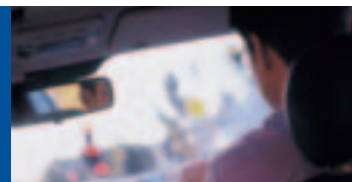
The balance sheets should be read in conjunction with the accompanying notes.

**SLATER & GORDON LIMITED**  
**STATEMENTS OF CHANGES IN EQUITY**

	Notes	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
<b>Total equity at the beginning of the period</b>		35,729,367	35,729,367
<b>Profit / (loss) for the period</b>		4,429,910	4,429,910
<b>Total recognised income and expense for the period</b>		4,429,910	4,429,910
<b>Transactions with equity holders in their capacity as equity holders:</b>			
Shares issued	14	2,475,000	17,908,972
VCR shares issued	14	7,115,052	7,115,052
Buy-backs	14, 15	(2,590,007)	(2,590,007)
Dividends provided for or paid	15	(910,000)	(2,096,320)
		6,090,045	20,337,697
<b>Total equity at the end of the period</b>		46,249,322	60,496,974

The statements of changes in equity should be read in conjunction with the accompanying notes.

# Investigating Accountant's Report

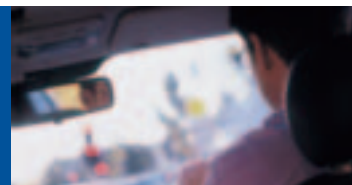


## SLATER & GORDON LIMITED STATEMENTS OF CASH FLOWS

	Notes	6 months ended 31 December 2006 \$	12 months ended 30 June 2006 \$	12 months ended 30 June 2005 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts from customers		22,624,310	46,518,177	39,591,179
Payments to suppliers and employees		(20,924,129)	(36,597,808)	(31,186,799)
Interest received		23,368	767,494	277,957
Borrowing costs		(743,815)	(1,421,702)	(2,158,574)
Income tax paid		(1,096,840)	(2,953,614)	(9,326,947)
<b>Net cash provided by / (used in) operating activities</b>	18 (b)	(117,106)	6,312,547	(2,803,184)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments		-	-	806,181
Payment for plant and equipment		(310,627)	(210,614)	(75,248)
Payment for acquisition of business		(1,752,813)	(4,486,958)	(737,675)
<b>Net cash provided by / (used in) investing activities</b>		(2,063,440)	(4,697,572)	(6,742)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from share issue		-	70	-
Costs of capital restructuring		(201,000)	-	-
Proceeds from related parties		1,184,011	2,538,510	5,835,133
Proceeds from / (repayment) of borrowings		4,776,052	(6,485,868)	(6,172,313)
Return of capital		(2,589,350)	-	-
Dividends paid		(910,000)	-	-
<b>Net cash provided by / (used in) financing activities</b>		2,259,713	(3,947,288)	(337,180)
<b>Net increase / (decrease) in cash and cash equivalents</b>		79,167	(2,332,313)	(3,147,106)
Cash and cash equivalents at beginning of the period		(4,451,592)	(2,119,279)	1,027,827
<b>Cash and cash equivalents at end of the period</b>	18 (a)	(4,372,425)	(4,451,592)	(2,119,279)

The statements of cash flows should be read in conjunction with the accompanying notes.





## **SLATER & GORDON LIMITED**

### **NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(c) Income tax**

Current income tax expense or revenue 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 temporary differences 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 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. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against 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**

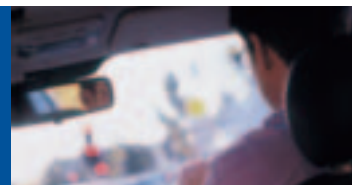
Cash and cash equivalents comprise cash on hand, deposits held at call with banks, short-term deposits with an original maturity of three months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank 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 actual amounts not recovered over the previous four years.







## SLATER & GORDON LIMITED NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Plant and equipment (continued)

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and Equipment	7.50 – 40.00%
Low Value Asset Pool	18.75 – 37.50%

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) Intangibles

##### *Goodwill*

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 measured at cost less any accumulated impairment losses.

##### *Discount on acquisition*

Discount on acquisition represents the excess of the fair value of the Company's share of net identifiable assets of the acquired entities over the cost of acquisition at the date of acquisition. Discount on acquisition is recognised in the income statement in the period in which it is incurred.

#### (i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

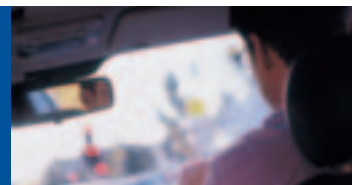
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

#### (j) 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.





## SLATER & GORDON LIMITED NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Financial instruments recognition

##### *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.

##### *Financial Liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and 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.

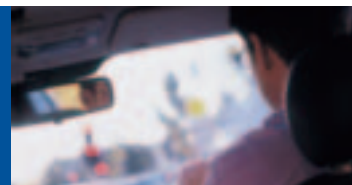
#### (o) Solicitor liability claims

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 the Legal Practitioners Liability Committee.

### NOTE 2: REVENUE

		6 months ended 31 December 2006 \$	12 months ended 30 June 2006 \$	12 months ended 30 June 2005 \$
<b>Revenues from operations</b>				
<i>Fee revenue</i>				
Revenue from rendering services		28,877,875	41,850,909	34,954,937
<i>Other Income</i>				
Interest		23,368	767,494	277,957
Service fee	19	650,000	500,000	-
Distributions from Slater & Gordon Partnerships and Esange Holdings Trust		-	2,018,133	10,287,540
Other revenue		329,769	200,923	865,566
		1,003,137	3,486,550	11,431,063
<b>Total revenue</b>		29,881,012	45,337,459	46,386,000





## SLATER & GORDON LIMITED NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

### NOTE 3: INCOME TAX (continued)

	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
<b>Deferred tax assets:</b>		
The balance comprises:		
- Doubtful debts and non - recoverable disbursements	460,098	460,098
- Employee benefits	1,486,995	1,486,995
- Provision for legal costs	82,500	82,500
- Accruals	130,439	130,439
	<u>2,160,032</u>	<u>2,160,032</u>
<b>Deferred tax liabilities:</b>		
The balance comprises temporary differences attributable to:		
- Prepayments	398	398
- Work in progress	18,177,351	18,177,351
- Unrendered disbursements	5,570,300	5,570,300
- Plant and equipment	27,117	27,117
- Other	-	-
	<u>23,775,166</u>	<u>23,775,166</u>
Balance after set off of deferred tax assets and liabilities	<u>(21,615,134)</u>	<u>(21,615,134)</u>

### NOTE 4: AUDITOR'S REMUNERATION

	6 months ended 31 December 2006 \$	12 months ended 30 June 2006 \$	12 months ended 30 June 2005 \$
Amounts received or due and receivable by Pitcher Partners for the audit of the financial report of the entities within the consolidated Company	44,800	37,500	28,000
Amounts received or due and receivable by auditors other than Pitcher Partners for the audit of the company's trust accounts	30,560	11,680	4,000
	<u>75,360</u>	<u>49,180</u>	<u>32,000</u>

**SLATER & GORDON LIMITED**  
**NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

**NOTE 5: RECEIVABLES**

	<b>31 December 2006 Actual \$</b>	<b>31 December 2006 Pro Forma \$</b>
CURRENT		
Trade receivables	15,063,137	15,063,137
Provision for doubtful debts	(707,772)	(707,772)
	<u>14,355,365</u>	<u>14,355,365</u>
Disbursements	18,584,014	18,584,014
Provision for non - recoverable disbursements	(825,888)	(825,888)
	<u>17,758,126</u>	<u>17,758,126</u>
Loans to associates:		
Slater & Gordon Lawyers	<u>2,134,635</u>	<u>2,134,635</u>
Total current receivables	<u>34,248,126</u>	<u>34,248,126</u>

**NOTE 6: WORK IN PROGRESS**

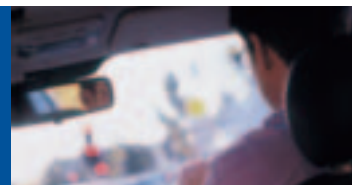
	<b>31 December 2006 Actual \$</b>	<b>31 December 2006 Pro Forma \$</b>
CURRENT		
Non-personal injury	2,842,180	2,842,180
Personal injury	59,196,215	59,196,215
Project litigation	251,974	251,974
	<u>62,290,369</u>	<u>62,290,369</u>
NON CURRENT		
Project litigation	<u>3,354,063</u>	<u>3,354,063</u>
	<u>3,354,063</u>	<u>3,354,063</u>

**NOTE 7: OTHER CURRENT ASSETS**

	<b>31 December 2006 Actual \$</b>	<b>31 December 2006 Pro Forma \$</b>
Prepayments	944,789	944,789
Other current assets	512,713	512,713
	<u>1,457,502</u>	<u>1,457,502</u>



# Investigating Accountant's Report



## SLATER & GORDON LIMITED NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

### NOTE 8: PLANT AND EQUIPMENT

	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
Plant and equipment		
At cost	910,195	910,195
Less accumulated depreciation	(241,029)	(241,029)
	<u>669,166</u>	<u>669,166</u>
Low value asset pool		
At cost	160,988	160,988
Less accumulated depreciation	(63,005)	(63,005)
	<u>97,983</u>	<u>97,983</u>
Total plant and equipment	<u>767,149</u>	<u>767,149</u>

### NOTE 9: INTANGIBLE ASSETS

	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
Goodwill	<u>3,435,083</u>	<u>3,435,083</u>

### NOTE 10: OTHER NON-CURRENT ASSETS

	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
"VCR" share loans receivable	<u>7,093,764</u>	<u>7,093,764</u>

### NOTE 11: PAYABLES

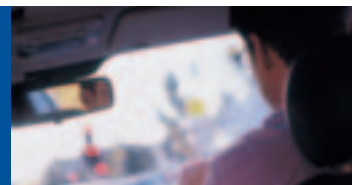
	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
CURRENT		
Trade creditors	785,656	785,656
Legal creditors and accruals	15,964,954	15,964,954
Loans from associates:		
SlaterGordon Services Pty Ltd	<u>136,364</u>	<u>136,364</u>
	<u>16,886,974</u>	<u>16,886,974</u>
NON-CURRENT		
Shareholder loans	<u>2,837,719</u>	<u>2,837,719</u>

	31 December 2006 Actual	31 December 2006 Pro Forma
	\$	\$
CURRENT		
<i>Secured Liabilities</i>		
Bank overdraft	4,739,040	-
Bank loans	132,000	132,000
Commercial bills	10,315,000	7,000,000
	<u>15,186,040</u>	<u>7,132,000</u>
NON-CURRENT		
Commercial bills	6,000,000	-

The bank overdraft and commercial bills are both provided by Westpac Banking Corporation and are secured by joint and several guarantees from the shareholders and a charge over the assets of Slater & Gordon Limited. Interest on the bank overdraft is charged at a variable rate as determined by the bank.

	31 December 2006 Actual \$	31 December 2006 Pro Forma \$
CURRENT		
Employee benefits	3,997,620	3,997,620
Solicitor liability claims	275,000	275,000
Dividend payable	-	1,186,320
	<u>4,272,620</u>	<u>5,458,940</u>
NON-CURRENT		
Employee benefits	959,029	959,029

# Investigating Accountant's Report



## SLATER & GORDON LIMITED NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

### NOTE 14: SHARE CAPITAL

	31 December 2006 Actual		31 December 2006 Pro Forma	
	Shares	\$	Shares	\$
Ordinary fully paid shares	55,832,650	2,475,007	95,252,848	33,783,209
VCR shares	15,175,000	7,115,052	12,526,801	5,240,820
Foundation fully paid shares	13,999,998	13,999,998	-	-
<b>Total issued capital</b>	<b>85,007,648</b>	<b>23,590,057</b>	<b>107,779,649</b>	<b>39,024,029</b>

#### a) Movement in Ordinary share capital

	31 December 2006 Actual		31 December 2006 Pro Forma	
	Shares	\$	Shares	\$
Balance at the beginning of the period	14	14	55,832,650	2,475,007
Restructure of share capital by share split – 19 October 2006	69,999,993	-	-	-
Share buy back – 28 November 2006	(17,807,357)	(7)	-	-
Share capital issued – 22 December 2006	3,640,000	2,475,000	-	-
Conversion of vested VCR shares	-	-	3,483,334	1,874,232
Restructure of share capital by share split	-	-	4,236,864	-
Conversion of Foundation shares to ordinary shares	-	-	13,999,998	13,999,998
Shares issued to public via float	-	-	17,700,002	17,700,002
Less capital raising costs	-	-	-	(2,266,030)
<b>Balance at the end of the period</b>	<b>55,832,650</b>	<b>2,475,007</b>	<b>95,252,848</b>	<b>33,783,209</b>

#### b) Movement in VCR share capital

	31 December 2006 Actual		31 December 2006 Pro Forma	
	Shares	\$	Shares	\$
Balance at the beginning of the period	-	-	15,175,000	7,115,052
Share capital issued under Employee Ownership Plan - 31 December 2006	15,175,000	7,115,052	-	-
Conversion of vested VCR shares to ordinary shares	-	-	(3,483,334)	(1,874,232)
Restructure of share capital by share split	-	-	835,135	-
<b>Balance at the end of the period</b>	<b>15,175,000</b>	<b>7,115,052</b>	<b>12,526,801</b>	<b>5,240,820</b>

### c) Movement in Foundation share capital

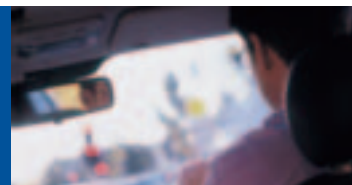
**d) Movement in income preference share capital**

## Terms and conditions

Refer to Section 8.1 of the Prospectus for detailed descriptions of the terms and conditions of the above classes of shares.

### NOTE 15: RETAINED PROFITS

	31 December 2006 Actual	31 December 2006 Pro Forma
	\$	\$
Retained profits at the beginning of the period	21,728,705	21,728,705
Net profit attributable to members of the entity	4,429,910	4,429,910
Dividends provided for or paid	(910,000)	(2,096,320)
Share buy-back	(2,589,350)	(2,589,350)
Retained profits at the end of the period	22,659,265	21,472,945



**SLATER & GORDON LIMITED**  
**NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

**NOTE 16: COMMITMENTS AND CONTINGENCIES**

	<b>31 December 2006</b>	<b>31 December 2006</b>
	<b>Actual</b>	<b>Pro Forma</b>
	<b>\$</b>	<b>\$</b>
<b>Operating lease commitments</b>		
Non-cancellable operating leases contracted but not capitalised in the financial statements:		
Within one year	3,176,405	3,176,405
One year or later and not later than five years	6,038,038	6,038,038
Greater than 5 years	8,753	8,753
	<hr/> 9,223,196	<hr/> 9,223,196
 Bank guarantees in respect of rental properties	 <hr/> 807,573	 <hr/> 807,573

The proceedings identified in the 30 June 2006 financial accounts between the firm and Paul Mulvany (and associated entities) were successfully defended. There is no further exposure of the firm.

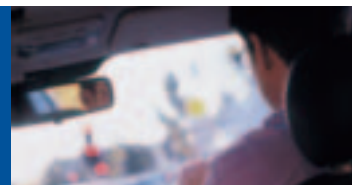
There is no current or threatened litigation of a material nature in which Slater & Gordon is involved.

**(a) Interest rate risk**

The entity'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:

						Fixed interest rate maturing in:					
							1 year or less	1 to 5 years	More than 5 years	Total	
	Weighted average interest rate	Non interest bearing	Variable interest rate				2006 Actual \$	2006 Proforma \$	2006 Actual \$	2006 Proforma \$	
i) Financial assets											
Cash	3.88	-	-				366,615	-	-	366,615	
UCR share loans receivable	4.15	7,093,764	-				1,746,547	-	-	1,746,547	
										7,093,764	
Total financial assets		7,093,764	-				366,615	-	-	7,460,379	
ii) Financial liabilities											
Bank overdraft	9.35	-	-4,029,716				-	-	-	4,029,716	
Commercial bills	7.14	-	-				1,000,000	6,000,000	-	16,315,000	
Total financial liabilities	7.08	-	-4,029,716				1,000,000	6,000,000	-	20,344,716	





## SLATER & GORDON LIMITED NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

### NOTE 17: FINANCIAL INSTRUMENTS (continued)

#### (b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date recognised as financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

#### (c) Net Fair Values

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

### NOTE 18: CASH FLOW INFORMATION

6 months ended 31 December 2006	12 months ended 30 June 2006	12 months ended 30 June 2005
\$	\$	\$

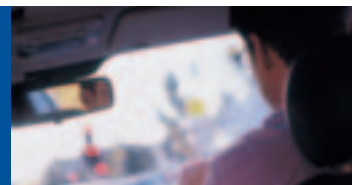
#### (a) Reconciliation of cash

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 period as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

Cash on hand	366,615	1,394,814	3,581,722
Bank overdraft	(4,739,040)	(5,846,406)	(5,701,001)
	<u>(4,372,425)</u>	<u>(4,451,592)</u>	<u>(2,119,279)</u>





## SLATER & GORDON LIMITED NOTES TO HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

### NOTE 19: RELATED PARTY TRANSACTIONS

#### Service agreements

The Legal Profession Acts in South Australia and Queensland, at the date of this report, do not allow for an Incorporated Legal Practice with non-lawyer shareholders and directors to offer legal services in those jurisdictions. The sharing of receipts generated by legal practices in those jurisdictions with non-lawyers is also prohibited.

Andrew Grech practices as a sole practitioner in Adelaide and Brisbane. Slater & Gordon provides Andrew Grech with access to a business premises in each location, plant and equipment, non-legal employees, certain services and the right to use certain intellectual property (including the name "Slater & Gordon") under the Service Agreements.

In return Andrew Grech pays Slater & Gordon quarterly service and licence fees (which are included in the Other Income of Slater & Gordon). The quantum of the service fees is based on the level of service provided by Slater & Gordon. The quantum of the licence fees is recalculated on a quarterly basis, and is adjusted by reference to the value contributed to the practices in Adelaide and Brisbane by the Company and the Slater & Gordon brand.

Slater & Gordon is required to assist Andrew Grech to maintain a sufficient level of professional indemnity insurance and reimburse him for any premiums or excesses paid in respect of this insurance.

Slater & Gordon also indemnifies Andrew Grech for any losses suffered by him arising directly or indirectly from:

- any breach of the Service Agreements by Slater & Gordon;
- any wilful, unlawful, negligent act or omission of Slater & Gordon or the employees of Slater & Gordon;
- any property owned by or under the control of Slater & Gordon, or its employees or clients (including as a result of theft);
- the employment or engagement of Slater & Gordon's employees; and
- otherwise in connection with Slater & Gordon's provision of or failure to provide the services in accordance with the Service Agreements.

Service and licence fees charged to Andrew Grech and included in Other Income amount to \$650,000 for the six months ended 31 December 2006 (\$1,086,902 – normalised 30 June 2005; \$1,338,646 – normalised 30 June 2006).

#### Director-related shareholdings

Details of the Shares held by each Director are as follows:

Director	Interest in Shares before the Offer	%	Interest in Shares After the Offer	%
Peter Gordon	14,624,341	16.3%	9,957,675	9.2%
Andrew Grech	14,878,308	16.5%	10,211,642	9.5%
Ken Fowlie	7,773,559	8.6%	6,819,721	6.3%

### NOTE 20: SUBSEQUENT EVENTS

There have been no material events occur subsequent to the end of the half-year that require recognition in the half-year financial statements.



Pitcher Partners Corporate Pty Ltd  
 ABN: 28 082 323 868  
 AFSL: 229841

Level 19  
 15 William Street  
 MELBOURNE VIC 3000  
 Tel: +61 (0) 3 8610 5000

## Financial Services Guide

13 April 2007

### What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided by Pitcher Partners Corporate Pty Ltd. The use of "we", "us" or "our" is a reference to Pitcher Partners Corporate Pty Ltd as the holder of Australian Financial Services Licence ("AFSL") No. 229841. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide.
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

### Information about us

We have been engaged by Slater & Gordon Limited to give general financial product advice in the form of a report to be provided to you in connection with a financial product to be issued by another party. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us by writing to GPO Box 5193, MELBOURNE VIC 3001, or by telephone on +61 (0) 3 8610 5000.

Pitcher Partners Corporate Pty Ltd is ultimately owned by the Victorian partnership of Pitcher Partners, a provider of audit and assurance, accounting, tax, corporate advisory, insolvency, superannuation, investment advisory and consulting services. Directors of Pitcher Partners Corporate Pty Ltd are partners of Pitcher Partners.

The Victorian partnership of Pitcher Partners is an independent partnership of Pitcher Partners. As such, neither it nor any of the other independent partnerships has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the name "Pitcher Partners", or other related names.

The financial product advice in our report is provided by Pitcher Partners Corporate Pty Ltd and not by the Victorian partnership of Pitcher Partners or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, we and the Victorian partnership of Pitcher Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

### What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide general financial product advice only in respect of securities, derivatives, debentures, stocks or bonds issued or proposed to be issued by a government and interests in managed investment schemes including investor directed portfolio services and deposit and payment products limited to basic deposit products and deposit products other than basic deposit products.

### Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure

Statement ("PDS") or offer document provided by the issuer of the financial product. The purpose of the PDS is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS will include details such as the risks, benefits and costs of acquiring the particular financial product.

### How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Pitcher Partners Corporate Pty Ltd nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee is \$45,000 exclusive of GST and expenses and will also be disclosed in the relevant PDS or offer document prepared by the issuer of the financial product.

All of our employees receive a salary with partners also having an equity interest in the partnership. We do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### What should you do if you a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Managing Partner  
 Pitcher Partners  
 GPO Box 5193  
 MELBOURNE VIC 3001

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service  
 GPO Box 579  
 Collins Street West  
 MELBOURNE VIC 8007  
 Telephone: 1300 780 808  
 Fax: +61 3 9621 2291  
 Internet: <http://fics.asn.au>

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630  
 Email: [info@asic.gov.au](mailto:info@asic.gov.au)  
 Internet: <http://www.asic.gov.au/asic/asic.nsf>

# section seven

Risk Factors



This Section identifies some of the major risks associated with an investment in Slater & Gordon. Before deciding to apply for Shares, you should read this Prospectus in full to ensure that you fully understand these risks.

In addition to general risks which affect any investment in shares, there are a number of specific risks which may affect the future operating and financial performance of Slater & Gordon and the outcome of an investment in Slater & Gordon. Some of these risks may be mitigated by the Company's systems and internal controls, but many are outside the control of the Company. There can be no guarantee that the Company will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate.

The list set out below is not necessarily exhaustive. You should specifically consider the risk factors contained within this Section and the other information contained in this Prospectus in light of your own personal circumstances and seek professional advice from your financial advisor, lawyer, accountant or stockbroker before deciding whether to invest in the Company.

## 7.1 PROFESSIONAL LIABILITY AND UNINSURED RISKS

Slater & Gordon provides legal advice. Therefore, like any law firm, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients such as claims under the Trade Practices Act. As well as the risk of financial damage, such claims also carry a risk of damage to the Company's reputation. Although Slater & Gordon holds professional liability insurance, this insurance may not cover all potential claims or may not be adequate to indemnify the Company for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or that are in excess of Slater & Gordon's insurance coverage could have a material adverse effect on Slater & Gordon's business and financial condition.

## 7.2 GOVERNMENT ACTIONS AND LEGAL DEVELOPMENTS

Slater & Gordon is subject to significant regulatory and legal oversight. The Company's business operations could be adversely affected by actions of the State, Territory and Commonwealth Governments and changes in government legislation, guidelines and regulations.

The Company is exposed to regulatory change in the areas of law in which the Company practices, such as personal injuries, torts and employment law, and is also exposed to regulatory changes in the laws that regulate the Company, such as tax law, accounting standards and the Legal Profession Acts in each State and Territory.

Importantly, Slater & Gordon, as an Incorporated Legal Practice, is subject to regulation by the regulator of lawyers in the States and Territories in which it practises. The regulators' powers include the right, in certain circumstances, to disqualify lawyers from practice. Additionally, it is a requirement of the Legal Profession Acts that a person who is disqualified from practice as a lawyer may not have any financial interest in an Incorporated Legal Practice. There are certain safeguards built into the Constitution to assist Slater & Gordon to comply with this requirement. The Constitution is summarised in Section 8.2.

In general, the extent to which legal and regulatory changes might affect Slater & Gordon's business is difficult to predict. Any such changes may detrimentally affect revenue, require increased capital and/or operating expenditures and could prevent or delay certain acquisitions or growth initiatives by the Company, any of which could have a material adverse effect on its business and financial condition.

## 7.3 ACQUISITION RISK

One component of the Company's growth strategy is to expand its operations by acquiring other legal practices. There can be no assurance that this strategy will be successful.

There is a risk that the Company will not be able to complete all acquisitions successfully within the identified parameters and time frames. Additionally, competition for acquisitions from rival law firms may impact upon the success of this acquisition strategy. The risk may manifest itself in at least two ways – by reducing the pool of acquisition targets available and by raising price expectations.

Following the acquisition of target law firms, Slater & Gordon will attempt to integrate the firm and begin to share common systems, procedures and controls. The integration of such firms may be difficult and will involve significant risks, including:

- the potential disruption of the ongoing operations of Slater & Gordon;
- a potential strain on financial and managerial controls and reporting systems and procedures;
- greater than anticipated costs and expenses related to any restructuring;
- potential unknown liabilities associated with the acquisition and the combined operations of acquired firms; and
- clients not consenting to the transfer of their files to the Company, having regard to the fact that they are not required and cannot be compelled to do so.

In addition, differences in the culture of Slater & Gordon and that of any target firms could present significant obstacles to the timely and cost-effective integration of the acquired firm.

Any significant delay in achieving integration could also have a material adverse effect on Slater & Gordon.



# Risk Factors

## 7.4 GROWTH RISK

A further component of the Company's growth strategy is to diversify its operations beyond the areas of law traditionally practised by the Company. There is no guarantee that this strategy will be successful. The Company may not be able to hire appropriate lawyers to develop new practice groups, and may not be successful in attracting clients to new areas. The Company may also incur greater than anticipated costs and expenses related to any diversification in the services offered. Such difficulties may result in the Company failing to achieve forecasted rates of growth or profitability which could materially impact on the success of the Company.

## 7.5 PERSONNEL

Slater & Gordon, as a law firm, is a professional services provider, and therefore heavily reliant on its ability to attract new key personnel and retain existing key personnel. The market for high quality lawyers (particularly at the more junior levels) is very competitive, and the Company may experience difficulty in hiring employees with appropriate qualifications and experience.

Further, the Company heavily relies on existing key personnel (including the Vendor Shareholders) to maintain business and client relationships. If Slater & Gordon is unable to retain and motivate these key employees, the Company's profitability could be harmed. This risk may be mitigated in part by the measures described in Sections 4.4 and 4.5 (including the Shareholders Agreement and confirmations from Vendor Shareholders) and by encouraging key employees to participate in the ownership of the Company through the Employee Ownership Plan. However key personnel cannot be prevented from ceasing employment with the Company.

In particular, the departure of any one or more of the Vendor Shareholders would be likely to have an adverse affect on the Company's operations. In addition, the mitigating measures may not be sufficient or effective to prevent a key shareholder from Disposing of their Shares, or to compel or convince a key shareholder to continue employment. The measures relating to the Vendor Shareholders do not give the Company any right or power to restrict Disposal, or recover loss that may arise from a Vendor Shareholder's departure. The utility of the confirmations in Section 4.4.3 as a mitigating measure in this regard is limited for the reasons described in that Section.

## 7.6 LARGE HOLDINGS BY EXISTING AND EMPLOYEE SHAREHOLDERS

After the completion of the Offer, Existing Shareholders in the Company will own or control approximately 56% of the shares in the Company (calculated on a fully diluted basis) being 63.2% of the Shares. Three of these Existing Shareholders will be on the Board and have significant influence over the management of the Company. Additionally, 11 of the Existing Shareholders will continue as members of the Company's leadership team, the National Executive.

In some circumstances the interests of these Shareholders may diverge from the interests of other Shareholders. Additionally, these large shareholdings reduce the likelihood of a takeover of the Company. There are measures in place that limit the ability of the Existing Shareholders to deal in their Shares, however any sell down after the restrictions are lifted could adversely impact the market price of the Shares. The departure of key Existing Shareholders (and particularly the Vendor Shareholders) could also have an adverse affect on the Company's future growth and profitability. In addition the measures may affect the ability of a prospective bidder to secure a pre-bid stake in the Company.

## 7.7 COMPETITION

The Company competes with other legal firms that also offer personal injury and other legal services. Slater & Gordon competes on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price. However, there is no assurance that competitors will not succeed in developing and offering legal services that are more effective, economic or otherwise more desirable than those being offered by the Company.

In addition, the Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are adopted by those competitors to capture market share. Such price competition could result in revenue reductions, reduced margins, and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position. There is also a risk that some Slater & Gordon clients may prefer to be represented in the future by law firms which are not listed on the ASX.

## 7.8 REPUTATION

The success of Slater & Gordon's business depends on the maintenance of good client relationships and its reputation for providing high-quality professional services. If Slater & Gordon does not meet a client's expectations, or if Slater & Gordon is involved in litigation or claims relating to its performance in a particular matter, the reputation of the Company could be significantly damaged. The reputation of the Company could also be damaged through Slater & Gordon's involvement (as an adviser or as a litigant) in high profile or unpopular legal proceedings. Slater & Gordon may be required to incur legal expenses in defending itself against any litigation arising in, or out of, such cases and may also incur significant reputational and financial harm if such litigation is successful or if the Company receives negative press coverage.

## 7.9 INTELLECTUAL PROPERTY RIGHTS AND BRAND NAME

The Company regards its brand name, trademarks, domain names, trade secrets and similar intellectual property as important to its success. The Company's business has been developed with a strong emphasis on branding. Should the brand name of Slater & Gordon be damaged in any way or lose market appeal, the Company's business could be adversely impacted.

While the Company will use all reasonable endeavours to protect its intellectual property rights, unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Company.

## 7.10 INFORMATION SYSTEMS

The Company is exposed to the risk of catastrophic loss to computer equipment or other facilities that would have a serious impact on the Company's operations. Some of the Company's growth plans are based on its ability to apply its existing infrastructure (including information technology systems) across a growing business. The Company can give no assurance that all such risks will be adequately covered by its existing systems or its insurance policies to prevent an adverse effect on the Company's financial performance.

## 7.11 EMPLOYEE MISCONDUCT

Slater & Gordon is exposed to the risk of employees engaging in misconduct, including by improperly using or disclosing confidential client information. Employee misconduct could result in considerable harm to Slater & Gordon's reputation, as well as regulatory sanctions and financial damage.

Slater & Gordon is subject to regulation by the regulator of lawyers in the States and Territories in which it practises. The regulators' powers include the right, in certain circumstances, to disqualify lawyers from practice.

## 7.12 CONFLICT OF DUTIES

Lawyers have a primary duty to the courts and a secondary duty to their clients. These duties - including the attendant responsibilities such as client confidentiality and the rules relating to legal professional privilege - are paramount given the nature of the Company's business as an Incorporated Legal Practice. There could be circumstances in which the lawyers of Slater & Gordon are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of Shareholders and the short-term profitability of the Company.

## 7.13 OPERATIONAL RISK

While Slater & Gordon has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events.

A further operational risk is that a client or clients may terminate the services of the Company at any time, for any reason.

## 7.14 MARKET CONDITIONS

The market price of Shares in the Company may fluctuate due to various factors, including:

- Australian and international economic conditions, inflation and interest rates and equity market conditions;
- investor perceptions; and
- movements in global equity markets including as a result of hostilities, terrorist activity or political instability.

## 7.15 ECONOMIC RISKS

General economic conditions may negatively affect the Company's performance and the performance of the Shares. Any protracted slow down in economic conditions or factors such as movements in inflation or interest rates and industrial disruption may have a negative impact on the Company's costs and revenue. These changes could adversely affect Slater & Gordon's operations and earnings, and impact on the pricing of the Shares.

## 7.16 LIQUIDITY

There can be no guarantee that an active market in the Shares will develop or that the price of Shares will increase. There may be relatively few potential buyers or sellers of Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is more or less than the \$1.00 Offer Price.

## 7.17 INVESTMENT RETURNS

The Shares offered pursuant to this Prospectus carry no guarantee with respect to dividends, return of capital or the price at which the Shares may trade in the future. (There are statements made in this Prospectus about the current intention of Directors in respect of the final 2007 dividend and the Company's dividend policy for 2008 and beyond. See Section 2.4 for details). Investment in the Company is speculative. If you are in any doubt about investing in Slater & Gordon, you should seek advice from your financial advisor, lawyer, accountant or stockbroker.

# section eight

Additional Information







## 8.1.2 Restrictions on trading in Shares by Existing Shareholders

### 8.1.2.1 Share Trading Policy

Slater & Gordon has adopted a Share Trading Policy. The Policy is intended to reinforce the Corporations Act prohibitions and establish a best practice procedure in relation to dealings in Slater & Gordon's Shares by Directors and Senior Executives of Slater & Gordon (and their associates).

Directors and Senior Executives (and any other employee who has regular access to confidential financial information relating to the Company) will only be permitted to deal in Shares with the prior written approval of the Chair (or in the case of Senior Executives, with the prior written approval of the Managing Director) during the following trading windows:

- within the six week period commencing 24 hours after Slater & Gordon releases its half yearly results to the ASX;
- within the six week period commencing 24 hours after Slater & Gordon releases its full year results to the ASX; and
- within the period commencing 24 hours after Slater & Gordon lodges its annual report with the ASX through to six weeks after the holding of Slater & Gordon's Annual General Meeting.

Outside of these trading windows, Directors and Senior Executives must receive clearance from the Chair or Managing Director for any proposed dealing in Shares in Slater & Gordon with such clearance only to be granted in exceptional circumstances.

In all instances, buying or selling Shares in Slater & Gordon is not permitted at any time by any person who possesses non-public price sensitive information.

### 8.1.2.2 Binding Commitments - restrictions on Disposal that apply to Existing Shareholders other than Vendor Shareholders

In addition to the Slater & Gordon Share Trading Policy, certain additional restrictions will be placed on the ability of Existing Shareholders other than Vendor Shareholders to deal in their Shares. The restrictions are contained in Binding Commitments or in the Employee Ownership Plan, and apply under one of those two documents to each Existing Shareholder other than the Vendor Shareholders.

The purpose of the disposal restrictions in the Binding Commitments is to encourage the relevant employees, particularly senior employees, to remain with Slater & Gordon by providing a legal and commercial incentive for their employment to continue by linking their ability to realise their shareholding in Slater & Gordon with their continued employment.

There are two categories of Existing Shareholders for the purposes of these Binding Commitments.

#### Persons associated with acquired firms

Shares are also held by individuals associated with some of the firms that have been acquired by Slater & Gordon. These individuals are not participating in any sell-down pursuant to this Prospectus. After Listing, they will be subject to the following restrictions:

- They may not deal in any of their Shares after Listing until the first to occur of the time that is 24 hours after Slater & Gordon releases to the ASX its results for 2008, and 30 September 2008.
- After this period, the number of Shares that these Shareholders can sell in any year is limited. In the first period after the release of 2008 results, 80% of a Shareholder's Shares will be restrained from sale. This percentage reduces to zero over a five year period (subject to minimum holding requirements).
- They will be required to maintain a minimum level of shareholding for as long as they remain in employment. The minimum is calculated on the lower of 5 times their annual salary and 20% of their shareholding at the time of Listing.
- If they cease to be employed by Slater & Gordon, they may forfeit or be required to dispose of some or all of their Shares. The ramifications of a departure from employment are linked to the circumstances surrounding that departure.

#### Employee Shareholders

Some employees who have participated in the Employee Ownership Plan also hold Shares. These Shares are converted VCR Shares. There are restrictions that apply to employee Shareholders under the Employee Ownership Plan, as well as a form of Binding Commitment that employee Shareholders will be required to sign once the restrictions under the Employee Ownership Plan cease to apply. The Employee Ownership Plan and the restrictions on VCR Shares and converted VCR Shares are described in Section 8.1.3.

### 8.1.2.3 Restrictions on Disposal - Vendor Shareholders

#### Shareholders Agreement

The Vendor Shareholders have entered into an agreement with each other pursuant to which they have agreed to comply with the following restrictions.

- They may not Dispose of any of their Shares after Listing until the first to occur of the time that is 24 hours after Slater & Gordon releases to the ASX its results for 2008, and 30 September 2008.
- After this period, the number of Shares that a Vendor Shareholder can sell in any year is limited. In the first period after the release of 2008 results, 80% of a Vendor Shareholder's Shares will be restrained from sale. This percentage reduces to zero over a five year period (subject to minimum holding requirements).
- They will be required to maintain a minimum level of shareholding for as long as they remain in employment. The minimum is calculated on the lower of 5 times their annual salary and 20% of their shareholding at the time of Listing.
- If they cease to be employed by Slater & Gordon, 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 Shareholders Agreement also contains an indemnity whereby each Vendor Shareholder indemnifies the other Vendor Shareholders in respect of losses caused by that Vendor Shareholder's breach of the agreement or breach of the confirmations made by that Vendor Shareholder under Section 4.4.2 of this Prospectus.

The consequence of a breach of the Disposal restrictions in the Shareholders Agreement is that the defaulting Vendor Shareholder can be compelled to transfer the balance of his or her Shareholding to the other Vendor Shareholders for nominal consideration. The Vendor Shareholders have agreed that damages will not be a sufficient or adequate remedy in the event of breach of the Shareholders Agreement, and that the parties will be entitled to injunctive relief in respect of a breach.

As noted in Section 4.4 above, 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.

The effect of the Shareholders Agreement is that the Vendor Shareholders have a 'Relevant Interest' in each others' Shares (as that term is defined in the Corporations Act).

#### Confirmations

The Vendor Shareholders have made representations in this Prospectus in relation to their Shares as set out in Section 4.4.2. There are limitations on the utility of these representations as a restriction on the ability of the Vendor Shareholders to Dispose of their Shares, as noted in Section 4.4.2.

### 8.1.3 Employee Ownership Plan

The Employee Ownership Plan provides employees of Slater & Gordon with an opportunity to participate in the ownership of the Company.

#### Invitation and Eligibility

The Board has the authority to invite employees of Slater & Gordon to participate in the Employee Ownership Plan and subscribe for VCR Shares. VCR Shares are vesting, converting, and redeemable shares in the capital of the Company. Slater & Gordon does not propose to apply for the VCR Shares to be listed on the ASX.

#### Plan

The Employee Ownership Plan 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.





The Employee Ownership Plan 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, Redemption and Conversion**

VCR Shares do not carry rights to participate in issues by Slater & Gordon or to receive any dividends paid by Slater & Gordon 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 Slater & Gordon 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 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 Slater & Gordon 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 period of three years 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 Employee Ownership Plan 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 Slater & Gordon. 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 Shares.
- If they cease to be employed by Slater & Gordon, 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 Disposed of. During the period of three years following vesting and conversion of a VCR Share, converted VCR Shares may not be Disposed of, though an exception applies for a takeover or scheme of arrangement relating to the Company that meets certain conditions set out in the Employee Ownership Plan.

## **Amendment**

Where a variation to the Employee Ownership Plan is likely to have a material adverse effect on the rights of the Employee Ownership Plan participants then such a variation will require the approval of the holders of more than 50% of the Shares which have been issued by the Company pursuant to the Employee Ownership Plan.

## **Taxation**

Participants in the Employee Ownership Plan are responsible for any taxation implications arising from their participation in the Employee Ownership Plan.

## **Details of VCR Shares issued to date**

All issues of VCR Shares made to date have been issued in three tranches, which vest and convert over three years. The period during which comprehensive restrictions will apply to the Disposal of each tranche of VCR Shares issued to date has also been three years. Thus, a tranche of VCR Shares that vests, say, one year after issue, would be subject to the comprehensive disposal restrictions in the Employee Ownership Plan for three years, and thereafter the employee Shareholder Binding Commitment would apply. As at the date of this Prospectus, VCR Shares constitute 13.9% of the issued capital in Slater & Gordon. After Listing they will constitute approximately 11.6%. 32 employees currently participate in the Employee Ownership Plan.

## 8.2 CONSTITUTION AND RIGHTS ATTACHING TO SHARES

Shares issued or allocated pursuant to this Prospectus will be fully paid ordinary shares in the capital of Slater & Gordon, ranking equally with all other issued Shares. The rights attaching to Shares are set out in the Constitution and in certain circumstances are regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

A summary of the rights attaching to the Shares and certain provisions of the Constitution is set out below. This summary is not intended to be exhaustive. Investors who wish to inspect the Constitution may do so during the Offer Period at the registered office of Slater & Gordon during normal business hours.

### **Incorporated Legal Practice**

The Constitution provides that the Company is an Incorporated Legal Practice. Under the terms of the Constitution, the Directors must ensure that the Company complies with the Legal Profession Acts, Regulations and Professional Conduct Rules, and that the Company provides legal services in accordance with the professional obligations imposed on lawyers by the Legal Profession Acts, Regulations and Professional Conduct Rules.

The Constitution states that where an inconsistency or conflict arises between the duties of the Company (and the duties of the lawyers employed by the Company), the Company's duty to the Court will prevail over all other duties and the Company's duty to its clients will prevail over the duty to Shareholders.

### **Shareholder Restrictions**

The Legal Profession Acts prohibit "disqualified persons" from having a financial interest in an Incorporated Legal Practice.

Under the Legal Profession Acts in New South Wales, Western Australia and Victoria, a "disqualified person" is (broadly) a person:

- whose name has (whether or not at their own request) been removed from an Australian roll and they have not subsequently been admitted or re-admitted to the legal profession; or
- suspended, disqualified or otherwise prohibited from engaging in legal practice in any place (whether in or outside Australia); or
- whose Australian practising certificate has been suspended or cancelled and, because of the cancellation, that person is not an Australian legal practitioner or in relation to whom that suspension has not finished; or
- refused a renewal of an Australian practising certificate, and that person has not been granted an Australian practising certificate at a later time; or
- the subject of an order prohibiting a law practice from employing or paying them in connection with the relevant practice; or
- the subject of an order prohibiting an Australian legal practitioner from being their partner in a business that includes the provision of legal services; or
- the subject of an order disqualifying them from managing an Incorporated Legal Practice or prohibiting them from being a partner in a multidisciplinary partnership.

If you think you may be a 'disqualified person' you should seek independent legal advice prior to investing in Slater & Gordon.

The Constitution contains provisions which entitle the Board to enforce this restriction by:

- requiring a member to provide information as to whether they are a disqualified person;
- refusing to register a transfer of shares where the Board is aware that a transfer may result in a contravention of the Legal Profession Acts; and
- selling the shares of a member where the Board is satisfied that the member is a disqualified person and the member has failed to dispose of the shares within one month after receiving notification from the Company that the member is a disqualified person.

By applying for Shares, you agree to be bound by the Constitution, including the powers of the Board set out above. In particular you acknowledge that the Board's exercise of these powers may cause you disadvantage (and the Board may disregard such disadvantage) and that you will have no right of action against the Board or the Company for any loss stemming from the Board's exercise of its powers in order to comply with the Legal Profession Acts.

### **Voting at a General Meeting**

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

### **Meetings of Members**

Each Shareholder is entitled to receive notice of, attend and vote at meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

# Additional Information



## **Dividends**

The Board may from time to time resolve to pay dividends to Shareholders out of the profits of the Company and fix the amount of the dividend, whether the dividend is franked, the franking percentage and the franking class, the time for determining entitlements to the dividend and the timing and method of payment. The person entitled to a dividend on a Share is entitled to the entire dividend if the Share is fully paid or a proportionate amount if the Share is partly paid.

## **Transfer of Shares**

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASTC Settlement Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the Listing Rules or the ASTC Settlement Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Listing Rules. The Board may also refuse to register a transfer in the circumstances where the Board is aware that the transfer may result in a contravention of the Legal Profession Acts (as discussed above). The Board must refuse to register a transfer of Shares when required by the Listing Rules.

## **Issue of Further Shares**

Subject to the Corporations Act, the Listing Rules, the Constitution and any rights and restrictions attached to a class of shares, the Company may issue, grant options in respect of, or create new classes of further shares on such terms and conditions as determined by the Directors.

## **Winding Up**

If the Company is wound up, then subject to any rights or restrictions attached to a class of shares, any surplus must be divided among the Company's members in the proportion to the amount paid up (including amounts which ought to have been paid up) on the shares of a member to the total amount paid (and payable) on the shares of all members of the Company.

## **Share Buy Backs**

Subject to the Corporations Act and the Listing Rules, the Company may buy back shares in itself on terms and at times determined by the Board.

## **Proportional Takeover Provisions**

The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by a special resolution of the Shareholders in general meeting by the date that is three years from the date of the Constitution's adoption.

## **Variation of Class Rights**

At present, the Company has Shares and VCR Shares on issue. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied:

- with the consent in writing of the holders of three quarters of the issued shares included in that class; or
- with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

## **Dividend Reinvestment Plan, Dividend Selection Plan and Bonus Share Plan**

The Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any member may elect that the dividends payable by the Company be reinvested by subscription for securities) and a dividend selection plan and bonus share plan (whereby any member may elect to receive a dividend paid in whole or in part out of a particular fund or reserve or out of profits derived from a particular source, or to forego any dividends and to receive instead some other entitlement, including shares).

## **Indemnities**

To the extent permitted by law, the Company may indemnify current and past Directors and secretaries of the Company and its subsidiaries against a liability incurred by the person acting in that capacity and against legal costs incurred by that person in defending proceedings for such a liability.

## **Alteration of Constitution**

The Constitution can only be amended by special resolution passed by at least three quarters of Shareholders present and voting at a general meeting of the Company. The Company must give at least 28 days written notice of a general meeting of the Company.

## **8.3 MATERIAL CONTRACTS**

### **8.3.1 Underwriting Agreement**

The Offer is underwritten by Austock pursuant to an underwriting agreement dated on or about the date of this Prospectus between the Company and Austock. The Underwriting Agreement is summarised below.

#### **Commission, fees and expenses**

Subject to completion of the Offer, the Company has agreed to pay Austock an underwriting commission equal to 4% of the total amount raised under the Offer.

In addition to the commission, the Company has agreed to reimburse Austock for certain agreed costs and expenses incurred by Austock in relation to the Offer.

#### **Termination Events**

Austock may terminate its obligations by notice to the Company in the following circumstances, provided that, in the reasonable opinion of Austock, one of the following events has or would have a materially adverse effect on the Offer or that event could create a criminal liability for Austock, its officers or employees, or could lead to civil liability for Austock, its officers or employees under the Corporations Act exceeding \$10,000.

Before Austock exercises its termination rights Austock must (to the extent practical) consult with the Company.

The termination events are:

- (a) either the All Ordinaries Index or the S&P ASX200 Index of ASX is, for three consecutive Business Days, at a level which is 90% or less than the level at the close of trading on the date of the Agreement;
- (b) certain changes of law occur, or a policy is adopted by certain agencies, which does or is likely to prohibit, restrict or regulate the Offer;
- (c) a material contract of the Company (referred to in Section 8.3) is without the consent of Austock materially breached by the Company or the Vendor Shareholders, terminated, significantly altered or amended or is found to be void or voidable;
- (d) ASX refuses to admit the Company to the Official List;
- (e) condition 7 of Listing Rule 1.1 in relation to the holders of Shares will not be satisfied;
- (f) any of the Vendor Shareholders or the Company is in default of any of the terms and conditions of the Agreement or in breach of warranty and the default or breach is either incapable of remedy or is not remedied within five Business Days after it occurs;
- (g) any of the Vendor Shareholders or the Company fails to comply with its constitution, any law, a requirement of ASIC or any governmental agency or any agreement to which it is a party;
- (h) the Company alters its capital structure or amends its constitution without the prior written consent of Austock;
- (i) the Company seeks approval from its shareholders to give financial assistance without the prior written consent of Austock;
- (j) the Company or any of the Vendor Shareholders ceases or threatens to cease to carry on its business or disposes or agrees to dispose of a substantial part of its business or property, without the prior written consent of Austock;
- (k) there is an outbreak or a major escalation in hostilities involving Australia, the United Kingdom, the United States of America, the Peoples Republic of China, any of the republics formerly comprising the Union of Soviet Socialist Republics, Japan, Israel, Indonesia or any member country of the Organisation of Petrol Exporting Countries;
- (l) a materially adverse change occurs or may occur in relation to the Offer or the financial or trading position of the Company;
- (m) the Prospectus contains a misleading or deceptive statement, has a material omission or does not comply with section 710(1) of the Corporations Act, the Listing Rules or any other applicable laws or regulations;
- (n) a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time or a statement in the Prospectus becomes misleading or deceptive;
- (o) a matter referred to in section 719 of the Corporations Act occurs in respect of the Prospectus or Austock reasonably forms the view that a supplementary or replacement document must be lodged with ASIC under section 719 of the Corporations Act and the Company and Vendor Shareholders do not lodge a supplementary or replacement document in the form, with the content and within the time reasonably required by Austock;
- (p) ASIC issues a stop order or an interim stop order under section 739 of the Corporations Act or applies for an order under section 1324B of the Act (to disclose information or publish advertisements) and the application is not dismissed or withdrawn before the Closing Date;
- (q) a person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- (r) any person (other than Austock) who consented to being named in the Prospectus withdraws that consent;
- (s) a Director, the Managing Director, the Chief Financial Officer or the Chief Operating Officer of the Company is charged with an indictable offence relating to a financial or corporate matter;
- (t) the office of a Director, the Managing Director, the Chief Financial Officer or the Chief Operating Officer of the Company is terminated or that person resigns their office in circumstances where Austock (acting reasonably) assesses there to be a material effect on the Offer;
- (u) any Vendor Shareholder or the Company appoints a receiver, manager or administrator over its assets, suspends payments of its debts, becomes unable to pay its debts, is presumed insolvent under section 459C of the Corporations Act, enters into an arrangement with its creditors or is subject to an application or order for winding up or dissolution;
- (v) any Vendor Shareholder or the Company charges or agrees to charge, the whole, or a substantial part of its business or property without the consent of Austock (except for a charge referred to in the Prospectus);
- (w) any materially adverse change occurs in the financial or trading position of the Company; or
- (x) any other event occurs which has, or is likely to have, a materially adverse effect on the Offer.

The issue of this Prospectus in replacement of the Original Prospectus does not constitute a termination event for the purposes of the Underwriting Agreement.



## Termination Fee

If, after the lodgement of this Prospectus with ASIC, the Company or the Vendor Shareholders withdraw from or terminate the Underwriting Agreement, or if Austock withdraws from or terminates the Agreement for any of the reasons set out above (save for the events described in paragraph (a), (b) or (k)), the Company must pay Austock a termination fee of \$100,000.

If Austock terminates the Underwriting Agreement because any of the events described in paragraphs (a), (b) or (k) occur, Austock and the Company must negotiate in good faith to proceed with the Offer until 31 December 2007. The Company is not required to pay any termination fee unless it (or the Vendor Shareholders) appoints a person other than Austock to underwrite a new offer of shares in Slater & Gordon during this period.

## Warranties

The Company has given certain warranties to Austock relating to matters such as conduct by the Company prior to the Offer and information provided by the Company in relation to this Prospectus and the Offer. The warranties are subject to any disclosures made by the Company in a disclosure letter.

## Indemnities

The Company gives Austock (and Austock's directors, officers, employees and advisers) extensive indemnities in relation to the warranties given under the Underwriting Agreement, this Prospectus, and the Offer.

### 8.3.2 Service Agreements

The Legal Profession Acts in Queensland and South Australia do not currently allow for an Incorporated Legal Practice with non-lawyer shareholders and directors to offer legal services in those jurisdictions. The sharing of receipts generated by legal practise in those jurisdictions with non-lawyers is also prohibited.

Andrew Grech practises as a sole practitioner in Adelaide and Brisbane. Slater & Gordon provides Andrew Grech with access to a business premises in each location, plant and equipment, non-legal employees, certain services and the right to use certain intellectual property (including the name "Slater & Gordon") under the Service Agreements.

In return Andrew Grech pays Slater & Gordon quarterly service and licence fees (which are included in the Net Fee Revenue of Slater & Gordon). The quantum of the service fees is based on the level of service provided by Slater & Gordon. The quantum of the licence fees is re-calculated on a quarterly basis, and is adjusted by reference to the value contributed to the practices in Adelaide and Brisbane by the Company and the Slater & Gordon brand.

Slater & Gordon is required to assist Andrew Grech to maintain a sufficient level of professional indemnity insurance and reimburse him for any premiums or excesses paid in respect of this insurance.

Slater & Gordon also indemnifies Andrew Grech for any losses suffered by him arising directly or indirectly from:

- any breach of the Service Agreements by Slater & Gordon;
- any wilful, unlawful, negligent act or omission of Slater & Gordon or the employees of Slater & Gordon;
- any property owned by or under the control of Slater & Gordon, or its employees or clients (including as a result of theft);
- the employment or engagement of Slater & Gordon's employees; and
- otherwise in connection with Slater & Gordon's provision of or failure to provide the services in accordance with the Service Agreements.

### 8.3.3 Employment Agreements

Each Executive Director and Practice Group Leader is employed by the Company pursuant to a standard employment agreement. The employment agreements are not of fixed term, but are terminable by the Company for cause, or by either party by giving written notice. Under their respective employment agreements, the seven Vendor Shareholders are each entitled to receive remuneration in the range of \$225,000 to \$375,000 per annum (including superannuation but excluding bonuses).

The employment agreements contain a restraint of trade which applies for a period of 12 months (or, in the case of a direct competitor of Slater & Gordon, 24 months for some employees) after the cessation of employment. The employment agreements also prevent employees making use of the Company's confidential information after their employment ceases and contain an acknowledgement that the Company owns all intellectual property created by the relevant employee. The employment agreements do not necessarily disincentivise an employee from ceasing employment with Slater & Gordon. However each current Executive Director and Practice Group Leader who is an Employee Ownership Plan Participant is subject to consequences which flow from the cessation of their employment, pursuant to the restrictions, Shareholders Agreement, Binding Commitments or Employee Ownership Plan, as relevant. Those restrictions and documents are summarised in Sections 8.1.2 and 8.1.3.

## 8.4 TAXATION CONSIDERATIONS

The Australian taxation consequences of any investment in Shares will depend upon your particular circumstances. You should make your own enquiries concerning the taxation consequences of an investment in Slater & Gordon. If you are in doubt as to the course you should follow, you should consult your financial advisor, lawyer, accountant or stockbroker.

The Directors expect that Slater & Gordon will be taxed in Australia as a public company.



## 8.5 DIRECTORS

### 8.5.1 Appointment and removal

Under the Constitution, the minimum number of Directors is three. As an Incorporated Legal Practice, Slater & Gordon is required to have at least one Director who is a lawyer at all times.

Directors are elected and can be removed at annual general meetings of the Company. Any Director who has held office no later than the longer of the third annual general meeting or three years following that Director's last election or appointment (excluding the Managing Director), must retire at each annual general meeting of the Company. A Director retiring by rotation may, subject to certain restrictions, offer themselves for re-election.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

### 8.5.2 Directors' Indemnification

The Company has entered into deeds of indemnity, insurance and access with each Director and the Company Secretary.

To the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act, the Company must:

- continuously indemnify each Director and Company Secretary against any liability (including liability for costs and expenses) incurred as a Director or Secretary of the Company; and
- maintain adequate insurance to cover such liabilities (subject to customary exclusions and any other items where coverage is not available to the Company on reasonable terms).

The Company has also agreed to reimburse each Director and the Company Secretary for \$5,000 in independent advice costs and provide access to board documents circulated during the Director or Secretary's term in office.

### 8.5.3 Directors' Interests

Other than as set out in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- a) the promotion or formation of Slater & Gordon;
- b) property acquired or proposed to be acquired in connection with its promotion or formation of the Offer; or
- c) the Offer of Shares under this Prospectus.

Other than as set out in this Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- a) to induce them to become, or to qualify them as, a Director; or
- b) for services rendered by them in connection with the formation or promotion of Slater & Gordon or the Offer.

Details of the Shares held by each Director are as follows:

Director	Interest in Shares before the Offer	% fully diluted (including Shares and VCR Shares)	Interest in Shares after the Offer	% fully diluted (including Shares and VCR Shares)	% Shares
Peter Gordon	14,624,341	16.3%	9,957,675	9.2%	10.5%
Andrew Grech	14,878,308	16.5%	10,211,642	9.5%	10.7%
Ken Fowle	7,773,559	8.6%	6,819,721	6.3%	7.2%

As at the Prospectus Date, Anna Booth and Ian Court do not own any Shares. If they purchase any Shares pursuant to or following the Offer, Slater & Gordon will, in accordance with the Listing Rules, notify ASX of any such purchases within five business days of the Listing.

### 8.5.4 Remuneration

Non-Executive Directors (including the Chair) will collectively be paid from a fixed sum out of the funds of Slater & Gordon as remuneration for their services as Directors. The fixed sum has been set by the Board at a maximum of \$500,000 per annum. Following Listing, this amount can only be increased by the passing of an ordinary resolution of Shareholders. The Board does not expect to allocate the entire fixed sum in the short term. The Board has determined that an aggregate maximum amount of \$500,000 is appropriate as it will allow for the possible appointment of further Non-Executive Directors to the Board.

In addition to any fees, Slater & Gordon will also pay the Non-Executive Directors' superannuation contributions up to an amount necessary to meet the minimum level of superannuation contributions required under any applicable legislation.





Any Non-Executive Director who is called upon to perform services for Slater & Gordon which, in the opinion of the Board, are outside the scope of their ordinary duties, may be paid a fixed sum determined by the Board for the provision of such services.

All Directors will be paid travelling and other expenses properly incurred by them in attending meetings of the Board, or any committee of the Board, or general meetings of Slater & Gordon, or otherwise in connection with the business of Slater & Gordon.

In 2007, Anna Booth will be paid fees at a rate of \$116,500 per annum inclusive of superannuation. This includes a fee of \$6,500 for her role as a member of the Audit, Compliance and Risk Management Committee. Ian Court will be paid fees at a rate of \$67,500 per annum inclusive of superannuation. This includes a fee of \$12,500 for his role as chair of the Audit, Compliance and Risk Management Committee.

## 8.6 INTERESTS OF PROFESSIONAL ADVISERS AND PROMOTERS

Other than as set out in this Prospectus:

- no person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus or as a promoter of Slater & Gordon has, or during the last two years prior to the date of the Offer has had, an interest in:
  - the formation or promotion of Slater & Gordon;
  - any property acquired or proposed to be acquired by Slater & Gordon in connection with its formation or promotion or the Offer; or
  - the Offer under this Prospectus; and
- no amount has been paid or agreed to be paid and no value or any benefit has been given or agreed to be given to any person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services in connection with the formation or promotion of Slater & Gordon or the Offer under this Prospectus.

### 8.6.1 Lead Manager

The fees and other expenses payable by Slater & Gordon to Austock are described in Section 8.3.1.

### 8.6.2 Lawyers to the Offer

Arnold Bloch Leibler has acted as lawyers to the Offer, has performed work in relation to legal due diligence enquiries and advised Slater & Gordon generally in relation to the Offer. Slater & Gordon estimates that it will pay approximately \$350,000 (excluding disbursements and GST) to Arnold Bloch Leibler in respect of these services provided up to the Prospectus Date.

### 8.6.3 Accounting

Pitcher Partners has acted as Slater & Gordon's statutory auditor and has performed an audit review of the financial statements for the six month period ending 31 December 2006. Slater & Gordon has agreed to pay Pitcher Partners \$35,000 (excluding disbursements and GST) in respect of these services.

PPC has prepared the Investigating Accountant's Report on the forecast results for 2007 and 2008. Slater & Gordon estimates that it will pay approximately \$45,000 (excluding disbursements and GST) to PPC in respect of these services.

### 8.6.4 Share Registry

Computershare Investor Services Pty Ltd has been engaged to maintain Slater & Gordon's Share Registry, both in relation to the Offer and generally. Slater & Gordon will pay the Share Registry fees in accordance with its standard commercial terms. The Share Registry has had no involvement in the preparation of any part of this Prospectus other than being named as Slater & Gordon's Share Registry. The Share Registry has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

## 8.7 CONSENTS TO BE NAMED IN PROSPECTUS

Written consents to being named in this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Austock has given, and has not before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in the Prospectus as Underwriter and Lead Manager to the Offer in the form and context so named. Austock has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus.
- Pitcher Partners has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Slater & Gordon's statutory auditor in the form and context in which it is named. Pitcher Partners has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the audited financial statements referred to in this Prospectus.

- Arnold Bloch Leibler has given, and has not before lodgement of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus as Lawyers to the Offer in the form and context so named. Arnold Bloch Leibler has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus.
- PPC has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in this Prospectus as the Investigating Accountant in relation to this Prospectus in the form and context in which it is included and to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 6 in the form and context in which it is included. PPC has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus and has not made, nor purports to have made, any statement other than the Investigating Accountant's Report.
- Computershare Investor Services Pty Limited has given and, as the date of this Prospectus, has not withdrawn, its written consent to be named as the Share Registry in the form and context in which it is named. The Share Registry has had no involvement in the preparation of this Prospectus other than being named as the Share Registry. The Share Registry has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.
- Each of Anna Booth, Ian Court, Andrew Grech, Peter Gordon and Ken Fowlie has given, and has not before lodgement of this Prospectus with ASIC, withdrawn their consent to being named as Slater & Gordon's Directors.
- Pakes Research has given, and has not before lodgement of this Prospectus with ASIC withdrawn its consent to being named as the entity that carried out the 2004 brand survey and to the insertion of the references in this Prospectus to that survey, in the form and context so named. Pakes Research has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus.

No entity referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the entities and persons referred to above expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus. This applies to the maximum extent permitted by law but does not apply to any matter to the extent to which consent is given above.

## 8.8 COSTS OF THE OFFER

The total estimated costs of the Offer, including fees payable to the Underwriter under the Underwriting Agreement, legal, accounting, taxation, listing fees, Share Registry, printing, mailing and other expenses are currently estimated to be approximately \$2.3 million. All of these costs will be paid by Slater & Gordon from the proceeds of the Offer.

## 8.9 LITIGATION AND CLAIMS

As far as the Directors are aware, other than the matters discussed below, there is no current or threatened litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature in which Slater & Gordon is directly or indirectly involved.

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 judgment 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 judgment was subsequently set aside by the Victorian Court of Appeal.

In November 2006, British American Tobacco Australia Services Limited 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 proceedings seek to permanently restrain Slater & Gordon (and Peter Gordon) from publishing, disseminating and/or using certain documents relating to the McCabe proceedings which BAT claim contain confidential information and/or communications subject to legal professional privilege.

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

The level of Slater & Gordon's financial exposure in relation to these proceedings is at this stage uncertain, however the Board does not currently consider that Slater & Gordon's exposure to the payment of BAT's costs or any other financial exposure under these proceedings is material or likely to materially impact on Slater & Gordon's operations or financial results during the forecast period.

Slater & Gordon has recently become aware that a writ has been issued in the Supreme Court of Western Australia against the predecessor firm of Slater & Gordon in Western Australia. No proceedings have been served on the Company as at the date of this Prospectus. The claim under the writ alleges professional negligence and breach of client contract by the predecessor firm in Western Australia, in defending a client in proceedings issued by a bank against that client for recovery under a personal guarantee. Slater & Gordon's professional indemnity insurers have been notified of the potential claim.

# Additional Information



The Directors will vigorously defend the proceedings if they are served and, as at the date of this Prospectus, do not consider that the claim, if substantiated, would have a material impact on Slater & Gordon's operations and that any liability should be covered by professional indemnity insurance.

## 8.10 ASX RELIEF

ASX has confirmed that on receipt of a listing application from the Company it would be likely to approve the terms of the VCR Shares as being appropriate and equitable under Listing Rule 6.1, and approve the VCR Shares as an additional class of Ordinary Shares for the purposes of Listing Rule 6.2 on the following conditions:

- This Prospectus is required to contain a summary of the Employee Ownership Plan and the terms and conditions of the VCR Shares (see Section 8.1.3).
- The VCR Shares are not quoted.
- The VCR Shares are only transferable with the Company's written consent.
- The VCR Shares have no voting or dividend rights, subject to the Corporations Act, until the relevant performance criteria are satisfied and they are converted into ordinary shares of the Company on a 1 for 1 basis.
- The Company makes an announcement on the last business day of every month in which any VCR Shares are converted into ordinary shares stating the number of VCR Shares converted or redeemed during that month (if any); the number of VCR Shares on issue; and the number of converted VCR Shares that have been bought back or forfeited pursuant to the terms and conditions of the Employee Ownership Plan.
- The Company undertakes that it will disclose in each annual report for the periods in which the VCR Shares remain on issue, a summary of the Employee Ownership Plan and the terms and conditions of the VCR Shares, the number of VCR Shares on issue, the number of VCR shares that have been converted or redeemed during that period, and the number of converted VCR Shares that have been bought back or forfeited during that period.

## 8.11 DOCUMENTS AVAILABLE

Copies of the Constitution, and the Consents listed in Section 8.7 are available for inspection free of charge between 9.00am and 5.00pm AEST, Monday to Friday, at the Company's registered office during the Offer Period.

## 8.12 STATEMENT OF DIRECTORS

The Directors report that after due enquiries by them, in their opinion since the date of the Historical Financial Information in Section 5, there have not been any circumstances that have arisen that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of Slater & Gordon other than as disclosed in this Prospectus.

## 8.13 AUTHORISATION FOR ISSUE OF PROSPECTUS

The issue and lodgement of this Prospectus has been authorised and consented to by each of the Directors of the Company and each of the Vendor Shareholders.

Each Vendor Shareholder has consented to being named in this Prospectus as a Vendor Shareholder and to the inclusion of the confirmations and representations made by the Vendor Shareholders in this Prospectus, including without limitation those set in Section 4.4.2 and the lodgement of this Prospectus with ASIC and its issue, and has not withdrawn that consent.

This issue and lodgement of this Prospectus has been approved by the unanimous resolution of the Board and the Directors have authorised Andrew Grech to sign this Prospectus on their behalf.

Andrew Grech

13 April 2007

# section nine

## Glossary



# Glossary



20##	A reference to a year is a reference to the financial year ending on 30 June of that year.
ACTU	Australian Council of Trade Unions.
AIFRS	The Australian equivalents to International Financial Reporting Standards.
Application	An application for Shares in the Offer made on an Application Form and accompanied by the relevant Application Monies.
Application Form	The form attached to or accompanying this Prospectus (including the electronic form in the online Prospectus) pursuant to which you may apply for Shares.
Application Monies	The monies payable in connection with an Application, being the amount of money accompanying an Application Form.
ASIC	Australian Securities and Investments Commission.
ASTC Settlement Rules	The settlement rules of the ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Stock Exchange.
Austock	Austock Corporate Finance Limited (ABN 26 101 074 015).
Binding Commitments	The Binding Commitments between certain Existing Shareholders and the Company under which those Shareholders agree to escrow arrangements as set out in Section 8.1.2.
Board	The Board of Directors of Slater & Gordon.
Broker Firm Offer	Invitation under this Prospectus to Australian resident retail clients of brokers who have received a firm allocation from the Underwriter (or a broker appointed by the Underwriter) as described in Section 2.7(a).
Chair	The Chair of Slater & Gordon, being Anna Booth.
CHESS	Clearing House Electronic Subregister System operated in accordance with the Corporations Act.
CHESS Approved Securities	Has the meaning given to it in the ASTC Settlement Rules.
Closing Date	5:00pm on Friday 4 May 2007 for both the Broker Firm Offer and for the Institutional Offer, unless otherwise agreed by the Vendor Shareholders, Slater & Gordon and the Underwriter.
Comcare	The Australian Federal Government agency responsible for workplace safety, rehabilitation and compensation of Commonwealth employees.
Company	Slater & Gordon Limited (ABN 93 097 297 400).
Constitution	The constitution of Slater & Gordon summarised in Section 8.2.
Core Business	The core business of Slater & Gordon, namely the Personal Injury and Non Personal Injury practice areas (and excludes Project Litigation).
Corporations Act	Corporations Act 2001 (Commonwealth).
Directors	The directors of Slater & Gordon.
Disposal	Means: (a) any sale, transfer, encumbrance or other disposal of any entitlement to, or legal, beneficial or equitable interest in any Shares (including, without limitation, by way of gift or trust or grant of option); and (b) any agreement for such sale, transfer, encumbrance or disposal, and "Dispose" and "Disposing" will be construed accordingly.
EBIT	Earnings before interest and tax.
Employee Ownership Plan	The Slater & Gordon Employee Ownership Plan summarised in Section 8.1.3.
Enterprise Value	Enterprise value of the Company on Listing which is equal to the sum of Market Capitalisation and the Net Debt as at that date.
Executive Directors	An executive Director of Slater & Gordon.
Existing Shareholders	The holders of Shares in the Company as at the date of this Prospectus. These shareholders include the Vendor Shareholders and the other employees of Slater & Gordon who hold ordinary Shares.
Expiry Date	The date that is 13 months after the Prospectus Date.
Exposure Period	The seven day period from the date of this Prospectus (excluding public holidays), plus any further period of extension by ASIC.
Forecast Financial Information	Has the meaning in Section 5.1.
Foundation Shares	The shares held prior to Listing by three of the Vendor Shareholders (namely Peter Gordon, Andrew Grech and Paul Henderson). These shares will be converted into ordinary Shares according to their terms prior to Listing.
Historical Financial Information	Has the meaning in Section 5.1.
Incorporated Legal Practice	A corporation that is permitted to provide legal services under the Legal Profession Acts.
Institutional Offer Application	Institutional and professional investors who apply for Shares under the Institutional Offer.



Institutional Offer	The invitation under this Prospectus to certain institutional and professional investors as described in Section 2.7(b).
Investigating Accountant	Pitcher Partners Corporate Pty Ltd (ABN 28 082 323 868) (also "PPC").
James Hardie Inquiry Lawyers	The Special Commission of Inquiry into the Medical Research and Compensation Foundation. People who are permitted to practice law in Australia.
Listing	The listing of the Company on the ASX.
Legal Profession Acts	The Acts that regulate the activities of lawyers in each State and Territory.
Listing Rules	The listing rules of the ASX.
Managing Director	Managing Director of Slater & Gordon, being Andrew Grech.
Market Capitalisation	Total market value of the Company on the ASX at Listing calculated on a fully diluted basis, including all Shares, and VCR Shares.
Net Debt	Interest bearing liabilities after deducting cash or cash equivalents.
Net Fee Revenue	Fees charged to clients and service and licence fees invoiced under the Service Agreements (relating to Adelaide and Brisbane), net of invoiced fee and disbursement write offs.
Non-Executive Director	A non-executive Director of Slater & Gordon.
NPAT	Net profit after tax.
NPBT	Net profit before tax.
Offer	The offer of Shares under this Prospectus.
Offer Period	The periods from the date on which the Offer opens until the Closing Date.
Offer Price	\$1.00 per Share.
Official List	The official list of the ASX.
Original Prospectus	The prospectus in relation to the Offer that was lodged with ASIC on 2 April 2007 and that is replaced by this Prospectus.
PPC	Pitcher Partners Corporate Pty Ltd (ABN 28 082 323 868) (also 'Investigating Accountant').
Project Litigation	Litigation run by Slater & Gordon where a number of claimants are involved, such as a class action or a major project.
Prospectus	This replacement prospectus in relation to the Offer that was lodged with ASIC on 13 April 2007 (including the electronic version of this prospectus) and replaces the Original Prospectus.
Prospectus Date	13 April 2007.
Retained Shares	The Shares which the Vendor Shareholders have represented that they will retain as set out in Section 4.4.2.
Senior Executives	The Chief Financial Officer, Chief Operating Officer, Group Accountant and Human Resources Manager of the Company, all Practice Group Leaders, the members of the National and State Executive Committees, and all associates of Senior Executives.
Service Agreements	The service and licence agreements between Andrew Grech and the Company, which provide for Andrew Grech to practise in Adelaide and Brisbane as a sole practitioner under the Slater & Gordon name. The Service Agreements are summarised in Section 8.3.2.
Settlement	The date on which the Shares are allocated or transferred to successful applicants.
Shareholder	An owner of Shares.
Shareholders Agreement	The Agreement between the seven Vendor Shareholders regarding the Disposal of their Shares.
Shares	Fully paid ordinary shares in the capital of Slater & Gordon (including converted VCR Shares).
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Share Trading Policy	The Share Trading Policy of the Company which applies to the Company's Directors and Senior Executives.
Slater & Gordon	Slater & Gordon Limited (ABN 93 097 297 400) and where a reference is made to Slater & Gordon in the context of events or matters occurring before 2001 those references shall be construed as references to the law firm Slater & Gordon.
Slater & Gordon Legal Helpline	The dedicated 1800 call centre established by the Company to receive and handle client enquiries.
States and Territories	The States and Territories of Australia.
Underwriting Agreement	The agreement between the Company and Austock summarised in Section 8.3.1.
VCR Shares	Vesting Converting Redeemable ordinary shares issued to some of the Company's employees under the Employee Ownership Plan.
Vendor Shareholders	The Existing Shareholders who are selling Shares pursuant to this Prospectus, namely Marcus Clayton, Cath Evans, Ken Fowlie, Peter Gordon, Andrew Grech, Paul Henderson and Hayden Stephens.
WIP	Work in progress. Work in progress is discussed in more detail in Sections 5 and 6.





# Slater & Gordon Limited

ABN 93 097 297 400

Registry Use Only

## Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the Prospectus in full before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

Broker Code

Adviser Code

### A I/we apply for

Number of Shares in Slater & Gordon Limited at \$1.00 per Share or such lesser number of Shares which may be allocated to me/us

### B I/we lodge full Application Money

A\$

### C Individual/Joint Applicants - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

### D Enter your postal address - Include State and Postcode

Unit Street Number Street Name or PO Box /Other Information

City / Suburb / Town

State

Postcode

### E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

( )

### F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on this Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares allocated as a result of the IPO will be held on the Issuer Sponsored Subregister.

## Cheque details - Make your cheque or bank draft payable to "Slater & Gordon Share Offer"

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<div></div>	<div></div>	<div></div>	<div></div>	A\$ <div></div>

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<div></div>	<div></div>	<div></div>	<div></div>	A\$ <div></div>

### H Declaration

Before completing this Application Form you should read the Prospectus relating to the Offer in full. By completing and lodging this Application Form you:

- (a) agree that your Application is made on and subject to the terms of the Prospectus and the Constitution of Slater & Gordon Limited;
- (b) agree to take any number of Shares that may be allocated to you pursuant to the Prospectus;
- (c) agree to bound by the Constitution of Slater & Gordon Limited;
- (d) declare that all details and statements you have made in this Application Form are complete and accurate; and
- (e) declare that you are not a Disqualified Person.

Please mark this box with an "X" if you agree to the above:

X

It is not necessary to sign this Application Form.

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See back of form for completion guidelines

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# How to complete this form



**A**

## Shares Applied for

Enter the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares. Applications for greater than 2,000 Shares must be in multiples of 1,000 Shares.

**B**

## Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

**C**

## Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

**D**

## Postal Address

Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

**E**

## Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

**F**

## CHES

Slater & Gordon Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to you in respect of Shares allocated. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allocated to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allocation, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

**G**

## Payment

Make your cheque or bank draft payable to "The Slater & Gordon Share Offer" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

**Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.**

**H**

## Declaration

Slater & Gordon Limited is an Incorporated Legal Practice. The legislation that regulates Incorporated Legal Practices in each of the jurisdictions that Slater & Gordon Limited practises in, prohibits the sharing of receipts from legal practice with a person who is disqualified from practising as a lawyer. By completing this Application Form you will provide a declaration that you are not a "Disqualified Person."

You are a Disqualified Person and may not apply for Shares if:

- your name has (whether or not at your own request) been removed from an Australian roll and you have not subsequently been admitted or re-admitted to the legal profession; or
- you are suspended, disqualified or otherwise prohibited from engaging in legal practice in any place (whether in or outside Australia); or
- your Australian practising certificate has been suspended or cancelled and, because of the cancellation, you are not an Australian legal practitioner or in relation to whom that suspension has not finished; or
- you have been refused a renewal of an Australian practising certificate, and you have not been granted an Australian practising certificate at a later time; or
- you are the subject of an order prohibiting a law practice from employing or paying you in connection with the relevant practice; or
- you are the subject of an order prohibiting an Australian legal practitioner from being your partner in a business that includes the provision of legal services; or
- you are the subject of an order disqualifying you from managing an Incorporated Legal Practice or prohibiting you from being a partner in a multidisciplinary partnership.

If you are unsure as to whether you are a Disqualified Person you should seek legal advice before completing this Application Form.

## Lodgement of Application

Application Forms must be received at the Melbourne office of Austock Corporate Finance Ltd no later than 5.00pm AEST on 4 May 2007.

Return the Application Form with cheque(s) attached to:

Austock Corporate Finance Ltd  
PO BOX 263  
Collins Street West  
Melbourne VIC 8007

OR

Austock Corporate Finance Ltd  
Level 1  
350 Collins Street  
Melbourne VIC 3000

Personal information is collected on this Application Form by Austock Corporate Finance Ltd and will be passed onto Computershare Investor Services Pty Limited ("CIS") as Slater & Gordon's Share Registry. CIS will hold and use your personal information for the purpose of maintaining Slater & Gordon's share register, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to CIS' related bodies corporate, to external service companies such as print or mail services providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by Slater & Gordon in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS on 1300 850 505.

**If you have any enquiries concerning your Application, please contact Austock Corporate Finance Ltd on 1800 806 362.**

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

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# Slater & Gordon Limited

ABN 93 097 297 400

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Registry Use Only

Broker Code

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Number of Shares in Slater & Gordon Limited at \$1.00 per Share or such lesser number of Shares which may be allocated to me/us

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### C Individual/Joint Applicants - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

### D Enter your postal address - Include State and Postcode

Unit Street Number Street Name or PO Box /Other Information

City / Suburb / Town

State

Postcode

### E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

### F CHESS Participant

Holder Identification Number (HIN)

Please note that if you supply a CHESS HIN but the name and address details on this Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares allocated as a result of the IPO will be held on the Issuer Sponsored Subregister.

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### G

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

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**E Contact Details**  
Enter your contact details. These are not compulsory but will assist us if we need to contact you.

**F CHES**  
Slater & Gordon Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to you in respect of Shares allocated. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allocated to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allocation, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

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Make your cheque or bank draft payable to "The Slater & Gordon Share Offer" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

**Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.**

**H Declaration**  
Slater & Gordon Limited is an Incorporated Legal Practice. The legislation that regulates Incorporated Legal Practices in each of the jurisdictions that Slater & Gordon Limited practises in, prohibits the sharing of receipts from legal practice with a person who is disqualified from practising as a lawyer. By completing this Application Form you will provide a declaration that you are not a "Disqualified Person."

You are a Disqualified Person and may not apply for Shares if:

- (a) your name has (whether or not at your own request) been removed from an Australian roll and you have not subsequently been admitted or re-admitted to the legal profession; or
- (b) you are suspended, disqualified or otherwise prohibited from engaging in legal practice in any place (whether in or outside Australia); or
- (c) your Australian practising certificate has been suspended or cancelled and, because of the cancellation, you are not an Australian legal practitioner or in relation to whom that suspension has not finished; or
- (d) you have been refused a renewal of an Australian practising certificate, and you have not been granted an Australian practising certificate at a later time; or
- (e) you are the subject of an order prohibiting a law practice from employing or paying you in connection with the relevant practice; or
- (f) you are the subject of an order prohibiting an Australian legal practitioner from being your partner in a business that includes the provision of legal services; or
- (g) you are the subject of an order disqualifying you from managing an Incorporated Legal Practice or prohibiting you from being a partner in a multidisciplinary partnership.

If you are unsure as to whether you are a Disqualified Person you should seek legal advice before completing this Application Form.

## Lodgement of Application

Application Forms must be received at the Melbourne office of Austock Corporate Finance Ltd no later than 5.00pm AEST on 4 May 2007. Return the Application Form with cheque(s) attached to:

Austock Corporate Finance Ltd PO BOX 263 Collins Street West Melbourne VIC 8007	OR	Austock Corporate Finance Ltd Level 1 350 Collins Street Melbourne VIC 3000
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Personal information is collected on this Application Form by Austock Corporate Finance Ltd and will be passed onto Computershare Investor Services Pty Limited ("CIS") as Slater & Gordon's Share Registry. CIS will hold and use your personal information for the purpose of maintaining Slater & Gordon's share register, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to CIS' related bodies corporate, to external service companies such as print or mail services providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by Slater & Gordon in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS on 1 300 850 505.

If you have any enquiries concerning your Application, please contact Austock Corporate Finance Ltd on 1800 806 362.

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

**Slater &  
Gordon**  
*Lawyers*

**Share Registry**  
Computershare Investor Services  
Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067  
Telephone : 1300 850 505

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