Slater & Gordon Limited

Annual Report 2007-2008

Over its 73 year history Slater & Gordon has developed a reputation for fighting for the rights of its clients and delivering results, often breaking new legal ground to do so. Today Slater & Gordon is one of the best known names in the Australian legal market with a rapidly growing presence in most states and territories.

Slater & Gordon
Lawyers

Contents

	PAGE
The Year in Brief	1
Chair's Report	3
Managing Director's Report	4
Overview of Slater & Gordon	9
Business Overview	10
Business by State	12
Our History	14
Slater & Gordon and the Community	16
Corporate Governance	18
Board of Directors	29
Financial Statements for the Year Ended 30 June 2008	31

07 | 08

The Year in Brief

Financial highlights

- NPAT of $15.1 million, up 34.0% on prospectus forecast
- NPAT up 41.8% year on year
- Year on year revenue up 26.7% to $79.7 million

Business highlights

- Completed the acquisition of nine practices during the year
- Increased revenue from outside Victoria to 42.6% of total in line with jurisdiction diversification strategy
- Increased range and volume of non-personal injury legal services
- Considerably strengthened position in class actions
- Continued to build national brand recognition

Results summary

	2008 $000's	2007 $000's	Change
Total Revenue	**79,715**	62,933	+26.7%
Earnings Before Interest and Tax	**21,741**	16,434	+33.0%
Net Profit Before Tax	**21,741**	15,386	+41.3%
Net Profit After Tax	**15,104**	10,655	+41.8%
Earnings per share			
Basic EPS (cents)	**15.3**	16.2	
Diluted EPS (cents)	**13.8**	12.9	
***Alternative Basic EPS (cents)**	**14.8**	11.2	
***Alternative Diluted EPS (cents)**	**13.5**	9.9	

* Due to the significant share restructuring before and at the listing of the Company in 2007, an alternative basic and diluted EPS has been calculated to give a like for like comparison of the two years

Slater & Gordon

Anna Booth
Chair

Andrew Grech
Managing Director

Chair's Report

Dear Shareholder

On behalf of the board of Slater & Gordon Limited, it is my pleasure to present the Annual Report of our company for its first full year as a publicly listed entity.

It is pleasing to report that we have comfortably exceeded the forecast in the prospectus for our May 2007 listing. To a degree it is even more pleasing that we have exceeded the growth projections we set in our internal strategy documents several years before listing. This reinforces our confidence in our market assessment and strategic planning processes and in our ability to deliver against our plans.

We have now completed our strategic planning for the period up to 2012 and the general thrust of our strategy remains unchanged. We intend to continue to lead the consolidation of the personal injury litigation market, to extend the geographical reach of the business, to expand the range of services we offer our clients and to continue to build the Slater & Gordon brand as a driver of business to all our practices. We will follow that course while maintaining our commitment to providing access to justice for those who may not otherwise be able to obtain such access.

The 2008 financial year has been an exceptionally busy and productive one. While continuing to deliver excellent legal services to our thousands of clients across the country, we have completed nine acquisitions of smaller practices. The process of integrating them into Slater & Gordon has gone well to date, which is a tribute to the thought and planning that went into each transaction from all parties and to the determination of the people involved on both sides to make it work. We will continue to seek out other firms which have the potential to add similar value to Slater & Gordon and our shareholders, but our immediate focus is on making sure those that we have recently acquired are well settled into the organisation.

Our board, led by my fellow independent director Ian Court and myself, continues to place appropriate emphasis on effectively discharging our corporate governance responsibilities and we are confident that we have the policies and compliance mechanisms in place to do so. I also said in the 2007 annual report that it was the board's intention over time to evolve further into a board with a majority of independent directors. I am pleased to report that we expect to be taking another step in that direction by appointing a third independent director during the course of the next several months.

In conclusion I would like to express the thanks of the board to all Slater & Gordon staff members for their dedication to our clients and for their continued contribution to the success of our business.

Yours sincerely,

Anna Booth
Chair

Managing Director's Report

Dear Shareholder

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

When we first set out on our current strategic path back in 2002, part of our motivation for broadening the geographic reach of the business and the scope of services we offer was as a risk management measure. We wanted to reduce our susceptibility to adverse market changes in individual jurisdictions or in particular areas of law.

Where we have got to is much more than that. We have certainly diversified our practice and therefore mitigated any adverse market change risks considerably, but we have also built a much stronger business. We have grown substantially. We have gone from being a predominantly Victorian practice to a truly national one. We have gone from a mostly personal injuries practice to one that can offer an extensive range of legal services to our thousands of clients. Most importantly, I believe that we have been able to do all this without diminishing any of the principles that the Slater & Gordon reputation has been built on – fighting for the rights of our clients and delivering results.

FY 2008 HIGHLIGHTS

- Revenue growth of 26.7% year on year;
- After tax profit of $15.1 million, 34.0% higher than our prospectus forecast and 41.8% higher than the previous year;
- Continued double digit growth in our traditional markets;
- Further geographic spread of the business – revenue generated from outside Victoria increased to 42.6% (up from 37.4% in 2007);
- Increased capacity in non-personal injury practices including commercial litigation, business law, commercial transactions and advice, family law and estate planning through acquisition and recruitment;
- Strong position established in commercial class actions;
- Successful acquisition of nine smaller practices in New South Wales, Queensland, Western Australia and Victoria;
- New offices opened in Gosford (NSW), Southport (Queensland) and Reservoir (Victoria); and
- Continued growth in national brand recognition.

THE YEAR IN REVIEW

When detailing our growth strategy in the April 2007 Prospectus we highlighted the following key elements:

1. Acquisition of personal injuries litigation practices to position Slater & Gordon as the leading legal services provider in that market in Australia;
2. Acceleration of the growth of non-personal injury practices through marketing, recruitment and the acquisition of other practices;
3. Increased investment in marketing and advertising in most states and territories;
4. Investments in selected large scale litigation projects; and
5. Development of the commercial advisory and transactions practice area.

I am pleased to report that we made good progress in each of these areas in the 2008 financial year.

1. Acquisition of Personal Injuries Litigation Practices

We completed the acquisition of the personal injury practices of:

- D'Arcys Solicitors - national military compensation specialists based in Brisbane;
- McClellands – prominent Sydney law firm with strong union referral relationships;
- Nagle & McGuire – Nowra, NSW practice with good growth potential; and
- Quinn & Scattini – acquired the Brisbane firm's professional negligence, commercial class actions and personal injuries practices.

Our most recent acquisition, Secombs, based in the Melbourne suburb of Footscray, also has a strong personal injuries component of their practice.

2. Acceleration of the Growth of Non-personal Injury Practices

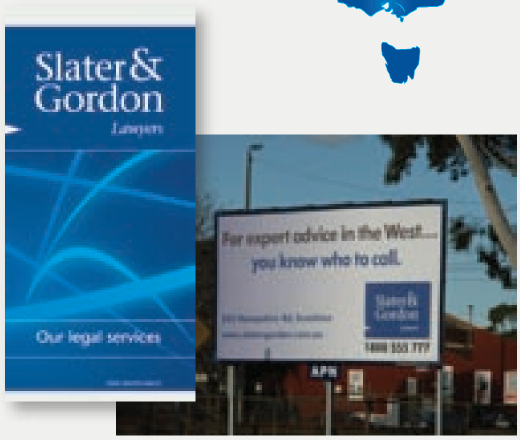
Consistent with our diversification strategy, we continued to grow our business law and private client practices through a combination of acquisition, targeted recruitment and marketing. During the year we have:

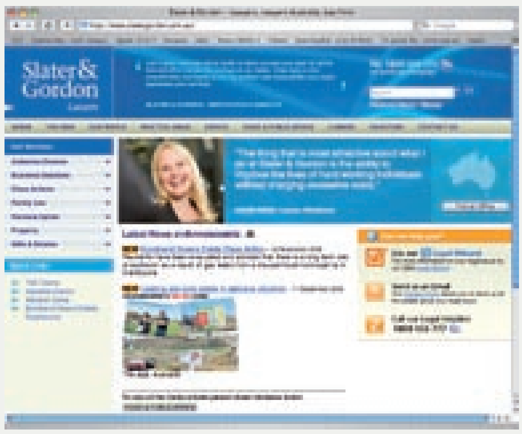
- Acquired the practices of Edwin Abdo and Associates in Bunbury, Western Australia; Crane Butcher McKinnon in Coffs Harbour, New South Wales; Blessington Judd in Sydney and Secombs in Footscray, Victoria. We also acquired part of the practice of Quinn & Scattini in Brisbane. The merging of these practices into Slater & Gordon has not only brought additional capacity into our non-personal injury practices but also some very experienced and well credentialed practitioners who can lead further growth in these areas;
- Recruited additional commercial and commercial litigation lawyers into our Sydney and Melbourne practices; and
- Established family law practices in Sydney, Newcastle and Coffs Harbour (the last mentioned being through the Crane Butcher McKinnon acquisition).

3. Increased Marketing and Advertising

The combination of marketing initiatives tailored for individual practices and expanded national television advertising campaigns resulted in a substantial increase in new client enquiries to our Legal Help Line. On-line enquiries also increased significantly following a major revamp of the Slater & Gordon website in mid 2007.

We have also continued to build on the traditionally strong relationships we have with trade unions, which are our key institutional clients and also provide a valuable source of new client referrals.






Viox Legal Action goes ahead

The Australian law firm investigating legal action on behalf of hundreds of Australians affected by the arthritis drug Vioxx says an overnight US jury decision in favour of the manufacturer Merck is irrelevant to Australian cases.

"Slater & Gordon encourages lawyers to set professional goals whilst providing the necessary framework and training to achieve those goals. This is particularly beneficial for young lawyers who are developing their experience."

Stella Sun
Associate
New South Wales

"I found the culture of Slater & Gordon is one of wanting to help people who find themselves in adverse circumstances. This means the company has a real social conscience and is prepared to "put their money where their mouth is".

Tim Downie
Practice Group Leader
South Australia

"The people are what makes working at Slater & Gordon such a rewarding experience…they are extremely friendly, dynamic and fun. Also, the commitment of management to the development of staff means that there are exciting career opportunities available. You know that at Slater & Gordon you are working with the best there is."

Marisa Urbano
Support Team Leader
Western Australia

4. Investment in Selected Large Scale Litigation Projects

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

- Further progress on the VIOXX class action. Merck, the manufacturers of the arthritis treatment reached a US$5 billion settlement with United States class action claimants who suffered heart attacks and strokes after using the drug. The separate Australian class action, in which we are representing a large number of clients, is expected to go to hearing in 2009;
- Settlement of the Telstra shareholders class action. It is understood that the settlement was the first time that an Australian corporation has paid compensation to investors in connection with an alleged breach of its continuous disclosure obligations following a class action by shareholders;
- Involvement in several other high profile investor actions including the ongoing matters related to the Opes Prime failure and the Centro class action; and
- Development of strong working relationships with several litigation funders.

5. Development of the Commercial Advisory and Transactions Practice

The Edwin Abdo, Crane Butcher McKinnon, Blessington Judd and Secombs acquisitions have added considerably to our commercial advisory and transactions capacity and capability. We expect the national commercial practice to continue to develop strongly in its own right as well as becoming a source of referrals for our commercial litigation practice and an attractive addition to our service offering for our tens of thousands of current and past clients.

"What attracted me to Slater & Gordon is that the company stands up to big business and insurers on behalf of the little guy and gives a powerful voice to ordinary families. Working with friendly and supportive people is also what makes my job enjoyable."

Damian Scattini
Practice Group Leader
Queensland

"I find working at Slater & Gordon particularly enjoyable, as I am part of an energetic and committed team, who share their experience and knowledge with one another."

Dianna Comelli
Lawyer
Victoria

"The integrity of the people who work at Slater & Gordon makes it a satisfying and rewarding workplace. The firm also values the importance of work and life balance which enhances staff morale. "

Jonathan May
Lawyer
Australian Capital Territory

OUR PEOPLE

Of course the common factor behind the delivery of results against each of these strategic objectives and in the overall strong performance of the company is our staff. The attraction, retention and development of high performing staff continue to be top priorities.

Our rapid growth and strong brand recognition and reputation sustain our ability to attract and retain our staff. We have been able to gain skilled and experienced staff through acquisitions of other legal practices and by recruiting individual senior practitioners.

We remain committed to the personal and professional development of our staff and we are clearly starting to see the benefits of initiatives such as the Slater & Gordon Leadership Program, which is now in its third year.

A key strategy in retaining and developing our people is the Employee Ownership Plan. The Ownership Plan, which now has over 40 participants, gives a broader group of employees the opportunity to build a stake in the business over time. It operates as both a short term incentive with annual targets tailored for each participant and as a vehicle to drive sustained performance and support staff retention over the longer term.

FY 2009 OUTLOOK

We will see the full year benefit of revenues from the nine acquisitions completed in 2008. The combined annual revenues of the acquired firms were $17.0 million, of which $7.5 million was booked in 2008.

Margins in the more mature Victorian practice tend to be higher than in other states. A very satisfying aspect of our performance in Victoria has been that it has been achieved by productivity improvement rather than increasing professional fees, allowing us in real terms to pass on savings to our clients. As a disproportionate percentage of our growth will continue to be from outside Victoria, we anticipate that average EBIT margin will come under some pressure as we continue on our expansion path. Over the medium to long term we are confident of our capacity to roll out productivity improvements similar to those we have achieved in Victoria throughout Australia.

We will continue to identify and approach other firms that meet our strict acquisition criteria but for the first half of 2009, our main focus will be on ensuring that those we have recently acquired are well integrated into the organisation and contributing strongly to it. We expect to complete further acquisitions during the year, particularly in the second half.

We will also continue to grow our network of offices, particularly in regional and suburban locations. A new office opened in Sunshine in Melbourne's western suburbs in August as did visiting services in the northern Victorian cities of Shepparton and Wodonga. We also plan to open our first Tasmanian office in Hobart during the year.

We aim to support and accelerate the strong organic growth of the business by investing in extensive advertising and other marketing campaigns in most main centres in which we operate. The Slater & Gordon name, which has been a powerful driver of new client enquiries in Victoria for many years, is progressively acquiring similar status in other states.

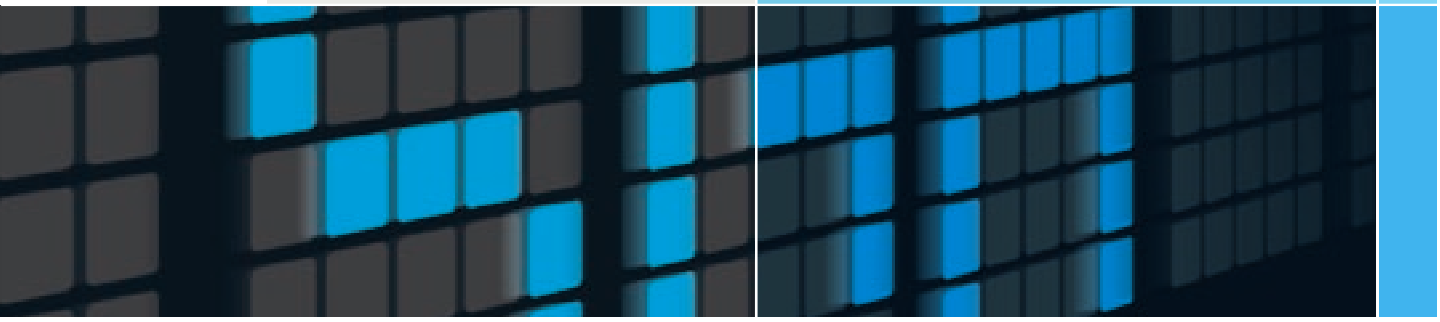
We are well advanced towards the implementation of an upgraded practice management system, which will give us a scaleable technology base on which to grow the business further. It will also provide us the tools to assist us to deliver operational efficiency savings over the next few years.

In conclusion I would like to thank our many thousands of clients for putting their trust in us. I would also like to sincerely thank all of our staff, new and old, for their dedication to providing the best possible legal service to those clients and for their personal contributions to another strong year for Slater & Gordon.

Yours sincerely

Andrew Grech
Managing Director

Overview of Slater & Gordon



Business Overview

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.

PERSONAL INJURY PRACTICES

Around 75% of revenue comes from personal injury work with most of that performed on a No Win - No Fee™ basis where fees are paid on the successful conclusion of the client's matter. This can take anywhere from one year to four years. Slater & Gordon lawyers have a very high success rate for their clients in No Win - No Fee™ matters.

The company 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;
- Total and Permanent Disability Insurance Claims; 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 with strong national reputations in their fields.

NON-PERSONAL INJURY PRACTICE AREAS

Around 25% of the company’s core business (i.e. excluding Project Litigation) comes from outside the personal injury practices. Unlike those practices, most of the work for clients in the non-personal injury practices is performed on a fee per service, typically hourly rate, basis.

Slater & Gordon has a long standing Industrial and Employment Law practice and in more recent years the company’s diversification strategy has also driven growth in other non-personal injury practices.

The company now has practices in the following areas of law:

- Advisory - the company is quickly building its capacity to handle this work through acquisition and recruitment to both complement the Commercial Litigation practice through cross referrals and to offer a more complete range of legal services to existing and new clients. The areas covered by the Advisory practice include regulatory compliance and corporate governance advice, property and business transactions and estate planning;
- Commercial Litigation, which covers a wide range of commercial disputes including those involved with businesses, property, franchising, financial services, insurance and shareholder actions;
- Family Law;
- 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; and
- 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.

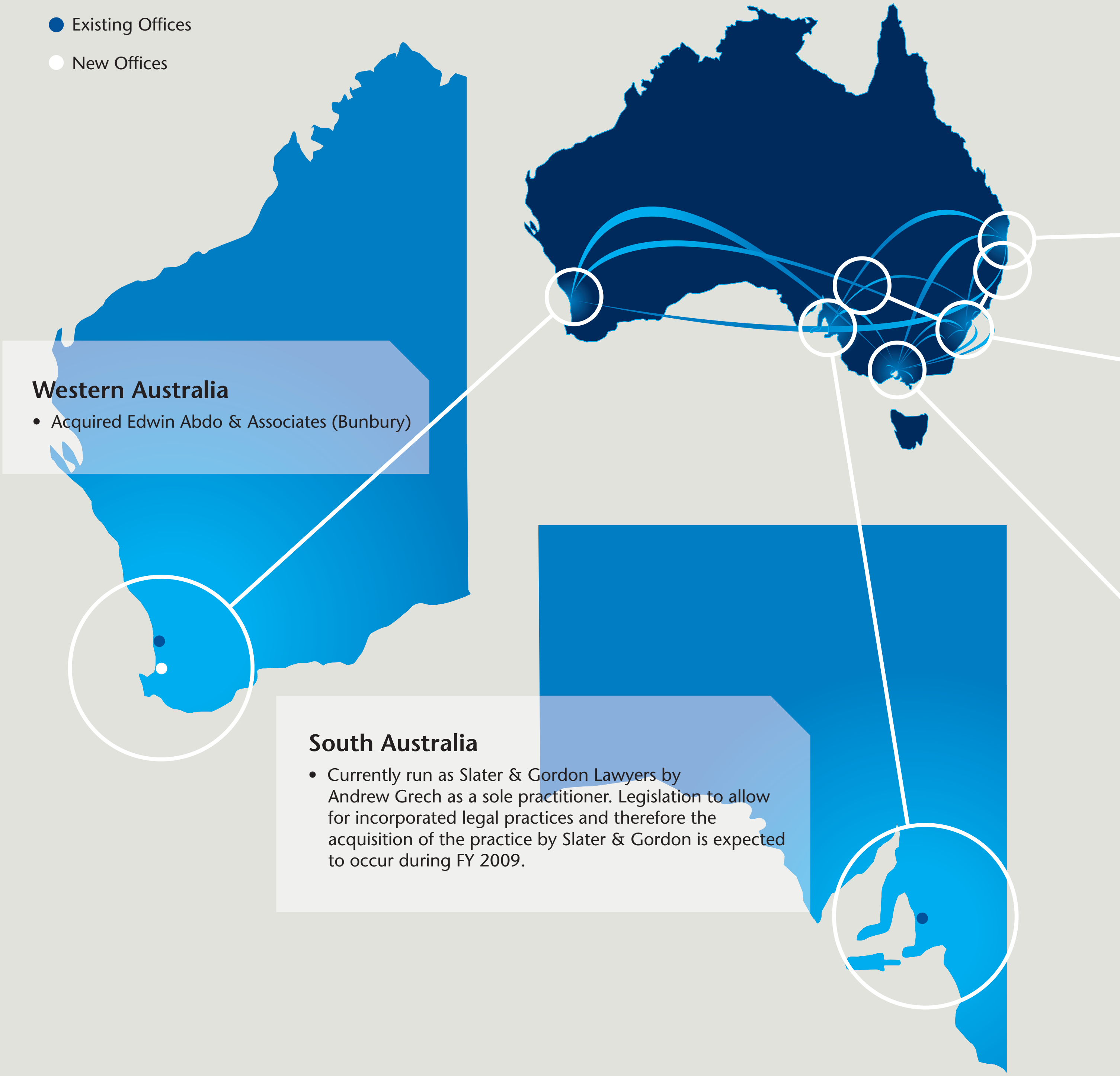
PROJECT LITIGATION

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

Project litigation matters can be either self funded or more typically funded by specialist litigation funders. Funded work is conducted by the Commercial Litigation practice on a fee for service basis. Unfunded project work is a small percentage of the total Slater & Gordon cost base.

Business by State

A key element of the company's strategy has been and will continue to be to increase the geographic spread of the business. The past few years has seen Slater & Gordon develop from being a predominantly Victorian business to a truly national one, with recognition of the Slater & Gordon name increasing strongly in all states and territories. The company has also spread its office network further into suburban and regional areas in line with market research data that shows that key determinants when a person chooses a lawyer are reputation and proximity. The company's aim is to bring the Slater & Gordon brand, and therefore its reputation, closer to potential clients.



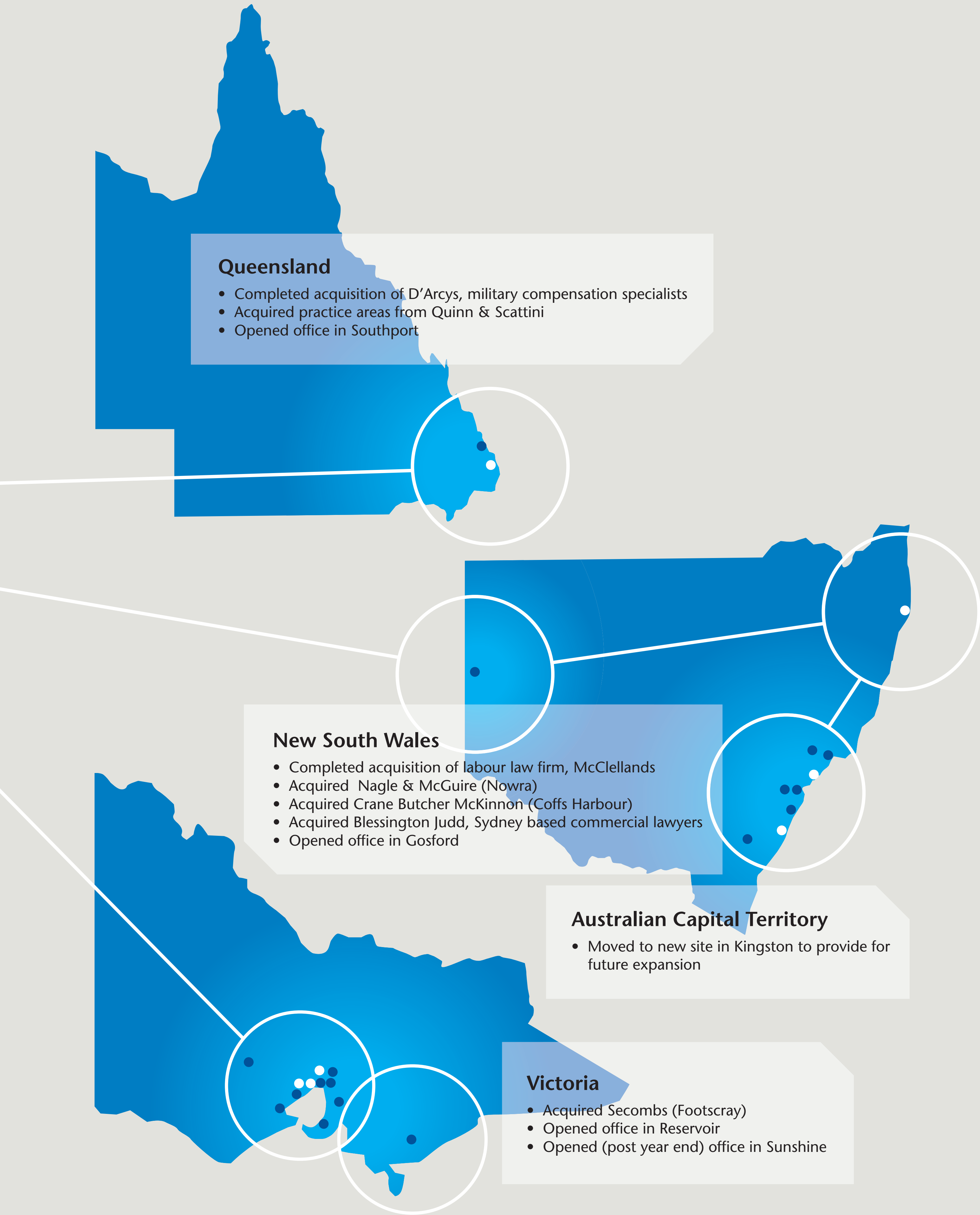
Western Australia

- Acquired Edwin Abdo & Associates (Bunbury)

South Australia

- Currently run as Slater & Gordon Lawyers by Andrew Grech as a sole practitioner. Legislation to allow for incorporated legal practices and therefore the acquisition of the practice by Slater & Gordon is expected to occur during FY 2009.

Slater & Gordon Lawyers



Queensland

- Completed acquisition of D'Arcys, military compensation specialists
- Acquired practice areas from Quinn & Scattini
- Opened office in Southport

New South Wales

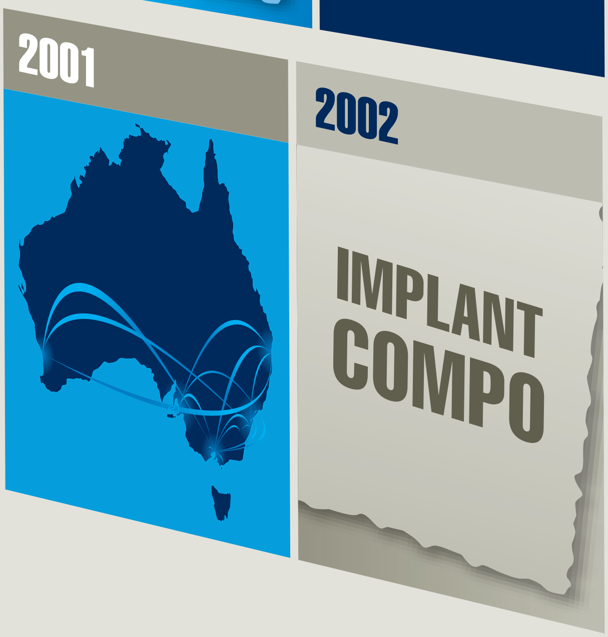
- Completed acquisition of labour law firm, McClellands
- Acquired Nagle & McGuire (Nowra)
- Acquired Crane Butcher McKinnon (Coffs Harbour)
- Acquired Blessington Judd, Sydney based commercial lawyers
- Opened office in Gosford

Australian Capital Territory

- Moved to new site in Kingston to provide for future expansion

Victoria

- Acquired Secombs (Footscray)
- Opened office in Reservoir
- Opened (post year end) office in Sunshine



Our History

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.

1960-70s 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.

1986 Opened its first Sydney office principally to conduct the Dalkon Shield IUD litigation.

1988 Won the Wittenoom asbestos case.

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.

1994 Introduced the No Win-No Fee™ initiative in Australia, giving the Company a competitive edge and 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.

1999 Won the historic Crimmins case in the High Court, clearing the way for hundreds of waterside workers and their families to be compensated for asbestos disease.

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, resulting in the establishment of a $1.5 billion settlement fund in 2006.

Launched the Slater & Gordon Asbestos Research Fund with an initial commitment of $500,000.

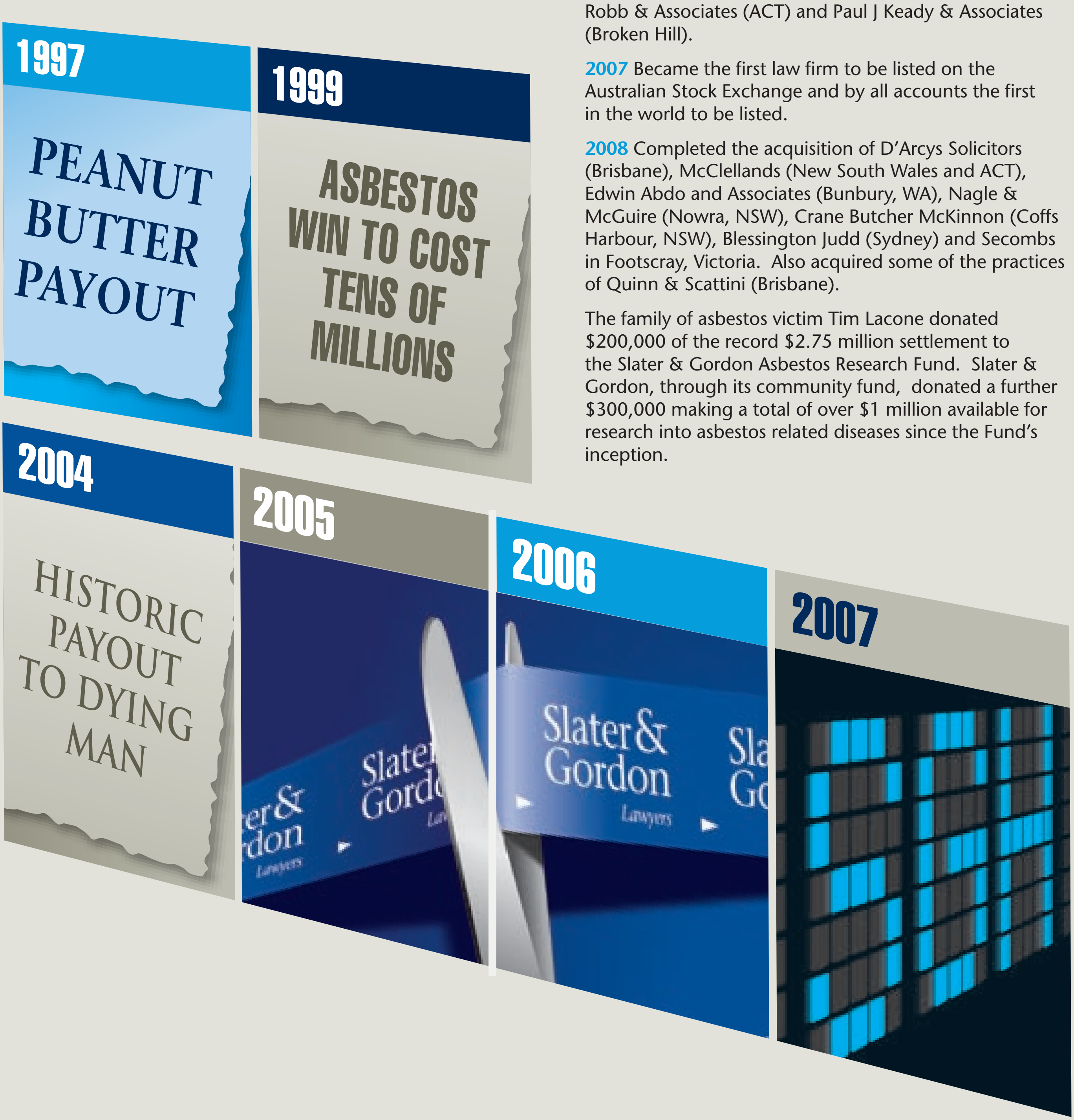
2005 Completed the acquisition of Geoffrey Edwards & Co (Sydney and Newcastle).

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).

2007 Became the first law firm to be listed on the Australian Stock Exchange and by all accounts the first in the world to be listed.

2008 Completed the acquisition of D'Arcys Solicitors (Brisbane), McClellands (New South Wales and ACT), Edwin Abdo and Associates (Bunbury, WA), Nagle & McGuire (Nowra, NSW), Crane Butcher McKinnon (Coffs Harbour, NSW), Blessington Judd (Sydney) and Secombs in Footscray, Victoria. Also acquired some of the practices of Quinn & Scattini (Brisbane).

The family of asbestos victim Tim Lacone donated $200,000 of the record $2.75 million settlement to the Slater & Gordon Asbestos Research Fund. Slater & Gordon, through its community fund, donated a further $300,000 making a total of over $1 million available for research into asbestos related diseases since the Fund's inception.



A truck driver (who has paraplegia) giving a demonstration of how he accesses his truck at a Life Skills session run by the AQA Victoria.

Representatives of the Youth Junction Inc. at International Youth Day festivities.

Slater & Gordon and the Community

Supporting causes and events that are important to its local communities and/or to its client base is a fundamental part of the Slater & Gordon ethos. The local community support ranges from sponsorship of local sporting clubs, contributions to community arts projects to staff participation in community fund raising events.

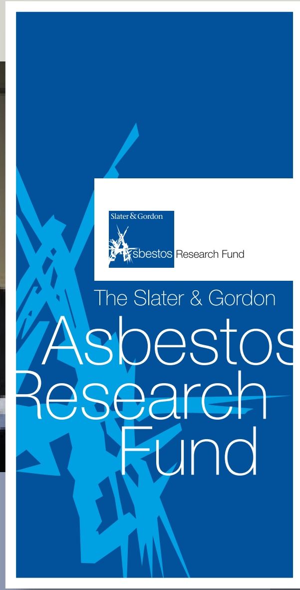
Slater & Gordon's major philanthropic vehicles for supporting causes closely linked to the work the company does are The Slater & Gordon Fund and The Asbestos Research Fund.

THE SLATER & GORDON FUND

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

- AQA Victoria - A grant of $20,000 was provided to the AQA Victoria, a support group for people who have sustained traumatic spinal cord injury. The funds will assist in developing and expanding their 'peer support' program across Victoria.
- The Youth Junction Inc. - A grant of $25,000 was made to assist with the establishment of a Legal Resource Centre at the Visy Cares Hub in Sunshine. This facility will provide free legal advice and assistance to disadvantaged young people living in the Brimbank area.
- Walk On – A grant of $20,000 will cover the cost of new equipment for the program, which is an initiative developed through Spinal Cord Injury Australia. The Walk On program provides intensive rehabilitation for people with a spinal injury. It aims to increase fitness and mobility of upper and lower limbs of people with spinal cord injury.

Dr Matthew Conron, Respiratory Physician, St Vincent's Hospital, The Hon Bronwyn Pike MP and Dr David Hart, Director Respiratory Medicine, St Vincent's Hospital following the presentation of a grant from the Asbestos Research Fund.



Dr George Kannourakis, Ballarat Cancer Research Centre Director, accepting the $150,000 research grant from Suzanne Sandford, of Slater & Gordon.

THE ASBESTOS RESEARCH FUND

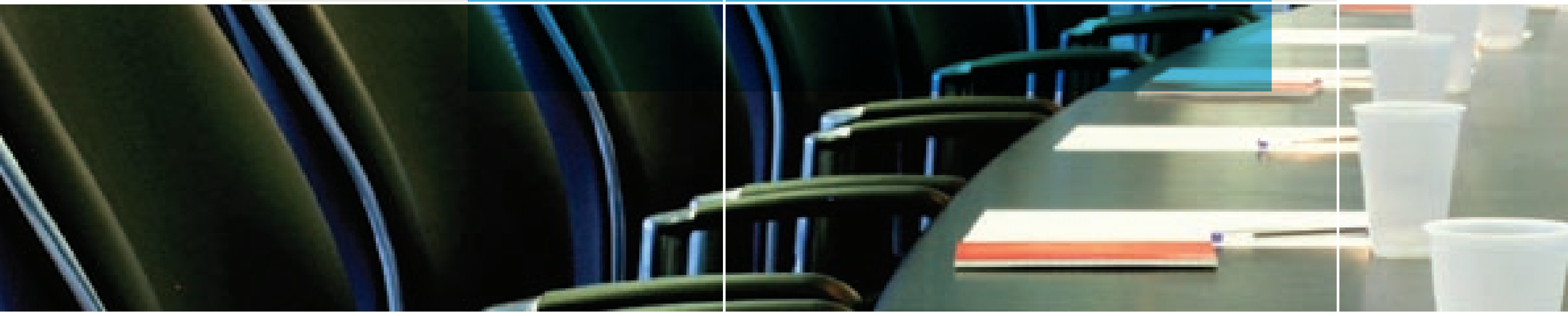
The Asbestos Research Fund is also a sub-fund of the Melbourne Community Foundation. The Fund was founded in 2004 with an initial commitment by the company to donate $500,000 to medical research into asbestos related diseases. Grants and awards made by the Asbestos Research Fund over the past few years include:

- $150,000 to the Ballarat Cancer Research centre for a two year trial to study an individual's sensitivity and resistance to chemotherapy protocols;
- $60,000 to the Wesley Research Institute in Brisbane for the study of a cohort of patients with asbestos-related diseases;
- $57,600 to Austin Health to support the synthesis and formulation of a drug known as haematoporphyrin derivative (HPD) for use in the treatment of mesothelioma;
- $50,000 to Professor Bill Musk to support his continued research into the Wittenoom cohort;
- $37,700 to St Vincent's Private Hospital in Melbourne to conduct a project on the genetics of lung cancer;
- $34,200 also to St Vincent's Private Hospital to further develop the hospital's lung cancer database; and
- $30,000 grants to Professor Paul Reynolds, Dr Robbert van der Most and Professor Bruce Robinson for their respective research projects on mesothelioma.

The Fund also awards fellowships (the Vojakovic Fellowships) to assist researchers to attend major international conferences and centres of excellence for the study of asbestos related diseases.

Over the years, families and friends of asbestos victims have also made contributions to The Asbestos Research Fund. In early 2008, the corpus of The Asbestos Research Fund was boosted considerably with a $200,000 donation from the family of Melbourne inventor Tim Lacone. Mr Lacone had pledged to donate a substantial portion of the settlement monies he had received in his case against asbestos manufacturer James Hardie. His family honoured those wishes after Mr Lacone's death from the asbestos cancer mesothelioma. To coincide with the generous donation from Mr. Lacone's family, The Slater & Gordon Fund committed a further $300,000 to the Asbestos Research Fund, bringing the total available from the Fund for research into the insidious diseases to over $1 million since its inception.

Corporate Governance



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

BOARD RESPONSIBILITY

The Board has the following responsibilities:

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

BOARD COMPOSITION

The size of the Board is determined by the Company's constitution which specifies a minimum of three (and must include at least one Legal Practitioner Director), or such other number as the directors may determine being not less than the number of directors then holding office. The Board currently consists of two non-executive directors and three executive directors who are also legal practitioners.

The Nomination and Remuneration committee of the Board ensures that the Board consists of directors with an appropriate mix of skills and experience from different backgrounds, who together provide the necessary breadth and depth of experience to meeting the Board's responsibilities and objectives.

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

BOARD INDEPENDENCE

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or reasonably be seen to interfere with, the exercise of their unfettered and independent judgment, and their ability to act in the best interests of the Company as a whole. Materiality is assessed on a case by case basis as well as by reference to certain indicative materiality thresholds.

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

The Board does not currently consist of a majority of independent directors. However, the Board has adopted a number of measures to ensure that independent judgment is achieved and maintained in its decision-making processes, including:

- the Chair is an independent director;
- the Chair of each Board committee is an independent director;
- directors are entitled to seek independent professional advice at the Company's expense with prior notification to the chair; and
- directors having a conflict of interest must absent themselves from discussion on a matter unless the Board decides otherwise.

CHAIR OF THE BOARD

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

BOARD COMMITTEES

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

1. Nomination and Remuneration Committee

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

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

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

2. Audit, Compliance and Risk Management Committee

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

- implementation of appropriate management systems to ensure legal practitioners, directors and all lawyers employed by the Company comply with the letter and spirit of the legislative provisions, regulations and rules of conduct which govern legal practice in the state or territory concerned;
- financial reporting;
- internal control structure;
- external audit functions;
- trust accounting audit requirements;
- compliance; and
- risk management.

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

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

NOMINATION AND APPOINTMENT OF NEW DIRECTORS

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

REMOVAL AND ROTATION OF DIRECTORS

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

REVIEW OF BOARD AND KEY EXECUTIVE PERFORMANCE

The Board reviews its overall performance and the performance of individual directors annually. A Board Performance Review was conducted in December 2007 with the assistance of independent experts, Colin Carter & Associates. The next review is scheduled for December 2008. The Board also intends to obtain the assistance of independent experts every three years, to assist with its review of Board performance.

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

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

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

SUCCESSION PLANNING

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

RELATIONSHIP WITH MANAGEMENT

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

INDEPENDENT ADVICE

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

CONFLICTS OF INTEREST

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

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

AUDITOR

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

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

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

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

SHARE TRADING POLICIES

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

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

ETHICAL STANDARDS AND SOCIAL RESPONSIBILITY

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

WHISTLE BLOWING

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

BOARD EDUCATION

The Board is committed to ensuring new directors are adequately educated on the Company's operations. New directors are provided with an orientation and education program. Directors are expected to continuously update and develop their knowledge and skills in relation to the industry context, financial management and corporate governance and are encouraged to undertake continuing education courses at the Company's expense, with the prior approval of the Chair.

RISK MANAGEMENT

The Company has established a policy for the oversight and management of material business risks. An Enterprise Risk Management Framework was developed between March and June 2008 with the assistance of independent experts, Wyndarra Consulting. Under this framework, responsibility is allocated to the Board, the Audit, Compliance and Risk Management committee and the Managing Director to monitor the key business risks and implement agreed risk management controls and strategies.

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS

A table setting out the Company's compliance with the ASX Corporate Governance Council Best Practice Recommendations in place for the financial year ending 30 June 2008 is set out below. The Company is in the process of adopting the new ASX Corporate Governance Principles and Recommendations (Revised Principles) as released on 2 August 2007.

	ASX Principle	Compliance / Comment
Principle 1	**Lay solid foundations for management and oversight**	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Complies
Principle 2	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	Does not comply(1)
2.2	The chairperson should be an independent director.	Complies
2.3	The roles of chairperson and Managing Director should not be exercised by the same individual.	Complies
2.4	The board should establish a nomination committee.	Complies
2.5	Provide the information indicated in Guide to Reporting on Principle 2.	Complies
Principle 3	**Promote ethical and responsible decision-making**	
3.1 3.1.1 3.1.2	Establish a code of conduct to guide the directors, the Managing Director (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: The practices necessary to maintain confidence in the Company's integrity. The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complies
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	Complies
3.3	Provide the information indicated in Guide to Reporting on Principle 3.	Complies
Principle 4	**Safeguard integrity in financial reporting**	
4.1	Require the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operation results and are in accordance with relevant accounting standards.	Complies
4.2	The board should establish an audit committee.	Complies
4.3	Structure the audit committee so that it consists of: • Only non-executive directors • A majority of independent directors • An independent chairperson, who is not chairperson of the board • At least three members	Partially complies(2)
4.4	The audit committee should have a formal charter.	Complies
4.5	Provide the information indicated in Guide to Reporting on Principle 4.	Complies

	ASX Principle	Compliance / Comment
Principle 5	**Make timely and balanced disclosure**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Complies
5.2	Provide the information indicated in Guide to Reporting on Principle 5.	Complies
Principle 6	**Respect the rights of shareholders**	
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Complies
Principle 7	**Recognise and manage risk**	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Complies
7.2	The Managing Director (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	
7.2.1	The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.	
7.2.2	The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Complies
7.3	Provide the information indicated in Guide to Reporting on Principle 7.	Complies
Principle 8	**Encourage enhanced performance**	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Complies
Principle 9	**Remunerate fairly and responsibly**	
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Complies
9.2	The board should establish a remuneration committee.	Complies
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Complies
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans, approved by shareholders.	Complies(3)
9.5	Provide the information indicated in Guide to Reporting on Principle 9.	Complies
Principle 10	**Recognise the legitimate interests of stakeholders**	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations.	Complies

Note 1
The Board currently consists of two independent directors and three executive directors, with one of the independent directors being the Chair. Prior to listing on the ASX the Company went from a board of seven executive directors to one with two independent and three executive directors. This is a period of transition and given the knowledge base of the executive directors, the current balance of independent and executive directors is considered to be in the best interests of the Company. It is the Board's intention to evolve over time into a board with a majority of independent directors.

Note 2
As per note 1, with only two independent directors, it is not possible for the Audit, Compliance and Risk Management committee to consist of three independent directors, but the committee is chaired by an independent director who is not the Chair of the Company and it has a majority of independent members.

Note 3
Equity granted through the Employee Ownership Plan prior to listing has been disclosed in the Company's prospectus. Any subsequent grants will be submitted to shareholders for approval at the AGM.

Board of Directors

Anna Booth B Ec (Hons) FAICD
Non-executive Chair

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

Peter Gordon LLB (Hons) MAICD
Executive Director and Deputy Chair

Peter is internationally renowned for his work on numerous landmark cases. Peter conducted the first successful asbestos related cancer claim in Australia in 1984 and is the National Practice Group Leader in Asbestos Litigation and in Project Litigation. Peter continues to litigate asbestos claims and work at the cutting edge of mass tort and consumer class action litigation. In 2004 Peter represented the ACTU and asbestos support groups in the James Hardie Inquiry, which has resulted in the establishment of a compensation fund for future asbestos victims. Peter is currently working on a number of projects for the Company.

Andrew Grech LLB MAICD
Managing Director

Andrew joined Slater & Gordon in 1994 and has worked as a litigator in most areas of the Company's litigation practice. Andrew also spent three years in the then fledgling Sydney office between 1997 and 2000. Since he became Managing Director in 2000, the Company has enjoyed substantial growth, expanding from seven offices in 2002 to 29 offices in 2008. Andrew has also successfully managed the acquisition and integration of 13 smaller firms over the past two years. Andrew is a member of the Nomination and Remuneration committee.

Board of Directors

Ken Fowlie LLB BCom MAICD
Executive Director

Ken has taken a lead role in establishing Slater & Gordon's presence in New South Wales. One of two original Slater & Gordon employees in that State, Ken now leads a team of around 130, the majority of whom have joined the Company through the acquisition of smaller firms. Ken has been a litigator for more than a decade. He has extensive litigation experience in claims for sufferers of asbestos related illness (including acting for the ACTU and asbestos support groups in negotiations with James Hardie) and large, multi-party group and representative actions. Ken is a member of the Audit, Compliance and Risk Management committee.

Ian Court FAICD
Non-executive Director

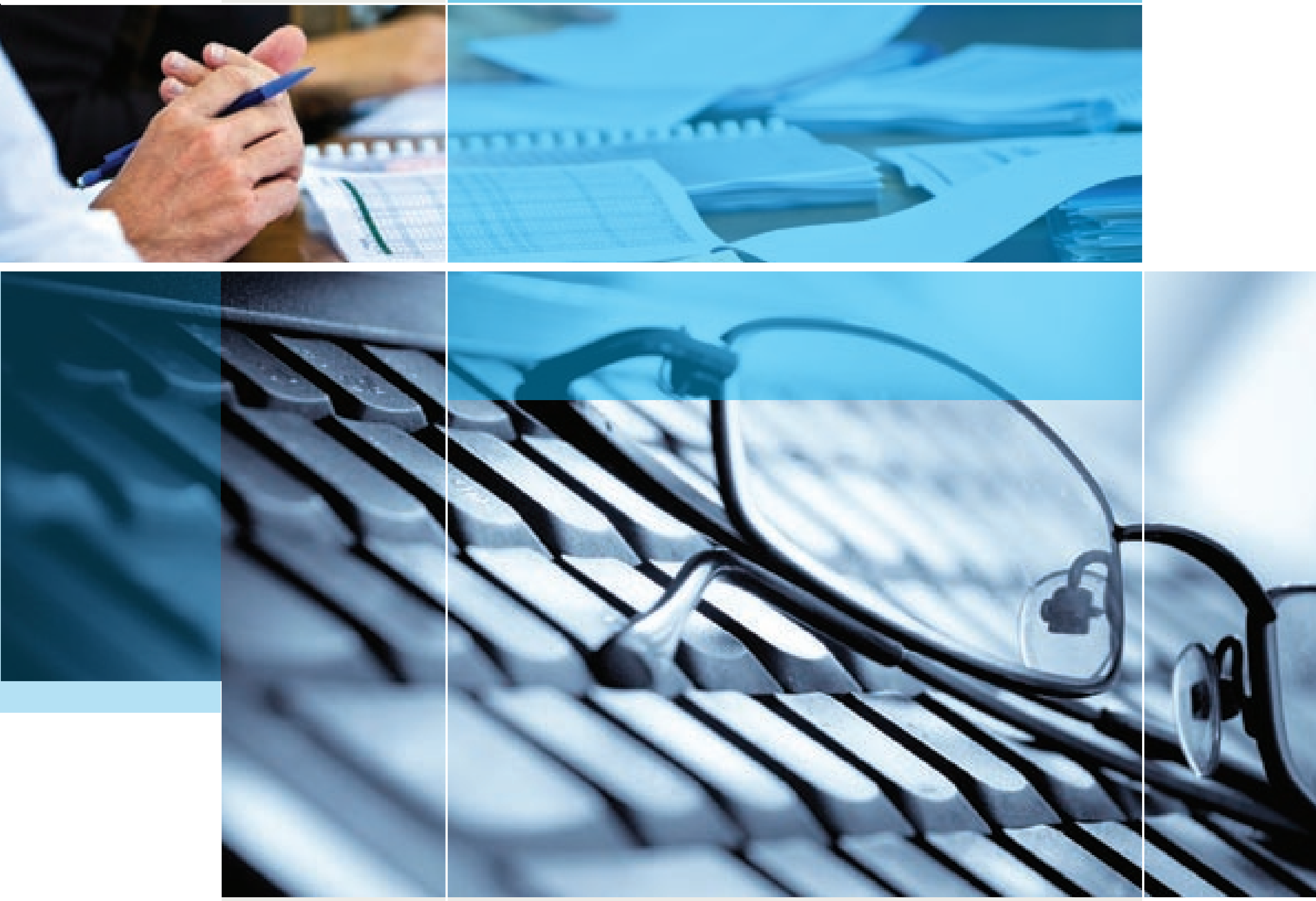
Ian has extensive experience as a senior executive and non-executive in a diverse range of companies and industry sectors. He currently holds non-executive director positions with Victorian Funds Management Corporation, SSSR Holdings Pty Ltd, Epic Energy Holdings Pty Ltd (chair of audit and risk committee) and is chair of ACTU Member Connect Pty Ltd. He is also chair of the Industry Funds Management Investor Advisory Board. He has previously held senior executive positions in Funds Management and Superannuation including CEO of Development Australia Fund Management Ltd and was Executive Chair of Cbus with responsibility for the investment portfolio, from 1992-1998. Earlier in his career he held the position of senior industrial officer of the ACTU with responsibilities for superannuation and also industry sectors including airlines, shipping, motor vehicle manufacturing and building and construction.

Prior non-executive positions held include companies in the financial services, unlisted infrastructure, private equity, and property sectors. These include director of Pacific Hydro Pty Ltd, Federal Airports Corporation, Utilities of Australia Pty Ltd, Bennelong Funds Management Pty Ltd, Ecogen Holdings Pty Ltd, Australian Venture Capital Association Ltd, Australian Prime Property Fund Custodian Pty Ltd and deputy chair of ISPT Pty Ltd. He was also the inaugural president of the Australian Institute of Superannuation Trustees (AIST).

Wayne Brown
BCom (Hons), M Int Bus (Melb), CA MAICD
Company Secretary

Prior to joining the Company in 2004, Wayne was the financial controller of the ASX listed Grand Hotel Group. Prior to that, Wayne spent ten years with Arthur Andersen where he specialised in corporate recovery and restructuring. Wayne is Chief Financial Officer and Company Secretary of the Company.

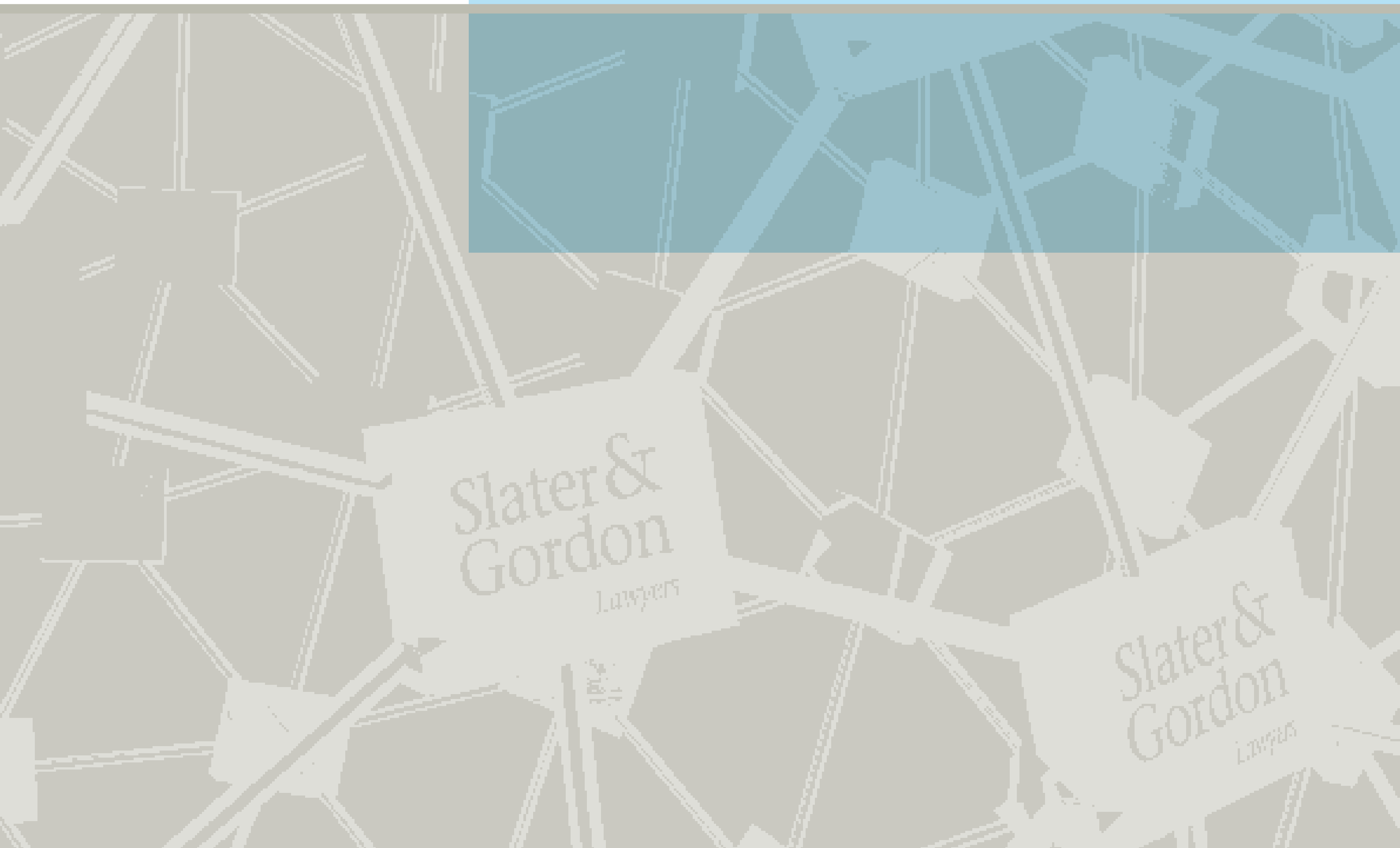
Slater & Gordon Limited
Financial Statements for
the Year Ended 30 June 2008



Contents

PAGE

Directors' Report	33
Auditor's Independence Declaration	44
Financial Report for the Year Ended 30 June 2008	
Income Statement	45
Balance Sheet	46
Statement of Changes in Equity	47
Statement of Cash Flows	48
Notes to the Financial Statements	49
Directors' Declaration	78
Independent Auditor's Report	79



SLATER & GORDON LIMITED
ABN 93 097 297 400

DIRECTORS' REPORT

The directors present their report together with the financial report of Slater & Gordon Limited ("the Company"), for the financial year ended 30 June 2008 and auditors' report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards. Compliance with Australian equivalents of International Financial Reporting Standards ensures compliance with International Financial Reporting Standards ("IFRS").

Directors

The Directors in office at any time during the financial year and up to the date of this report are:

Anna Booth – Chair

Peter Gordon – Deputy Chair

Andrew Grech – Managing Director

Ian Court

Ken Fowlie

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

Principal Activities

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

A significant change in the nature of the principal activity of the Company during the year was as a result of changes in the Queensland legislation which allowed Incorporated Legal Practices ("ILP's") to operate in Queensland. The business operations, assets and liabilities of the Slater & Gordon Lawyers Queensland practice were acquired by the Company with effect from 1 July 2007.

Results

The profit after income tax of the Company was $15,104,000 (2007: $10,655,000).

Review of Operations

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

Significant Changes in the State of Affairs

Significant changes in the Company's state of affairs during the year ending 30 June 2008 were as follows:

- As a result of the changes in Queensland legislation to allow ILP's to operate in Queensland with effect from 1 July 2007, the Brisbane practice was transferred from Andrew Grech trading as Slater & Gordon Lawyers to the Company for the value of the practice's net assets which was fully offset by amounts owed to the Company from the service and licence agreement.
- The practice of D'Arcys Solicitors, a Brisbane based firm specialising in Military Compensation, was acquired with effect from 2 July 2007, involving an initial payment of $1,500,000 and the issue of $475,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 18 to 24 May 2007 (equating to 323,100 ordinary shares). The issue of the ordinary shares was approved by shareholders at the Annual General Meeting, held on 23 November 2007. The balance of $300,000 of deferred consideration was paid in July 2008.
- The practice of McClellands, a Sydney based firm specialising predominately in Personal Injury law, was acquired with effect from 31 August 2007, involving an initial payment of $2,000,000 and the issue of $2,000,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 24 to 30 August 2007 (equating to 1,121,136 ordinary shares). The issue of the ordinary shares was approved by shareholders at the Annual General Meeting, held on 23 November 2007. The balance of $2,000,000 is deferred consideration.
- The practice of Nagle & McGuire, a firm based in Nowra specialising in Personal Injury law was acquired with effect from 30 November 2007, involving an initial payment of $760,000 and the issue of $900,000 in Company ordinary shares at a share price of $1.45. The issue of the ordinary shares is subject to shareholder approval at the Annual General Meeting. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of $800,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.

SLATER & GORDON LIMITED
ABN 93 097 297 400

- The practice of Edwin Abdo and Associates, a firm based in Bunbury specialising in Commercial Law was acquired with effect from 7 December 2007, involving an initial payment of $491,000 and the issue of $218,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 30 November 2007 to 6 December 2007. The issue of the ordinary shares is subject to shareholder approval at the Annual General Meeting. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of $164,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.
- The practice of Crane Butcher McKinnon, a firm based in Coffs Harbour specialising in Family and Commercial Law was acquired with effect from 29 February 2008, involving an initial payment of $1,072,000 and the issue of $378,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 22 to 28 February 2008. The issue of the ordinary shares is subject to shareholder approval at the Annual General Meeting. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of $425,000 in additional Company ordinary shares is deferred consideration, the issue of these ordinary shares is subject to the achievement of nominated performance targets and shareholder approval.
- A part of the practice of Quinn & Scattini, a firm based in Brisbane and Southport which specialises in Personal Injury and Professional Negligence law was acquired with effect from 20 March 2008, involving an initial payment of $2,276,000 and the issue of $450,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 13 to 19 March 2008. The issue of the ordinary shares is subject to shareholder approval at the Annual General Meeting. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of $1,825,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.
- The practice of Blessington Judd, a firm based in Sydney specialising in Commercial Law was acquired with effect from 31 March 2008, involving an initial payment of $550,000 and the issue of $350,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 24 to 28 March 2008. The issue of the ordinary shares is subject to shareholder approval at the Annual General Meeting. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of $500,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.
- The practice of Rugendyke Lawyers, a firm based in Newcastle specialising in Family Law was acquired with effect from 30 May 2008, involving a total payment of $61,000 and there being no deferred consideration.
- The practice of Secombs, a firm based in Footscray was acquired with effect from 1 June 2008, involving an initial payment of $1,670,000 and the issue of $1,020,000 in Company ordinary shares at the volume weighted average price at which shares traded during the period from 23 to 29 May 2008. The issue of the ordinary shares will be subject to shareholder approval at the Annual General Meeting. If that approval is not obtained, the share component of the deal will be paid in cash. The balance of $1,000,000 is deferred consideration, the payment of which is subject to the achievement of nominated performance targets.
- As a consequence of resolutions approved at the Company's Annual General Meeting held on 23 November 2007 the Company issued a total of 6,488,886 fully paid ordinary shares on 4 December 2007 representing:
    - 323,100 ordinary shares to the D'Arcys Vendor;
    - 1,121,136 to the McClellands Vendors; and
    - 5,044,650 ordinary shares as a result of the conversion of Vesting Convertible Redeemable ("VCR") ordinary shares pursuant to the terms of the Employee Ownership Plan ("EOP").
- Pursuant to the terms of the EOP, the Company issued an Offer Information Statement on 21 December 2007 for the issue of 2,625,000 VCR shares at a share price of $1.75 per share to employees of the Company. The VCR ordinary shares were issued to the employees on 19 February 2008. For further details on the terms of VCR ordinary shares please refer to Note 23 of the financial report.

SLATER & GORDON LIMITED
ABN 93 097 297 400

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

- The Company announced on 21 August 2008 the release of 12,201,057 ordinary shares subject to escrow with effect from 5 September 2008.
- The Company announced on 25 August 2008 the issue of 4,930,363 ordinary shares as a result of the conversion of VCR shares pursuant to the terms of the EOP and as approved at the AGM on 23 November 2007. These ordinary shares will also participate in the final dividend declared for the year ending 30 June 2008 of 3.0 cents, fully franked, equating to the sum of $147,911.

Likely Developments
The Company will continue to pursue its growth strategy in order to create shareholder value (as detailed in the replacement Prospectus ("the Prospectus") dated 13 April 2007) through:

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

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

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

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

- A final dividend for the year ending 30 June 2007 was declared on 23 August 2007 to pay a fully franked dividend of 2.0 cents per share to ordinary shareholders. This dividend was paid on 12 October 2007.
- An interim dividend was declared on 22 February 2008 to pay a fully franked dividend of 2.0 cents per share to ordinary shareholders. This dividend was paid on 9 April 2008.
- A final dividend was declared on 21 August 2008 to pay a fully franked dividend of 3.0 cents per share to ordinary shareholders with a record date of 1 September 2008. This dividend is to be paid on 10 October 2008. This dividend was not provided for in the accounts as at 30 June 2008.

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

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

A premium of $43,594 (2007: $39,983) for a twelve month period was incurred in respect of directors, officers and the Company Secretary of the Company against a liability brought upon such an officer.

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

Information on Directors and Company Secretary
The skills, experience and special responsibilities of each person who has been a director of the Company at any time during or since the end of the financial year is provided below, together with details of the Company Secretary as at the year end.

Anna Booth B Ec Hons FAICD Non-executive Chair	In 1987 Anna became the first woman National Secretary of the Clothing and Allied Trades Union of Australia and upon amalgamation, the Textiles, Clothing and Footware Union of Australia. She has been a vice president of the Australian Council of Trade Unions (“ÁCTU”) and a member of the boards of the Commonwealth Bank of Australia and NRMA. She was also a member of the Sydney Organising Committee for the Olympic Games (“SOCOG”). Anna is a non-executive director of Industry Super Holdings Pty Ltd, along with subsidiaries, Members Equity Bank and Industry Funds Management. She is also an executive director of CoSolve Pty Ltd where she consults in workplace relations. She is a member of the Mothers Day Classic Sydney Organising Committee which stages an annual event to raise funds for the National Breast Cancer Foundation and a qualified Leader with Girl Guides NSW. Anna is the Chair of the Board and also serves on the Audit, Compliance and Risk Management committee and the Nomination and Remuneration committee.
Peter Gordon LLB (Hons) MAICD Executive Director and Deputy Chair	Peter is internationally renowned for his work on numerous landmark cases. Peter conducted the first successful asbestos related cancer claim in Australia in 1984 and is the National Practice Group Leader in Asbestos Litigation and in Project Litigation. Peter continues to litigate asbestos claims and work at the cutting edge of mass tort and consumer class action litigation. In 2004 Peter represented the ACTU and asbestos support groups in the James Hardie Inquiry, which has resulted in the establishment of a compensation fund for future asbestos victims. Peter is currently working on a number of projects for the Company.
Andrew Grech LLB MAICD Managing Director	Andrew joined Slater & Gordon in 1994 and has worked as a litigator in most areas of the Company’s litigation practice. Andrew also spent three years in the then fledgling Sydney office between 1997 and 2000. Since he became Managing Director in 2000, the Company has enjoyed substantial growth, expanding from seven offices in 2002 to 29 offices in 2008. Andrew has also successfully managed the acquisition and integration of 13 smaller firms over the past two years. Andrew is a member of the Nomination and Remuneration committee.
Ken Fowlie LLB BCom MAICD Executive Director	Ken has taken a lead role in establishing Slater & Gordon’s presence in New South Wales. One of two original Slater & Gordon employees in that State, Ken now leads a team of around 130, the majority of whom have joined the Company through the acquisition of smaller firms. Ken has been a litigator for more than a decade. He has extensive litigation experience in claims for sufferers of asbestos related illness (including acting for the ACTU and asbestos support groups in negotiations with James Hardie) and large, multi-party group and representative actions. Ken is a member of the Audit, Compliance and Risk Management committee.

SLATER & GORDON LIMITED
ABN 93 097 297 400

Ian Court
FAICD
Non-executive Director

Ian currently holds non-executive director positions with Victorian Funds Management Corporation, SSSR Holdings Pty Ltd, Epic Energy Holdings Pty Ltd and ACTU Member Connect Pty Ltd. He is also Chair of the IFM Investor Advisory Board. He has previously held senior executive positions in funds management and superannuation, including CEO of Development Australia Fund Management Ltd ("DAF") and Executive Chair of Cbus. Earlier in his career Ian held the position of senior industrial officer of the ACTU.

Prior non-executive positions held include companies in the unlisted infrastructure, private equity and property funds management sectors. He was a director of Australian Venture Capital Association Ltd, Federal Airports Corporation, Ecogen Holdings Pty Ltd, Australian Prime Property Fund Custodian Pty Ltd and Deputy Chair of ISPT Pty Ltd. He was also the inaugural president of the Australian Institute of Superannuation Trustees ("AIST").

Ian is the Chair of the Audit, Compliance and Risk Management committee and is a member of the Nomination and Remuneration committee.

Wayne Brown
BCom (Hons), M Int Bus (Melb), CA MAICD
Company Secretary

Prior to joining the Company in 2004, Wayne was the financial controller of the ASX listed Grand Hotel Group. Prior to that, Wayne spent ten years with Arthur Andersen where he specialised in corporate recovery and restructuring. Wayne is Chief Financial Officer and Company Secretary of the Company.

Directors' Meetings

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

	Board of Directors		Audit, Compliance & Risk Management Committee		Nomination & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
A Booth	15	15	5	5	5	5
P Gordon	15	14	-	-	-	-
A Grech	15	15	-	-	5	5
I Court	15	15	5	5	5	5
K Fowlie	15	15	5	5	-	-

Directors' Interests in Shares

Directors' relevant interests in shares of the Company are detailed below.

	Ordinary Shares of the Company
A Booth	50,000
P Gordon	71,672,097
A Grech	71,672,097
I Court	15,000
K Fowlie	71,672,097

The shares held directly by P Gordon, A Grech and K Fowlie are 9,957,675 ordinary shares, 10,211,642 ordinary shares and 6,819,721 ordinary shares respectively as at 30 June 2008. (Refer Note 22)

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

people to the business of the Company, to remain employed by the Company in the short and longer term and to retain a significant ownership interest in the Company.

As the Shareholders Agreement is enforceable by each of the Vendor Shareholders, they each have a relevant interest in each other's share, which, in aggregate, comprise 59.7% of all of the shares on issue at 30 June 2008.

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

Consequently, each of the Vendor Shareholders are also deemed to have a relevant interest in the shares in which the Company itself has a relevant interest. This gives a total relevant interest for each Vendor Shareholder of 71,672,097 shares.

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

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

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

	2008 $	2007 $
Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to the Company for:		
The preparation of the Independent Accountants Report contained in the Prospectus prepared by Pitcher Partners Corporate Pty Ltd.	-	81,530

Remuneration Report

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

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

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

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

The Company embodies the following principles in its remuneration framework:

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

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

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

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

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

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

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

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

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

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

Executive remuneration is made up from the following components:

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

Fixed Remuneration

Objective

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

Structure

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

Variable Remuneration – Short Term Incentive ("STI")

Objective

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

Structure

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

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

KMP

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

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

The KMP who have a cash performance bonus in respect of the year ended 30 June 2008 are the Chief Operating Officer, Mike Feehan, and the Chief Financial Officer, Wayne Brown.

The KMP who have shares under the EOP (refer note 23) subject to performance criteria in respect of the year ended 30 June 2008 are the Chief Operating Officer, Mike Feehan, and the Chief Financial Officer, Wayne Brown.

Variable Remuneration – Long Term Incentive ("LTI")

Objective

As detailed in the Prospectus during the financial year ending 30 June 2007 the firm introduced the EOP to provide an opportunity for senior employees to build a shareholding in the Company over time. The EOP serves as an incentive and reward for longer term performance and a retention strategy for key employees.

SLATER & GORDON LIMITED
ABN 93 097 297 400

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

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

- The number of VCR shares which may be subscribed for by a particular employee;
- The issue price. The Board sets the issue price 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 (achievement of pre set KPI's which are relevant to the employee);
- Any events which would result in the forfeiture of the VCR shares; and
- The period for which the Company will be able to buy back or require the forfeiture of the converted shares.

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

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

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

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

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

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

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

Employment Contracts

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

- Mr Grech receives fixed remuneration of $375,000 per annum (inclusive of superannuation);
- Mr Grech may resign from his position and thus terminate this contract by giving three months written notice;
- The Company may terminate this employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Grech's remuneration);
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination;
- The employment agreement contains a restraint of trade provision which applies for a period of 12 months (or, in the case of a direct competitor of the Company 24 months); and
- In addition, as detailed in the Prospectus Mr Grech is a Vendor Shareholder and is subject to a Shareholders Agreement which has been entered into by all seven Vendor Shareholders. This agreement places restrictions on the ability of Mr Grech and all other Vendor Shareholders to dispose of their shareholding which includes the following provision:

SLATER & GORDON LIMITED
ABN 93 097 297 400

- If a Vendor Shareholder cease(s) to be employed by the Company, they may be required to transfer some or all of their shares to, or at the direction of, the other Vendor Shareholders for nominal consideration. The ramifications of a departure from employment are linked to the circumstances surrounding that departure, as determined pursuant to the terms of the agreement by simple majority decision of the other Vendor Shareholders.

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

Other Executives (standard contracts)

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

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

Further details regarding components of KMP remuneration are detailed below.

Directors' Remuneration:

2008	**Short term**			**Post employment**		**Equity**	**Other benefits**	**Total**
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits			
A Booth	106,881	-	-	9,619	-	-	-	116,500
P Gordon[(1)]	354,303	-	8,500	13,129	-	-	-	375,932
A Grech[(1)]	315,699	-	17,406	13,247	-	-	28,648	375,000
I Court	61,927	-	-	5,573	-	-	-	67,500
K Fowlie[(1)]	300,592	-	11,279	13,129	-	-	-	325,000
2007								
A Booth[(2)]	28,775	-	-	2,590	-	-	-	31,365
P Gordon[(1)]	354,746	-	7,568	12,686	-	-	-	375,000
A Grech[(1)]	346,617	-	15,697	12,686	-	-	-	375,000
I Court[(2)]	16,672	-	-	1,501	-	-	-	18,173
K Fowlie[(1)]	303,760	-	8,554	12,686	-	-	-	325,000

[(1)] These are also executives and would be included for the purposes of the Executives' Remuneration.
[(2)] Appointed as a director with effect from 22 March 2007.

SLATER & GORDON LIMITED
ABN 93 097 297 400

Executives' Remuneration:

2008	Short term			Post employment		Equity	Other benefits	Total
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits			
P Henderson	277,740	-	8,500	13,129	-	-	26,563	325,932
H Stephens	296,878	-	15,770	13,129	-	-	155	325,932
C Evans	295,397	-	17,406	13,129	-	-	-	325,932
M Clayton	211,871	-	-	13,129	-	-	-	225,000
M Feehan	254,780	50,000	7,091	13,129	-	-	38,694 (5)	363,694
W Brown	184,924	-	8,500	13,129	-	-	11,678 (5)	218,231
2007								
P Henderson (3)	305,167	-	7,147	12,686	-	-	-	325,000
H Stephens (3)	300,651	-	11,663	12,686	-	-	-	325,000
C Evans (3)	297,907	122,540	14,407	12,686	-	-	-	447,540
M Clayton (3)	212,735	-	-	12,686	-	-	-	225,421
M Feehan (4)	179,650	50,000	-	10,979	-	-	-	240,629
W Brown	135,092	60,000	18,360	12,686	-	-	5,237 (5)	239,843

(3) Resigned as a director with effect from 22 March 2007.
(4) Appointed as Chief Operating Officer on 28 August 2006.
(5) Includes notional benefit on interest-free VCR Share loan calculated at a commercial interest rate.

There are no other non-director executives

Rounding of Amounts

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

Signed in accordance with a resolution of the directors.

....

Anna Booth
Chair

Melbourne
2 September 2008

....

Andrew Grech
Managing Director

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
SLATER & GORDON LIMITED.

In relation to the independent audit for the year ended 30 June 2008, to the best of my knowledge and belief there have been:

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

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

P A JOSE
2 September 2008

PITCHER PARTNERS
Melbourne

SLATER & GORDON LIMITED
ABN 93 097 297 400

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 $'000	2007 $'000
Revenue	3	79,715	62,933
Bad and doubtful debts	4	(1,356)	(1,279)
Salaries and employee benefits expense		(39,915)	(30,905)
Depreciation and amortisation expenses	4	(400)	(208)
Rent expense		(3,130)	(2,846)
Advertising and marketing expense		(2,488)	(2,524)
Consultant fees		(356)	(343)
Administration and office expenses		(6,161)	(5,383)
Finance costs	4	(743)	(1,515)
Other expenses		(3,425)	(2,544)
Profit before income tax expense		21,741	15,386
Income tax expense	5	(6,637)	(4,731)
Profit after tax		15,104	10,655
Basic earnings per share (cents)	21	15.3 cents	16.2 cents
Diluted earnings per share (cents)	21	13.8 cents	12.9 cents

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	2,327	5,190
Receivables	8	45,539	35,496
Work in progress	9	82,578	64,564
Other current assets	10	1,152	2,387
TOTAL CURRENT ASSETS		131,596	107,637
NON-CURRENT ASSETS			
Plant and equipment	11	1,762	1,130
Work in progress	9	3,438	3,138
Intangible assets	12	16,075	3,460
Other non-current assets	13	11,132	7,373
TOTAL NON-CURRENT ASSETS		32,407	15,101
TOTAL ASSETS		164,003	122,738
CURRENT LIABILITIES			
Payables	14	24,531	15,947
Short term borrowings	15	1,749	1,447
Current tax liabilities	5	1,613	1,199
Provisions	16	5,489	4,596
TOTAL CURRENT LIABILITIES		33,382	23,189
NON-CURRENT LIABILITIES			
Payables	14	4,242	1,201
Long term borrowings	15	13,000	8,350
Deferred tax liabilities	5	26,690	21,604
Provisions	16	1,489	845
TOTAL NON-CURRENT LIABILITIES		45,421	32,000
TOTAL LIABILITIES		78,803	55,189
NET ASSETS		85,200	67,549
EQUITY			
Contributed equity	17	46,339	39,852
Retained profits	18	38,861	27,697
TOTAL EQUITY		85,200	67,549

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		$'000	$'000
Total equity at the beginning of the year		67,549	35,729
Net Profit after tax for the year		15,104	10,655
Total income and expense recognised in equity for the year		15,104	10,655
Transactions with equity holders in their capacity as equity holders:			
Shares issued	**17**	5,549	20,664
VCR shares issued	**17**	938	5,188
Buy-backs	**18**	-	(2,590)
Income Preference Shares redeemed	**17**	-	(1)
Dividends paid	**6**	(3,940)	(2,096)
Total equity at the end of the year		85,200	67,549

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		$'000	$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		70,014	55,171
Payments to suppliers and employees		(54,878)	(44,418)
Interest received		68	187
Finance costs		(754)	(1,498)
Income tax paid		(2,887)	(913)
Net cash provided by operating activities	19 (b)	11,563	8,529
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(776)	(722)
Payment for acquisition of businesses - current year acquisitions	26	(12,525)	(2,403)
Payment for acquisition of businesses - acquisitions in prior years		(1,504)	(1,399)
Net cash used in investing activities		(14,805)	(4,524)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	17,700
Costs of raising equity		(183)	(2,685)
Proceeds from related parties		(450)	(2,819)
Proceeds from borrowings		6,010	7,200
Repayment of borrowings		(1,360)	(9,520)
Share buy back		-	(2,590)
Dividends paid		(3,940)	(2,096)
Net cash provided by financing activities		77	5,190
Net increase/(decrease) in cash held		(3,165)	9,195
Cash at beginning of financial year		4,743	(4,452)
Cash at end of financial year	19 (a)	1,578	4,743

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: BASIS OF PREPARATION

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

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

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

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

(a) Basis of preparation of the financial report

Compliance with IFRS

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

Historical Cost Convention

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

(b) Revenue recognition

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

Rendering of services for Project Litigation

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

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

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

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

Interest Revenue

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

Other Revenue

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: BASIS OF PREPARATION (Continued)

(c) Income tax

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

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

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

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

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding banking overdrafts.

(e) Disbursements

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

(f) Work in progress

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

Non-personal Injury

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

Personal Injury

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

Project Litigation

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: BASIS OF PREPARATION (Continued)

(g) Plant and equipment

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

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

Depreciation

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

The depreciation rates used for each class of assets are:

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

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

(h) Leases

Operating Leases

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

(i) Intangibles

Goodwill

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

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

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 business 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.

Software Development Costs

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

(j) Impairment of assets

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: BASIS OF PREPARATION (Continued)

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

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

(k) Acquisition of assets

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

(l) Borrowing costs

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

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

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result and that an outflow can be reliably measured.

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

(n) Employee benefits

Service benefits

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

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. These estimated future cash flows have been discounted using market yields, at the reporting date, on government bonds with matching terms to maturity.

Share-based payment transactions

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

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

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

(o) Solicitor liability claims

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: BASIS OF PREPARATION (Continued)

(p) Financial instruments

Loans and Receivables

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

Financial Liabilities

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

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

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

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

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

(r) Comparatives

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

(s) Earnings per share

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

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

(t) Rounding amounts

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

(u) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective and are detailed below.

- AASB 3 Business combinations
- AASB 127 Consolidated and separate finanacial statements
- AASB 8 Operating segments
- AASB 101 Presentation of financial statements
- AASB 123 Borrowing costs
- AASB 1004 Contributions.

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Estimated impairment of goodwill

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

(b) Income taxes

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

(c) Work in Progress

The valuation of work in progress includes, for the personal injury and project litigation practices, estimates for the percentage of completion and probability of success.

	Note	2008 $'000	2007 $'000
NOTE 3: REVENUE			
Revenues from operations			
– rendering of services		77,586	60,238
– service and licence fee		1,057	1,771
– interest	**3(a)**	743	467
– other revenue		329	457
Total Revenue		79,715	62,933
(a) Interest from			
– Other persons		68	187
– VCR share loans to employees		675	280
		743	467

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4: PROFIT FROM CONTINUING ACTIVITIES

	2008 $'000	2007 $'000
Finance costs expense	743	1,515
Depreciation of non-current assets		
– Plant and equipment	400	208
Bad and doubtful debts	1,356	1,279
Share based payments expense	1,057	463

NOTE 5: INCOME TAX

	2008 $'000	2007 $'000
Income tax expense:		
Current tax	2,719	2,891
Deferred tax	3,918	1,840
	6,637	4,731
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(551)	(854)
Increase in deferred tax liabilities	5,637	1,889
Deferred income tax related to items charged or credited directly to equity – costs of equity raising	55	805
Deferred taxes arising from business combinations	(1,223)	-
	3,918	1,840
The prima facie tax payable on profit differs from the income tax provided in the financial statements as follows:		
Total profit before income tax expense	21,740	15,386
At the statutory income tax rate of 30% (2007 - 30%)	6,522	4,616
Add:		
Tax effect of:		
– other non-allowable items	151	119
	6,673	4,735
Less:		
Tax effect of:		
– other non-assessable items	36	4
Income tax expense attributable to profit	6,637	4,731
Current tax liability:		
Balance at the beginning of the year	1,199	(779)
Income tax	2,719	2,891
Tax payments	(2,887)	(913)
Adjustment to tax relating to corporate restructuring in prior year	582	-
Balance at the end of the year	1,613	1,199

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 5: INCOME TAX (Continued)

	2008 $'000	2007 $'000
Deferred tax assets:		
The balance comprises:		
– Provision for doubtful debts and non-recoverable disbursements	711	497
– Employee benefits	2,039	1,550
– Provision for legal costs	54	-
– Accruals	39	110
– Undeducted business related costs	564	699
– Other	50	50
	3,457	2,906
Deferred tax liabilities:		
The balance comprises temporary differences attributable to:		
– Prepayments	29	-
– Work in Progress	22,954	19,370
– Unrendered disbursements	7,231	5,105
– Plant and equipment	(67)	35
	30,147	24,510
Balance after set off of deferred tax assets and (liabilities)	(26,690)	(21,604)

NOTE 6: DIVIDENDS

(a) Dividends paid during the year

	2008 $'000	2007 $'000
Dividends on ordinary shares		
Interim franked dividend at the tax rate of 30% for 2008: 2.0 cents per share (2007 – 2.0 cents per share)	2,035	1,186
Final franked dividend at the tax rate of 30% for 2007: 2.0 cents per share	1,905	-
	3,940	1,186
Dividends on income preference shares		
Franked dividend at the tax rate of 30% for 2007	-	910
		910
Total Dividends paid during the year	3,940	2,096

(b) Dividends proposed and not recognised as a liability

	2008 $'000	2007 $'000
Dividends on ordinary shares final franked dividend at the tax rate of 30% for the year ending 30 June 2008: 3.0 cents per share (2007 – 2.0 cents per share)	3,053	1,905

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 6: DIVIDENDS (continued)

	Note	2008 $'000	2007 $'000
(c) Franking credit balance			
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:		9,070	7,414
Impact on franking account of dividend recommended by the directors since the year end but not recognised as a liability at year end:		1,308	816

NOTE 7: CASH AND CASH EQUIVALENTS

	Note	2008 $'000	2007 $'000
Cash at bank	19(a)	2,327	5,190
		2,327	5,190

NOTE 8: RECEIVABLES

	Note	2008 $'000	2007 $'000
CURRENT			
Trade debtors		22,263	16,088
Provision for doubtful debts		(1,217)	(733)
		21,046	15,355
Disbursements		24,103	18,413
Less provision for non-recoverable disbursements		(1,154)	(924)
		22,949	17,489
Related party receivables			
Associates	25		
- Slater & Gordon Lawyers		969	2,552
		969	2,552
Other receivables		575	100
Total current receivables		45,539	35,496

NOTE 9: WORK IN PROGRESS

	Note	2008 $'000	2007 $'000
CURRENT			
Non-personal injury		6,421	2,297
Personal injury		76,157	62,122
Project litigation		-	145
		82,578	64,564
NON CURRENT			
Project litigation		3,438	3,138
		3,438	3,138
Total Work in Progress		86,016	67,702

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: OTHER ASSETS

	2008 $'000	2007 $'000
CURRENT		
Prepayments	931	713
Other current assets	221	1,674
	1,152	2,387

NOTE 11: PLANT AND EQUIPMENT

	2008 $'000	2007 $'000
Plant and equipment at cost	2,259	1,369
Less accumulated depreciation	(675)	(340)
	1,584	1,029
Low value asset pool at cost	329	187
Less accumulated depreciation	(151)	(86)
	178	101
Total plant and equipment	1,762	1,130

(a) Movements in Carrying Amounts

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

	2008 $'000	2007 $'000
Plant and Equipment		
Balance at the beginning of the year	1,029	465
Additions	634	665
Additions through acquisition of entities	256	72
Depreciation expense	(335)	(173)
Carrying amount at end of year	1,584	1,029
Low Value Asset Pool		
Balance at the beginning of the year	101	79
Additions	142	57
Depreciation expense	(65)	(35)
Carrying amount at end of year	178	101

SLATER & GORDON LIMITED
ABN 93 097 297 400
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 12: INTANGIBLE ASSETS

		2008 $'000	2007 $'000
Goodwill – at cost		15,386	3,460
Accumulated impairment loss		-	-
Net carrying amount	(a)	15,386	3,460
Software development – at cost		689	-
Accumulated amortisation		-	-
Net carrying amount		689	-
Total intangible assets		16,075	3,460

(a) Movements in carrying amount of goodwill between the beginning and the end of the current financial year.		
Opening net book amount	3,460	3,049
Additions	11,926	411
Impairment charge	-	-
Closing net book value	15,386	3,460

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

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

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

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

	CGU NSW	CGU QLD	CGU VIC	CGU WA	CGU ACT
Goodwill recognised ($'000)	$10,209	$2,874	$1,371	$701	$231
Growth in fees	5.0%	5.0%	5.0%	5.0%	5.0%
Risk free discount rate	6.04%	6.04%	6.04%	6.04%	6.04%
Assumed debt ratio	10.0%	10.0%	10.0%	10.0%	10.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%
Weighted average cost of capital	14.36%	14.36%	14.36%	14.36%	14.36%

NOTE 13: OTHER NON-CURRENT ASSETS

	Note	2008 $'000	2007 $'000
VCR loans to employees	23	11,132	7,373
		11,132	7,373

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 14: PAYABLES

	2008 $'000	2007 $'000
CURRENT		
Unsecured liabilities		
Trade creditors	392	618
Legal creditors and accruals	15,822	12,097
Vendor liabilities	8,317	3,232
	24,531	15,947
NON-CURRENT		
Unsecured liabilities		
Non-interest bearing	225	689
Vendor liabilities	4,017	512
	4,242	1,201

NOTE 15: BORROWINGS

	Note	2008 $'000	2007 $'000
CURRENT			
Secured			
Bank overdraft	**19(a)**	749	447
Bills of exchange		1,000	1,000
		1,749	1,447
NON-CURRENT			
Secured			
Bills of exchange		13,000	8,350
		13,000	8,350

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

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

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

NOTE 16: PROVISIONS

	Note	2008 $'000	2007 $'000
CURRENT			
Employee benefits	(a)	5,309	4,321
Solicitor liability claim		180	275
		5,489	4,596
NON-CURRENT			
Employee benefits	(a)	1,489	845
(a) Aggregate employee benefits liability		6,798	5,166
(b) Number of employees at year end		576	399

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 17: CONTRIBUTED EQUITY

	2008		2007	
	Shares	**$'000**	**Shares**	**$'000**
Ordinary shares fully paid	101,741,734	40,213	95,252,848	34,664
VCR shares	10,107,151	6,126	12,526,801	5,188
Foundation Shares fully paid	-	-	-	-
Income Preference Shares fully paid	-	-	-	-
Partnership Shares fully paid	-	-	-	-
Total issued capital	111,848,885	46,339	107,779,649	39,852

a) Movement in ordinary share capital

Balance at the beginning of the year	95,252,848	34,664	7	-
Restructure of share capital by share split – 3 November 2006	-	-	69,999,993	-
Share buy back – 3 November 2006	-	-	(17,807,350)	-
Share capital issued – 22 December 2006	-	-	3,640,000	2,475
Conversion of vested shares – 22 March 2007	-	-	3,483,334	2,369
Restructure of share capital by share split – 27 March 2007	-	-	4,236,864	-
Conversion of Foundation Shares to ordinary shares – 29 March 2007	-	-	13,999,998	14,000
Shares issued to public via float – 11 May 2007	-	-	17,700,002	17,700
Shares issued as consideration for acquisitions – 4 December 2007	1,444,236	2,475	-	-
Conversion of vested shares – 4 December 2007	5,044,650	3,202	-	-
Less capital raising costs	-	(128)	-	(1,880)
Balance at end of the year	101,741,734	40,213	95,252,848	34,664

b) Movement in VCR share capital

Balance at the beginning of the year	12,526,801	5,188	-	-
Share capital issued under Employee Ownership Plan – 22 December 2006	-	-	15,175,000	7,094
Conversion of vested VCR shares to ordinary shares – 29 March 2007	-	-	(3,483,334)	(2,369)
Restructure of share capital by share split – 22 March 2007			835,135	-
Conversion of vested VCR shares to ordinary shares – 4 December 2007	(5,044,650)	(3,202)	-	-
Share capital issued under Employee Ownership Plan - 19 February 2008	2,625,000	3,083		-
Share based payments cost	-	1,057	-	463
Balance at end of the year	10,107,151	6,126	12,526,801	5,188

c) Movement in Foundation share capital

Balance at the beginning of the year	-	-	13,999,998	14,000
Restructure of share capital to convert to ordinary share capital – 29 March 2007	-	-	(13,999,998)	(14,000)
Balance at end of the year	-	-	-	-

d) Movement in Income Preference share capital

Balance at the beginning of the year	-	-	650	1
Share capital redeemed – 3 November 2006	-	-	(650)	(1)
Balance at end of the year	-	-	-	-

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 17: CONTRIBUTED EQUITY (Continued)

	2008 Shares	2008 $'000	2007 Shares	2007 $'000
e) Movement in Partnership share capital				
Balance at the beginning of the year	-	-	7	-
Share capital redeemed – 3 November 2006	-	-	(7)	-
Balance at end of the year	-	-	-	-

Ordinary shares

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

VCR shares

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

NOTE 18: RETAINED PROFITS

	Note	2008 $'000	2007 $'000
Retained earnings	**18(a)**	38,861	27,697
(a) Retained earnings			
Balance at the beginning of year		27,697	21,728
Net profit attributable to ordinary equity holders		15,104	10,655
Total available for appropriation		42,801	32,383
Share buy back		-	(2,590)
Dividends paid		(3,940)	(2,096)
Balance at end of year		38,861	27,697

NOTE 19: CASH FLOW INFORMATION

(a) Reconciliation of cash

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

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

	Note	2008	2007
Cash on hand	**7**	2,327	5,190
Bank overdraft	**15**	(749)	(447)
		1,578	4,743

SLATER & GORDON LIMITED
ABN 93 097 297 400
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: CASH FLOW INFORMATION (Continued)	**2008 $'000**	**2007 $'000**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	15,104	10,655
Non-cash flows in profit from ordinary activities		
Notional interest on VCR share loans	(675)	(280)
Depreciation	400	208
Share based payments expenses	1,057	463
Changes in assets and liabilities		
Increase in receivables	(5,103)	(2,375)
(Increase)/decrease in other assets	607	(25)
Increase in work in progress	(4,383)	(3,641)
Decrease in payables	(548)	(757)
Increase in income tax payable	414	1,978
Increase in deferred taxes	3,863	1,035
Increase in provisions	772	463
Increase in deferred taxes capital	55	805
Cash flows from operations	11,563	8,529

NOTE 20: COMMITMENTS AND CONTINGENCIES

Operating lease commitments		
Non-cancellable operating leases (including rental of office space) contracted but not capitalised in the financial statements:		
Within one year	5,216	3,338
One year or later and not later than five years	10,036	5,741
Greater than five years	1,804	-
	17,056	9,079
Bank guarantees in respect of rental properties and acquisitions	1,760	1,011

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

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 20: COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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

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

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

NOTE 21: EARNINGS PER SHARE

	2008 $'000	2007 $'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net profit after tax	15,104	10,655
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	15,104	10,655

	2008 '000	2007 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	98,976	65,805
Effect of dilutive securities:		
Foundation Shares	-	10,395
VCR shares	10,586	6,246
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	109,562	82,446

Foundation Shares

Foundation Shares prior to listing on the ASX on 21 May 2007 were converted into ordinary shares. Prior to the conversion the Foundation Shares were a class of shares which did not receive dividends however due to their conversion prior to listing they have been included as a dilutive security for the purposes of the calculation and determination of diluted earnings per share for the year ending 30 June 2007.

VCR shares

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

SLATER & GORDON LIMITED
ABN 93 097 297 400
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22: KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

(i) Directors

Anna Booth	Chair – Non-Executive – Appointed 22 March 2007
Peter Gordon	Deputy Chair and Executive Director
Andrew Grech	Managing Director
Ian Court	Director – Non-Executive – Appointed 22 March 2007
Ken Fowlie	Executive Director

(ii) Executives

Paul Henderson	Executive – (Retired as a Director 22 March 2007)
Hayden Stephens	Executive – (Retired as a Director 22 March 2007)
Cath Evans	Executive – (Retired as a Director 22 March 2007)
Marcus Clayton	Executive – (Retired as a Director 22 March 2007)
Mike Feehan	Chief Operating Officer – Appointed 28 August 2006
Wayne Brown	Chief Financial Officer

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22: KEY MANAGEMENT PERSONNEL (Continued)

(b) Shareholdings of Key Management Personnel
Shares held in Slater & Gordon Limited (number)

Net movement in share capital 2008

	Andrew Grech Shares[a]	Peter Gordon Shares [a]	Paul Henderson Shares [a]	Ken Fowlie Shares	Hayden Stephens Shares[a]	Cath Evans Shares[a]	Marcus Clayton Shares[a]	Anna Booth Shares[a]	Ian Court Shares	Mike Feehan Shares[a]	Wayne Brown Shares[a]	Total Shares
Movement in ordinary share capital - 2008												
Balance at beginning of year	10,211,642	9,957,675	8,857,152	6,819,721	7,116,794	7,250,476	2,407,240	50,000	15,000	100,000	3,000	52,788,700
Shares Acquired	-	-	-	-	-	-	-	-	-	-	107,143	107,143
Balance at end of year	10,211,642	9,957,675	8,857,152	6,819,721	7,116,794	7,250,476	2,407,240	50,000	15,000	100,000	110,143	52,895,843
Movement in VCR share capital - 2008												
Balance at beginning of year	-	-	-	-	-	-	-	-	-	-	321,429	321,429
VCR Shares Vested as Ordinary Shares – 4 December 2007	-	-	-	-	-	-	-	-	-	-	(107,143)	(107,143)
Shares issued	-	-	-	-	-	-	-	-	-	900,000	-	900,000
Balance at end of the year	-	-	-	-	-	-	-	-	-	900,000	214,286	1,114,286

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

SLATER & GORDON LIMITED
ABN 93 097 297 400
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22: KEY MANAGEMENT PERSONNEL (Continued)

Net movement in share capital 2007

	Andrew Grech Shares[a]	Peter Gordon Shares [a]	Paul Henderson Shares [a]	Ken Fowlie Shares	Hayden Stephens Shares[a]	Cath Evans Shares[a]	Marcus Clayton Shares[a]	Anna Booth Shares[a]	Ian Court Shares	Mike Feehan Shares[a]	Wayne Brown Shares[a]	Total Shares
Movement in ordinary share capital												
Balance at beginning of year	1	1	1	1	1	1	1	-	-	-	-	7
Restructures of share capital by share splits	10,680,775	10,663,844	10,590,477	10,518,237	10,540,812	10,550,970	10,182,928	-	-	-	-	73,728,043
Share buy back	(469,134)	(706,170)	(1,733,326)	(2,744,679)	(2,428,631)	(2,286,409)	(7,439,001)	-	-	-	-	(17,807,350)
Conversion of Foundation Shares to ordinary shares	4,666,666	4,666,666	4,666,666	-	-	-		-	-	-	-	13,999,998
Shares sold as part of the Initial Public Offer	(4,666,666)	(4,666,666)	(4,666,666)	(953,838)	(995,388)	(1,014,086)	(336,688)	-	-	-	-	(17,299,998)
Shares acquired as part of the Initial Public Offer	-	-	-	-	-	-	-	50,000	15,000	100,000	3,000	168,000
Balance at end of year	10,211,642	9,957,675	8,857,152	6,819,721	7,116,794	7,250,476	2,407,240	50,000	15,000	100,000	3,000	52,788,700
Movement in Foundation share capital												
Balance at beginning of the year	4,666,666	4,666,666	4,666,666	-	-	-	-	-	-	-	-	13,999,998
Restructure of share capital to convert to ordinary share capital	(4,666,666)	(4,666,666)	(4,666,666)	-	-	-	-	-	-	-	-	(13,999,998)
Balance at end of year	-	-	-	-	-	-	-	-	-	-	-	-
Movement in Income Preference share capital												
Balance at beginning of year	100	100	100	100	100	100	50	-	-	-	-	650
Share capital redeemed	(100)	(100)	(100)	(100)	(100)	(100)	(50)	-	-	-	-	(650)
Balance at end of year	-	-	-	-	-	-	-	-	-	-	-	-
Movement in Partnership share capital												
Balance at beginning of year	1	1	1	1	1	1	1	-	-	-	-	7
Share capital buyback	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-	-	-	-	(7)
Balance at end of year	-	-	-	-	-	-	-	-	-	-	-	-
Movement in VCR share capital												
Balance at beginning of year	-	-	-	-	-	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-	-	-	-	300,000	300,000
Restructure of share capital by share split	-	-	-	-	-	-	-	-	-	-	21,429	21,429
Balance at end of the year	-	-	-	-	-	-	-	-	-	-	321,429	321,429

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

SLATER & GORDON LIMITED
ABN 93 097 297 400
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22: KEY MANAGEMENT PERSONNEL (Continued)

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

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

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

	Balance at beginning of year $	Balance at end of year $	Number in Group
2008	(495,376)	1,184,760	6
2007	(3,159,364)	(495,376)	9

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

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

30 June 2007	Balance at beginning of year	Balance at end of year	Highest balance during the year
Ken Fowlie[a]	(7,878)	-	340,385
Hayden Stephens[a]	(931)	-	340,385
Cath Evans[a]	(5,712)	-	930,770
Marcus Clayton[a]	(1,645)	-	192,690
Wayne Brown	-	138,037	138,037

[a] Individual and/or related party entities

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

The balances at the end of the period due to the Company by Mike Feehan and Wayne Brown are pursuant to the EOP. The terms and conditions of which are disclosed in Note 23. Notional interest of $11,473 for Wayne Brown (2007 - $5,237) and $38,694 for Mike Feehan (2007 – Nil) was not charged on this loan balance.

The balances with Ken Fowlie, Hayden Stephens, Cath Evans and Marcus Clayton were an advance on dividend entitlements due relating to the operations of the Company prior to the issue of the Prospectus. At 30 June 2008 the Company is not owed any monies by these Key Management Personnel.

NOTE 23: EMPLOYEE OWNERSHIP PLAN ("EOP")

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

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

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

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

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

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

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

After conversion

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

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

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

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

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

Transfer

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

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

The profile of the vesting of VCR shares into ordinary shares, conversion into ordinary shares (subject to disposal restrictions) or scheduled for redemption as VCR shares based on the shares issue under the EOP as at 30 June 2008.

	Vested '000	1 year or less '000	1 to 5 years '000	More than 5 years '000	Total '000
VCR shares which have (or may) vest as ordinary shares	8,884	6,252	3,105	-	18,241
VCR shares which may convert to ordinary shares but are subject to disposal restrictions	-	-	3,732	15,152	18,241
VCR shares to be redeemed	-	643	-	-	643

Recognition in the Accounts

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

The key assumptions used in the present value calculation are:

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

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

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

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

NOTE 24: AUDITOR'S REMUNERATION

	2008 $'000	2007 $'000
Amounts received or due and receivable by Pitcher Partners and related entities for:		
An audit of the financial report of the Company	66	60
The half year review of the financial report of the Company	40	40
Review of statutory accounts	15	15
The preparation of the Independent Accountants Report contained in the Prospectus	-	82
	121	197

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 25: RELATED PARTY DISCLOSURES

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

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

- As outlined in the Prospectus and Financial Report for the year ended 30 June 2007 the following operating structure operated in respect to the practices operated in the Australian Capital Territory ("ACT"), Queensland and South Australia ("SA") during the years ending 30 June 2007 and 2008;
- The ACT practice was operated as a partnership between Andrew Grech, Peter Gordon and Paul Henderson ("the ACT Partnership") until the business operations, assets and liabilities were acquired by the Company on 6 July 2006. As per the agreement with the ACT Partnership each financial year the ACT Partnership would distribute its profits to the Company. In 2007 there was no distribution;
- The Queensland and SA practices were operated by Andrew Grech as a sole practitioner trading as Slater & Gordon Lawyers in each state under Service and Licence Agreements between Andrew Grech and the Company in 2007 and with effect from 1 July 2007 it was only the SA practice which operated under the Service and Licence Agreement. In 2008 the Service and Licence Fee totalled $1,057,588 (2007 - $1,770,656);
- Andrew Grech, Peter Gordon and Paul Henderson are directors of Slatergordon Services Pty Ltd ("SGS"). SGS is the trustee of the Esange Holdings Trust which provided services to the Company up to 30 June 2004. During the year ending 30 June 2007 SGS forgave a debt of $172,011 which was due to it by the Company; and
- Anna Booth is a director of Members Equity Bank for which the Company provides legal services in the ordinary course of business.

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

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 26: BUSINESS COMBINATIONS

2008

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

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

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

	Fair Value	**Carrying Amount**
Liabilities		
- Trade Creditors	217	217
- Borrowings	1,938	1,938
- Provisions	2,139	2,139
Total liabilities acquired	2,356	2,356
Net assets acquired	12,448	12,448
Goodwill on acquisition	11,840	

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

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

The key items that flowed from the acquisitions that gave rise to the goodwill were:

- Synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Company;
- Access to geographic locations not previously served by the Company;
- Access to areas of practice not previously offered by the Company; and
- Access to referral networks not previously available to the Company.

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 26: BUSINESS COMBINATIONS (Continued)

2007
On 29 September 2006 the Company acquired Gary Robb & Co. and on 6 November 2006 the Company acquired Paul J Keady & Associates:

	$'000
Consideration	
- Cash	863
- Deferred cash consideration	1,454
- Costs associated with acquisition	40
Total cash consideration	2,357
Shares issued as consideration	550
Total acquisition cost	2,907

Net assets acquired	**Fair Value**	**Carrying Amount**
Assets		
- Cash	-	-
- Trade and other receivables	622	622
- Work in progress	2,185	2,185
- Plant and equipment	72	72
Total assets acquired	2,879	2,879

	Fair Value	**Carrying Amount**
Liabilities		
- Borrowings	300	300
- Provisions	83	83
Total liabilities acquired	383	383
Net assets acquired	2,496	2,496
Goodwill on acquisition	411	

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

It is not practicable to disclose the revenue and profit and loss of the combined entity as if the acquisitions took place at 1 July 2006, as the Company does not have access to appropriate financial information to reliably determine the revenue and profit of the acquired businesses from 1 July 2006 to the date of acquisition.

The key items that flowed from the acquisitions that gave rise to the goodwill were:

- Synergies expected to be achieved as a result of combining the acquired businesses with the rest of the group;
- Access to geographic locations not previously served by the Company;
- Access to areas of practice not previously offered by the Company; and
- Access to referral networks not previously available to the Company

NOTE 27: SEGMENT INFORMATION

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 28: FINANCIAL RISK MANAGMENT

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

(i) *Credit risk exposures*

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

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

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

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

(ii) *Liquidity Risk*

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

Management of liquidity risk
The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. Refer to the Statement of Cash Flows and Note 19: Cash Flow Information, for further information on the historical cash flows and the current borrowing facilities.

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

	2008 $000	2007 $000
Bank Facility		
Total credit facility including bank overdraft	27,095	28,376
Amount utilised	(14,749)	(10,808)
	12,346	17,478

Banking Overdrafts
Bank overdraft facilities are arranged with Westpac with the general terms and conditions being set and agreed to annually. The current facility is $5,050,000.

Interest rates are variable and subject to adjustment

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 28: FINANCIAL RISK MANAGMENT (Continued)

Commercial Bill Facility
The current facility is $22,045,000 (2007: $22,405,000) variable interest rate facility provided by Westpac, expiring no later than 5 years.

(iii) ***Fair values***

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

Management of fair value risk in WIP

The Company actively manages the fair value risk by

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 28: FINANCIAL RISK MANAGEMENT (Continued)

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

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

Financial Instruments	Weighted average interest rate		Non interest bearing		Variable interest rate		Fixed interest rate maturing in: 1 year or less		1 to 5 years		More than 5 years		Total	
	2008	2007	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(i) Financial assets														
Cash	3.85%	4.01%	-	-	-	-	2,327	5,190	-	-	-	-	2,327	5,190
Trade debtors			22,263	16,088	-	-	-	-	-	-	-	-	22,263	16,088
Disbursements			24,103	18,413	-	-	-	-	-	-	-	-	24,103	18,413
Related Parties			969	2,552	-	-	-	-	-	-	-	-	969	2,552
Other receivables			575	100	-	-	-	-	-	-	-	-	575	100
VCR share loans receivable			11,132	7,373	-	-	-	-	-	-	-	-	11,132	7,373
Total financial assets			59,042	44,526	-	-	2,327	5,190	-	-	-	-	61,369	49,716
(ii) Financial liabilities														
Bank overdraft	11.37%	9.35%	-	-	749	447	-	-	-	-	-	-	749	447
Trade creditors			392	618	-	-	-	-	-	-	-	-	392	618
Legal creditors and accruals			28,156	15,841	-	-	-	-	-	-	-	-	28,156	15,841
Payables to related parties			225	689	-	-	-	-	-	-	-	-	225	689
Provision for employee entitlements			6,798	5,166	-	-	-	-	-	-	-	-	6,798	5,166
Commercial bills	7.69%	7.13%	-	-	-		1,000	1,000	13,000	8,350	-	-	14,000	9,350
Total financial liabilities			35,571	22,314	749	447	1,000	1,000	13,000	8,350	-	-	50,320	32,111

SLATER & GORDON LIMITED
ABN 93 097 297 400
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 29: SUBSEQUENT EVENTS

The following subsequent events have occurred:

- The Company announced on 21 August 2008 the release of 12,201,057 ordinary shares subject to escrow with effect from 5 September 2008.
- The Company announced on 25 August 2008 the issue of 4,930,363 ordinary shares as a result of the conversion of VCR shares pursuant to the terms of the EOP and as approved at the AGM on 23 November 2007. These ordinary shares will also participate in the final dividend declared for the year ending 30 June 2008 of 3.0 cents, fully franked, equating to the sum of $147,911.

SLATER & GORDON LIMITED
ABN 93 097 297 400

SLATER & GORDON LIMITED

DIRECTORS DECLARATION

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

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

(b) Give a true and fair view of the financial position of the Company as at 30 June 2008 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.

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

Anna Booth
Chair

Andrew Grech
Managing Director

Melbourne
Date 2 September 2008

Pitcher Partners

SLATER & GORDON LIMITED
ABN 93 097 297 400

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

We have audited the accompanying financial report of Slater & Gordon Limited, which comprises the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

SLATER & GORDON LIMITED
ABN 93 097 297 400

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

Auditor's Opinion

In our opinion,

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

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 43 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Slater & Gordon Limited for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.

P A JOSE

Partner

2 September 2008

PITCHER PARTNERS

Melbourne

SLATER & GORDON LIMITED
ABN 93 097 297 400

In accordance with the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information as at 27 August 2008.

(a) Distribution of shareholders and option holders.

Holding		**Number of Ordinary Shareholders**
1	- 1,000	338
1,001	- 5,000	557
5,001	- 10,000	190
10,001	- 100,000	105
100,001	- Over	59
		1,249

There are 46 shareholders holding less than a marketable parcel (i.e. less than $500 per parcel of shares).

(b) Twenty largest shareholders

Shareholder		**Number of Shares Held**	**% Held**
1	Andrew Grech	10,211,642	9.57%
2	Peter Gordon	9,957,675	9.33%
3	Paul Henderson	8,857,152	8.30%
4	Cath Evans	7,250,476	6.80%
5	Hayden Stephens	7,116,794	6.67%
6	Ken Fowlie	6,819,721	6.39%
7	National Nominees Limited	5,721,863	5.36%
8	RBC Dexia Investor Services Australia Nominees Pty Limited	5,380,400	5.04%
9	Citicorp Nominees Pty Limited	4,259,000	3.99%
10	JP Morgan Nominees Australia Limited	4,198,706	3.94%
11	RBC Dexia Investor Services Australia Nominees Pty Limited	3,797,423	3.56%
12	James Higgins	3,375,000	3.16%
13	Marcus Clayton	2,407,240	2.26%
14	Tim Hammond	1,785,715	1.67%
15	HSBC Custody Nominees (Australia) Limited	1,749,578	1.64%
16	Cogent Nominees Pty Limited	917,552	0.86%
16	Gerard Rees	866,786	0.81%
17	Craig Lee (Lee Super Fund)	866,608	0.81%
18	Stuart Barnett	866,607	0.81%
19	Damien Brown	866,607	0.81%
		87,272,545	81.78%

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

	Ordinary Shares	
Shareholder	**Number**	**% ***
Andrew Grech	71,672,097	67.19%
Peter Gordon	71,672,097	67.19%
Paul Henderson	71,672,097	67.19%
Cath Evans	71,672,097	67.19%
Hayden Stephens	71,672,097	67.19%
Ken Fowlie	71,672,097	67.19%
Marcus Clayton	71,672,097	67.19%
Perpetual Limited and Subsidiaries	9,058,099	8.90%
Renaissance Smaller Companies Pty Ltd	5,389,536	5.30%

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

(d) VCR shares
Total number of VCR shares on issue at 27 August 2008 are 5,176,788 held by 34 employee shareholders.

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Corporate Directory

Company Particulars

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

Company Secretary
Wayne Brown

Registered Office and Corporate Office
Level 9
533 Little Lonsdale Street
Melbourne Victoria 3000
Telephone: (03) 9602 6888
Facsimile: (03) 9600 0290

Company Website
www.slatergordon.com.au

Company Numbers
ACN 097 297 400

Auditors
Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

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

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

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

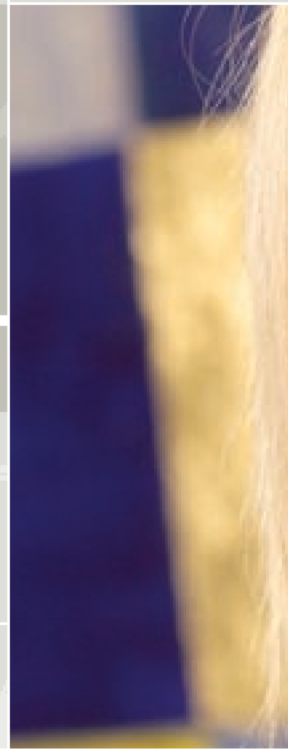
ASX Code
SGH

Share/Security Registers
The Registrar
Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
GPO Box 2975
Melbourne Victoria 3001
Telephone
Toll Free 1300 850 505 (Australia)
+61 3 9415 4000 (Overseas)

Investor Centre Website:
www.computershare.com.au

Email:
web.queries@computershare.com.au

Slater & Gordon
Lawyers



www.slatergordon.com.au