

Issuer
Xenith IP Group Limited
ACN 607 873 209

Prospectus

Initial Public Offer of Ordinary Shares

Lead Manager

CommonwealthBank 

Financial Adviser

 **Investec**

Important Information

Offer

The Offer contained in this Prospectus is an invitation to obtain fully paid ordinary shares (**Shares**) in Xenith IP Group Limited (ACN 607 873 209) (**Xenith IP Group** or **Company**). This Prospectus is issued by the Company and Xenith IP (SaleCo) Limited ACN 607 851 883 (**SaleCo**).

Lodgement and listing

This Prospectus is dated 28 October 2015 (**Prospectus Date**) and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date for admission of the Company to the official list of the ASX and quotation of its Shares on the ASX. None of ASIC, the ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued or sold on the basis of this Prospectus after its expiry date, being the date 13 months after the Prospectus Date.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of Xenith IP Group. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 4. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect Xenith IP Group's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of Xenith IP Group or the repayment of capital or any return on investment made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United

States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

The Offer is not being extended to any investor outside Australia or New Zealand, other than to Institutional Investors as part of the Institutional Offer. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia and New Zealand, please refer to Section 9.15.

Important notice to Hong Kong investors

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Offer Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Offer Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside of Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Important notice to New Zealand investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law and New Zealand law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you are a New Zealand resident and need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. New Zealand tax laws are complex, and the tax laws and their interpretation may change. The precise implications of ownership and disposal of the Shares will depend upon each Shareholder's specific circumstances.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser including tax advice on the New Zealand implications of acquiring, holding or disposing of the Shares, taking into account your own specific circumstances.

The Offer may involve a currency exchange risk. The currency for the financial products is Australian dollars and not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Financial information presentation

Section 5 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 10.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest \$0.1 million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements.

Any forward looking statements are subject to various risk factors that could cause Xenith IP Group's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Xenith IP Group, the Directors of Xenith IP Group, SaleCo, the directors of SaleCo and management of Xenith IP Group. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Pro Forma Historical Financial Information and the Forecast Financial Information in Section 5.7, risk factors as set out in Section 4, specific assumptions as set out in Section 5.8.2, general assumptions as set out in Section 5.8.1,

the sensitivities as set out in Section 5.9 and other information in this Prospectus.

Xenith IP Group and SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. Xenith IP Group has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, SaleCo or any other person in connection with the Offer. You should rely only on information in this Prospectus.

As set out in Section 7.15, it is expected that the Shares will be quoted on the ASX. Xenith IP Group, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

Exposure Period

The Corporations Act prohibits Xenith IP Group and SaleCo from processing Applications in the seven day period after the date of Prospectus lodgement (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any applications received during the Exposure Period.

Obtaining a copy of this Prospectus

A paper copy of this Prospectus is available free of charge to any person in Australia and New Zealand by calling the Xenith IP Group Offer Information Line on 1300 781 123 (within Australia) or +61 3 9415 4656 (outside Australia) from 9.00am until 5.00pm AEDT Monday to Friday during the Offer Period.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.xenithipoffer.com.au. The Offer constituted by this Prospectus in electronic form is available only to Australian or New Zealand residents accessing the website within Australia or New Zealand. It is not available to persons in other jurisdictions (including the United States). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety at www.xenithipoffer.com.au. By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Photographs and Diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Xenith IP Group.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Photographs in this Prospectus may be used under licence. The downloading, republication, retransmission, reproduction or other use of such photographs other than in this Prospectus is prohibited.

Company Website

Any references to documents included on Xenith IP Group's website at www.xenithip.com or the Offer website www.xenithipoffer.com.au are for convenience only, and none of the documents or other information available on Xenith IP Group's website is incorporated herein by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in Section 11. Unless otherwise stated or implied, references to times in this Prospectus are to AEDT.

Privacy

By completing an Application Form, you are providing personal information to the Company, SaleCo and the Share Registry, which is contracted by the Company to manage Applications. The Company, SaleCo and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in Xenith IP Group's public register. The information must continue to be included in Xenith IP Group's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company, SaleCo and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- The Share Registry for ongoing administration of the Shareholder register;
- The Lead Manager in order to assess your Application;
- Printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- Market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You can request access to your personal information or obtain further information about Xenith IP Group's and SaleCo's privacy practices by contacting the Share Registry or Xenith IP Group. Xenith IP Group aims to ensure that the

personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact Xenith IP Group or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Syndicate structure

The Lead Manager to the Offer is CBA Equities Limited (AFSL 238817) and the Co-Manager to the Offer is Shaw and Partners Limited (AFSL 236048).

This page is left intentionally blank.

Table of contents

Key Offer Details	2
Letter from the Chair	4
1. Investment Overview	5
2. Industry Overview	21
3. Business Overview	29
4. Risks	42
5. Financial Information	49
6. Key People, Interests and Benefits	64
7. Details of the Offer	78
8. Investigating Accountant's Report	90
9. Additional Information	99
10. Significant Accounting Policies	112
11. Defined Terms	117
A.1 Corporate Directory	123

Key Offer Details

Important dates

Lodgement of this Prospectus with ASIC	Wednesday, 28 October 2015
Expected open of Broker Firm Offer (9.00am)	Wednesday, 4 November 2015
Expected close of Broker Firm Offer (5.00pm)	Wednesday, 11 November 2015
Settlement	Friday, 13 November 2015
Expected date of issue and allotment of Shares	Monday, 16 November 2015
Expected date for dispatch of holding statements	Tuesday, 17 November 2015
Trading of Shares expected to commence on the ASX	Friday, 20 November 2015

The above timetable is indicative only. The Company and the Lead Manager reserve the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications either generally or in particular cases without notification. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens. Broker Firm Applicants will need to consult with their Broker regarding when to settle their Application.

Key Offer statistics

Offer Price per Share	\$2.72
Total number of Shares available under the Offer ¹	20.3 million
Gross proceeds from the Offer ²	\$55.1 million
Total number of Shares on issue on completion of the Offer ³	32.8 million
Indicative market capitalisation ⁴	\$89.3 million
Pro Forma net debt (as at 30 June 2015) ⁵	\$2.8 million
Indicative enterprise value ⁶	\$92.1 million

Notes:

The above tables are intended as a summary only. More detailed financial information, including assumptions in respect of the Forecast Financial Information is set out in Section 5.

1. The total number of Shares to be issued under the Offer.
2. Equal to the issue of 1.4 million Shares by Xenith IP Group (excluding shares issued to Eligible Employees) plus the sale of 18.8 million Shares by SaleCo multiplied by the Offer Price.
3. Includes the number of Shares available under this Offer plus shares retained by the Current Owners.
4. Equal to the total number of Shares on issue on completion of the Offer multiplied by the Offer Price.
5. Equal to Pro Forma current and non current borrowings less Pro Forma cash and cash equivalents set out in the Pro Forma historical consolidated sheet set out in Section 5.5.
6. Equal to indicative market capitalisation plus Pro Forma consolidated indebtedness (as at 30 June 2015) set out in Section 5.10.

Investment metrics

Enterprise value ¹ /Pro Forma FY16 forecast EBITDA ²	12.3x
Enterprise value ¹ /Pro Forma FY16 forecast EBIT ²	13.2x
Offer Price/Pro Forma FY16 forecast NPAT per Share ^{2,3}	19.0x
FY16 dividend per Share ²	\$0.07
FY16 annualised dividend yield ^{2,4}	4.2%

Key financial leverage ratios

Pro Forma net debt/Pro Forma FY16 forecast EBITDA ²	0.4x
Pro Forma FY16 forecast EBITDA ² /Pro Forma FY16 interest expense ²	29.6x
Pro Forma FY16 forecast EBIT ² /Pro Forma FY16 interest expense ²	27.7x

Notes:

1. Equal to indicative market capitalisation plus Pro Forma consolidated indebtedness (as at 30 June 2015) set out in Section 5.10.
2. The Forecast Financial information is based on assumptions and accounting policies set out in Section 5 and is subject to the risks as set out in Section 4.
3. This ratio is commonly referred to as a price to earnings, or PE ratio.
4. This is annualised for the period from 1 July 2015 to 30 June 2016.

Letter from the Chair

28 October 2015

Dear Investor,

On behalf of the Board, it is my pleasure to invite you to read this Prospectus and become a shareholder in Xenith IP Group Limited (the **Company**).

Upon Listing, the Company will be only the second specialist intellectual property (**IP**) services practice to list on the ASX. After the Restructure, the Company will wholly own Shelston IP and Shelston IP Lawyers, industry-acclaimed practices of patent attorneys, trade mark attorneys and IP lawyers with a proud history of 156 years of continuous service and a diversified, local and international client base. These practices provide comprehensive, fully integrated services and advice relating to the identification, registration, management, commercialisation and enforcement of IP, both locally and internationally. Together with a shared services company, Xenith IP Services, these entities comprise the listed group (**Group** or **Xenith**).

In a global economy driven increasingly by knowledge and technological innovation, the creation and protection of IP is critical. Protection of IP is a valued service across countries and industry sectors, and is key to companies that wish to protect their investment in research and development and in their brand.

The increasing importance of the IP industry is evidenced by the growth in the number of patent and trade mark filings, which have nearly doubled and quadrupled respectively, in Australia over the last 20 years. In addition, Xenith holds a leading position in the Australian IP market, generally ranking in the top five in market share for patent and trade mark applications filed in Australia in recent years. It has also consistently been able to grow its revenue, and is the only top five Australian full service IP practice¹ to have organically gained market share in terms of both patent and trade mark applications filed over the five year period ending 30 June 2015.

Xenith provides its IP services to over 3,000² active clients worldwide, comprising a diversified range of multinational corporations, Australian corporations, public sector research and educational institutions, SMEs and entrepreneurs. The top 20 clients account for only approximately 25% of revenue, with the client base also diversified by industry sector, service line and geography. The majority of clients are based in North America, Europe and Japan. Xenith has also become the pre-eminent service provider for Chinese applicants seeking patent protection in Australia, a revenue source which is small but which has considerable growth potential.

The team at Xenith comprises over 100 personnel, including some of the most experienced and highly qualified IP professionals in Australia, with approximately 40 patent and trade mark attorneys and IP lawyers, spanning a range of technical and legal disciplines.

Upon Listing, Xenith will be conservatively geared, providing it with the financial flexibility to pursue opportunities for growth, especially in Australia and Southeast Asia.

Through this Prospectus, Xenith is inviting investors to acquire 20.3 million Shares at an Offer Price of \$2.72 per Share for a total Offer size of \$55.1 million. The listing will provide Xenith with access to capital markets and a liquid market for its Shares, an opportunity for the Current Owners to partially realise their investment, and the ability to attract and retain high quality staff while aligning the interests of staff and management with Shareholders. Following completion of the Offer, the Current Owners will own approximately 38% of Xenith. The Current Owners have entered into voluntary escrow arrangements under which their Shares will be escrowed for two years from the Listing Date. They will continue as key professional executives of Xenith, and have entered into executive employment contracts with minimum terms of three years pursuant to which they will continue to support the business.

Xenith is also inviting Eligible Employees to apply for up to \$1,000 worth of Shares each for no consideration payable to Xenith.

At the Offer Price, Xenith will have a market capitalisation of \$89.3 million upon completion of the Offer.

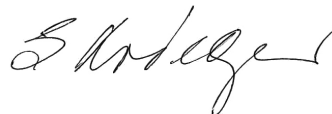
The Offer (except the Eligible Employee Offer) is fully underwritten by CBA Equities Limited.

Xenith is subject to a range of risks both inside and outside of its control. These include risks around competition, personnel, regulatory change, computer systems, business continuity, professional duties, the Restructure and foreign currency exposure. It is important that you read Section 4 carefully and this Prospectus in its entirety before making your investment decision.

If you decide to apply for Shares you will need to complete an application in the form of the paper or electronic application attached to this Prospectus. If you have questions about how to apply for Shares you can call the Xenith Offer Information Line on 1300 781 123 (within Australia) or +61 3 9415 4656 (outside Australia) from 9.00am to 5.00pm (AEDT) Monday to Friday during the Offer Period. The Offer is expected to close at 5.00pm AEDT on Wednesday, 11 November 2015.

On behalf of the Board and the Xenith senior management team, I look forward to welcoming you as a Shareholder.

Yours sincerely,



Sibylle Krieger FAICD

Chair
Xenith IP Group Limited

¹ Full service IP practice is considered to provide IP services in relation to patents, trade marks, designs and IP legal services as per Section 3.3.1.

² Measured by client invoices rendered in FY13, FY14 and FY15.



One Investment Overview

1. Investment Overview

1.1 Overview of Xenith's business

Topic	Summary	For more information
What is Xenith?	<p>Xenith IP Group is the holding company for the group of entities that comprise the Shelston IP business, namely:</p> <ul style="list-style-type: none">• Shelston IP Pty Ltd, a specialist IP practice;• Shelston IP Lawyers Pty Ltd, a specialist IP law practice; and• Xenith IP Services Pty Ltd, an entity providing shared services to the Group. <p>The Group's core business is to provide a comprehensive range of IP services, including identification, registration, management, commercialisation and enforcement of IP rights for a broad spectrum of clients in Australia, New Zealand and the rest of the world.</p> <p>The Group currently employs over 100 personnel, including approximately 40 patent and trade mark attorneys and IP lawyers. The Principals have an average of over 22 years' experience in the IP industry.</p>	Section 3.1
What is the Group's history?	<p>Shelston IP is the oldest IP firm in Australia with a proud 156 year history, dating back to its inception as Edward Waters & Sons in Melbourne, in 1859.</p> <p>Shelston IP Lawyers was established in 1999 to specialise in IP commercialisation and litigation, enabling the Group to provide a comprehensive range of integrated IP services and advice.</p>	Section 3.2
What is IP?	<p>IP can generally be considered as the product of intellectual creativity. Such creativity finds expression in many forms including inventions, designs, brands and artistic works.</p> <p>IP rights similarly take a variety of forms including patents, trade marks, industrial designs, copyrights, plant breeder's rights, circuit layouts and trade secrets. A number of these IP rights are subject to formal registration regimes, giving rise to limited monopoly protection under the relevant statutes.</p>	Sections 2.1 and 2.2

1.2 Key features of the business

Topic	Summary	For more information
How does the Group generate revenue?	<p>The majority of the Group's revenue is derived from IP services relating to the identification, registration, management, commercialisation and enforcement of IP rights. Shelston IP Lawyers, a dedicated transactions and disputes team, focuses on IP commercial transactions, oppositions, litigation and alternative dispute resolution.</p> <p>The nature of the IP life cycle means that each matter can continue to generate revenue for up to:</p> <ul style="list-style-type: none">• 10 years for registered designs;• 20 years for standard patents (25 years for certain pharmaceutical patents); and• Indefinitely for trade marks. <p>The nature and extent of these IP life cycles, including the pre-filing and post-registration stages, are important factors contributing to a relatively consistent, transparent and sustainable annuity-style earnings profile for the Group.</p> <p>The Group also generates revenue via its contractual relationships with a number of specialist service providers.</p>	Section 3.3

1. Investment Overview (continued)

Topic	Summary	For more information
Where are the Group's operations located?	The Group's Sydney office acts as a hub for the Group's operations, with an affiliated office in Auckland, New Zealand, and serviced offices in Brisbane and Newcastle.	Section 3.4
What are the Group's purpose and business objectives?	<p>The Group's purpose is the protection, management, commercialisation and enforcement of intellectual assets on behalf of its clients.</p> <p>In support of this purpose, the Group's primary objective is to consolidate and grow its position as a leading provider of IP services in Australia, New Zealand and other secondary IP markets (outside the primary markets of the US, Europe, Japan and South Korea), representing many of the world's largest, fastest-growing, most innovative and most successful companies and research institutes.</p>	Section 3.1.4
Who are the Group's clients?	<p>The Group has over 3,000 active clients which are diversified by size, industry, geography and IP service segment.</p> <p>The majority of the Group's revenue is derived from providing IP-related services to:</p> <ul style="list-style-type: none"> • Multinational corporations including a number of Fortune Global 500 companies; • Foreign and domestic corporations, research institutes, educational institutions, SMEs and entrepreneurs; • Domestic professional services firms seeking specialist IP services; and • Foreign associate IP firms, including specialist IP and general practice law firms representing their clients in offshore jurisdictions. 	Sections 3.3.2 and 3.5
Who are the Group's competitors?	<p>Across its business divisions and segments, the Group competes against:</p> <ul style="list-style-type: none"> • Top tier specialist IP services firms; • Smaller IP services firms and sole practitioners; • General practice law firms with IP services capabilities; and • Niche providers of specific process oriented IP services such as PCT national phase entry. 	Section 3.6
What is the Group's market share position?	<p>Xenith holds a leading position in the Australian IP market, generally ranking in the top five in market share for patent and trade mark applications filed in Australia in recent years. Xenith is the only top five Australian full service IP practice to have gained market share organically in both patent and trade mark applications filed in Australia over the five year period ending 30 June 2015.</p> <p>The Group's market share as at FY15 is shown below:</p> <ul style="list-style-type: none"> • approximately 5.9% of the Australian patent market, measured by the number of Australian patent applications filed; and • approximately 4.4% of the Australian trade mark market, measured by the number of Australian trade mark applications filed (based on top 50 filing entities as a proxy for the contestable market). <p>The Group is the leading Australasian firm with respect to Chinese companies seeking Australian patent protection, and now represents over 190 diversified and geographically dispersed Chinese clients.</p>	Sections 3.5.1 and 3.6

1. Investment Overview (continued)

1.3 Investment highlights

Topic	Summary	
Diversified client base	<p>The Group has a large and diverse client and revenue base, with over 3,000 active clients. Only 25% of revenue is provided by its top 20 clients. The majority of the Group's revenue (73% in FY15) is derived from foreign clients, with approximately 27% of FY15 revenue sourced from Australian and New Zealand based clients.</p> <p>The Group has long term relationships with many of its largest clients. Of its top 100 clients, 62 have been clients for longer than 10 years, and 48 have been clients for longer than 15 years.</p>	Section 3.5
Supportive industry dynamic and trends	<p>In a global economy increasingly driven by knowledge and technological innovation, the creation and protection of IP is increasingly important. Protection of IP is a valued service across countries and industry sectors, and is key to companies that wish to protect their investment in R&D and brand development.</p> <p>The Australian patent market, as represented by the total number of patent applications filed annually, has nearly doubled since 1996. In 2014, there were approximately 26,000 patent applications filed in Australia (CAGR of 3.1% since 1996) and the total number of patents in force in Australia as at 28 September 2015 was approximately 142,000.</p> <p>The Australian trade mark market, as represented by the total number of trade mark applications filed annually, was approximately 64,000 in 2014, implying a CAGR of 5.6% since 1996.</p>	Section 2.3
Market leading position	<p>Xenith holds a leading position in the Australian IP market, generally ranking in the top five in market share for patent and trade mark applications filed in Australia in recent years.</p> <p>Xenith is the only top five Australian full service IP practice to have gained market share organically in both patent and trade mark applications filed in Australia over the five year period ending 30 June 2015.</p>	Sections 3.1.2 and 3.6
Strong and stable financial performance	<p>Key financial attributes of the Group are as follows:</p> <ul style="list-style-type: none">• Robust financial performance, with a revenue CAGR of 4.1% and EBITDA CAGR of 15.0% p.a. between FY13 and FY15;• Strong forecast growth in FY16, with FY16 Pro Forma professional fees forecast to grow at 11.3% and Pro Forma EBITDA forecast to grow at 35.9%;• Low working capital requirements and work-in-progress, and minimal capital expenditure requirements; and• Strong cash conversion ratio (based on historical and forecast Pro Forma cashflows), with average 104.9% conversion of EBITDA to operating cash flow (excluding capital expenditure) between FY13 and FY16.	Section 5

1. Investment Overview (continued)

Topic	Summary	
Further growth opportunities	<p>Xenith's primary focus is to continue to expand its presence in Australia and New Zealand, consolidating its position as a leading provider of IP services in these markets to some of the world's largest, fastest-growing, most innovative and/or successful companies and research institutes. There are a number of initiatives that the Group may implement to achieve further growth:</p> <ul style="list-style-type: none">• Increased market share in Australasia via continued successful client acquisition strategies and regulatory reform in New Zealand;• Continued technology platform development to drive further operational efficiencies (example B2G interface with IP Australia);• Sector consolidation opportunities, based on the current fragmentation of the Australian IP sector, and the Group's financial flexibility to pursue acquisitions;• Continued business development in China building on the Group's current market leading position for Chinese applicants in Australia; and• Expansion into Southeast Asia, by leveraging off Xenith's current technology platform and established agent networks to offer existing and potential new clients pre-packaged service solutions for IP protection throughout the region.	Section 3.9
Industry leading systems and processes	<p>The Group's technology platform comprises a matrix of specialised third party software systems, customised to meet the needs of Xenith and its clients. Xenith regards its technology platform as an important element of its service offering and a key driver of its operational efficiency. The Group also believes its technology platform provides significant competitive advantages.</p> <p>Xenith's technology platform and related business processes are scalable beyond current utilisation levels and capable of supporting multiple IP practices.</p>	Section 3.7
Experienced Board, management and personnel	<p>The Group has a highly qualified and experienced team via its 14 Principals (who were previously partners), with an average of over 22 years' industry experience. The Group's professionals bring the benefit of diverse business, legal and technical expertise, with over 40% of patent professionals holding PhDs or Masters degrees across a range of technical disciplines.</p> <p>Xenith's Board of Directors bring significant experience with a number of ASX listed and unlisted companies, as well as experience across professional services including legal services, and a number of dynamic sectors undergoing significant change or reform.</p>	Sections 3.1.3, 6.1, 6.2 and 6.3

1. Investment Overview (continued)

1.4 Key investment risks

Topic	Summary	For more information
Competition	Competitive pressures resulting from activities of current competitors, emergence of new competitors or niche service providers, changing client expectations or other changes in the competitive landscape could result in loss of key clients or diminution of services provided to existing clients, resulting in loss of revenue, and/or margin compression and a corresponding reduction in the Group's profitability.	Section 4.1.1
Personnel	An inability of the Group to attract, retain, align or incentivise staff may impact the Group's ability to generate revenue and maintain profitability.	Section 4.1.2
Regulatory change	Material changes to the legislative or regulatory framework in Australia or foreign jurisdictions, particularly those that could have the effect of removal or diminution of the local agency role, may have adverse effects on the activities, revenue or profitability of the Group.	Section 4.1.3
IT system disruption and business continuity	<p>Any failure of the Group's technology platform may have a significant adverse impact on client service, deadline monitoring, integrity of records or financial performance.</p> <p>If the Group's backup protocols, cyber security management and business continuity arrangements are not adequate to enable timely recovery, clients' IP rights may be compromised or lost, with consequential financial or reputational damage to the Group, potentially resulting in loss of clients, loss of revenue and/or claims against the Group.</p>	Section 4.1.4
Professional duties, brand and reputation	<p>Patent attorneys and trade mark attorneys and lawyers are bound by various ethical and professional standards imposed by relevant legislation and supervising professional bodies. Those supervising bodies in the IP industry have the power to make findings of unsatisfactory professional conduct or professional misconduct, to levy fines and in extreme cases, to disbar the affected professional.</p> <p>The Group also has the potential to be subject to claims from clients or other third parties for negligence, breach of contract or breach of duty. Claims of this kind could damage the Group's brand and reputation and also have a direct impact on the Group's financial performance, for example, if the Group is required to compensate the affected client by paying the deductible component before indemnity insurance applies. It may also result in an ongoing increase in insurance premiums. If one or more claims exceed the amount the Group is insured for, this could have a material adverse effect on the financial performance or viability of the Group.</p>	Section 4.1.5
Restructure	<p>The IPO of Xenith will involve the transition from a partnership to a listed public company. This will necessitate changes in corporate governance, management structures and financial and operational reporting requirements. The inability of the Company or its personnel to adapt to any of these changes or to identify, manage and mitigate any risks as they emerge, may adversely impact the financial performance and position of the Group.</p> <p>Xenith has considered the stamp duty and taxation implications of the Restructure. A contrary interpretation by taxation authorities of the stamp duty or other taxation laws applicable to the Restructure may give rise to an increased liability for stamp duty or other taxes payable.</p>	Section 4.1.6
Foreign currency exposure	<p>The majority of the Group's revenue is derived from foreign clients and the majority of invoices for those foreign clients are denominated in USD. The Group is therefore exposed to currency fluctuations as many of its key expenses such as rent and salaries are denominated and paid in AUD.</p> <p>This currency exposure is not currently hedged, and movements in the AUD/USD exchange rate may have an adverse impact on the Group's profitability.</p>	Section 4.1.7

1. Investment Overview (continued)

1.5 Summary of key financial information

Topic	Summary	For more information					
What is the key financial information and key financial ratios?	Summary income statement	Section 5					
			Pro Forma historical	Pro Forma forecast	Statutory forecast ⁶		
	\$'000		FY13	FY14	FY15	FY16	FY16
	Professional fees		21,291	20,141	22,804	25,370	18,692
	EBITDA		4,150	3,050	5,494	7,469	3,259
	EBIT		3,838	2,797	5,231	6,970	2,751
	NPAT		2,518	1,789	3,493	4,703	1,794
	Earnings per Share (cents)					14.3	8.9
	Statutory NPAT		7,687	6,888	8,229		1,794
			Key financial ratios				
	Enterprise value ² /Pro Forma FY16 forecast EBITDA				12.3x		
	Enterprise value ² /Pro Forma FY16 forecast EBIT				13.2x		
	Offer Price/Pro Forma consolidated FY16 forecast NPAT per Share ^{3,4}				19.0x		
	FY16 annualised dividend yield ^{3,5}				4.2%		
	Key financial leverage ratios						
	Pro Forma net debt ¹ /Pro Forma FY16 forecast EBITDA ³				0.4x		
	Pro Forma FY16 forecast EBITDA ³ /Pro Forma FY16 interest expense ³				29.6x		
	Pro Forma FY16 forecast EBIT ³ /Pro Forma FY16 interest expense ³				27.7x		
	Summary Pro Forma balance sheet as at 30 June 2015						
\$'000	Company historical balance sheet at June year end	Impact of the Restructure and the Offer	Pro Forma historical balance sheet at 30 June 2015				
	Assets						
	Total current assets	-	10,213	10,213			
	Total non current assets	-	2,098	2,098			
	Total assets	-	12,311	12,311			
	Liabilities						
	Total current liabilities	-	3,295	3,295			
	Total non current liabilities	-	6,896	6,896			
	Total liabilities	-	10,191	10,191			
	Net assets		2,120	2,120			

Notes:

- Equal to Pro Forma current and non current borrowings less Pro Forma cash and cash equivalents set out in the Pro Forma historical consolidated balance sheet set out in Section 5.5.
- Equal to the indicative market capitalisation plus Pro Forma consolidated indebtedness (as at 30 June 2015) set out in Section 5.10.
- The Forecast Financial information is based on assumptions and accounting policies set out in Section 5 and is subject to the risks set out in Section 4.
- This ratio is commonly referred to as a price earnings, or PE, ratio.
- This is annualised for the period from 1 July 2015 to 30 June 2016.
- The Statutory forecast is for the period from the Restructure to 30 June 2016.

1. Investment Overview (continued)

Topic	Summary	For more information
-------	---------	----------------------

Summary cash flows statement

\$'000	Pro Forma historical and forecast				Statutory forecast
	FY13	FY14	FY15	FY16	FY16
June year end					
Operating cash flow before financing activities and tax	4,649	3,767	3,541	7,327	3,246
Income taxes paid	(1,079)	(767)	(1,497)	(2,015)	(768)
Interest paid	(241)	(241)	(241)	(252)	(189)
Net operating cash flow before dividends	3,329	2,759	1,803	5,060	2,289

Section 5 contains further details about the Group's historical and forecast financial position and performance.

What is the Company's dividend policy?

Subject to the financial forecast being achieved and other relevant factors, the Directors currently intend to declare fully franked dividends for FY16 of \$2.3 million or 7.0 cents per Share. The forecast FY16 annualised dividend yield is 4.2% based on the Offer Price per Share of \$2.72. It is expected that the FY16 dividends will be fully franked.

Beyond the forecast period, the Board is targeting a dividend payout ratio of 70% to 90% of net profit after tax and to frank and impute dividends to the greatest extent possible.

The payment of dividends by the Company, if any, is at the complete discretion of the Directors. The decision as to whether or not a dividend will be paid is subject to a number of considerations including the general business environment, the operating results and financial position of Xenith, capital requirements, regulatory restrictions and any other factors the Directors may consider relevant.

The Directors can provide no guarantee as to the future dividend policy, the extent of future dividends or the level of franking or imputation of such dividends, as these will depend upon the future profits of the Company, and the Company's financial and taxation position at that time.

Section 5.13

When will the first dividend be paid?

It is the Board's current intention to pay a final dividend covering the period from Listing to 30 June 2016, in September 2016.

Section 5.13

1. Investment Overview (continued)

1.6 Board of Directors and management

Director	Experience	For more information
Sibylle Krieger Independent Non-Executive Chair	<p>Sibylle was appointed independent Non-Executive Chair in October 2015.</p> <p>Sibylle is a professional non-executive director with over 35 years' broad commercial experience in board roles and in professional services as a corporate lawyer in private practice.</p> <p>Sibylle is currently a non-executive director of Australian Energy Market Operator Limited (since 2013), Tasmanian Water & Sewerage Corporation (since 2013) and Sydney Grammar School (since 2012). She has previously served as a director of Allconnex Water (2010 – 2012), Royal Botanic Gardens and Domain Trust (2010 – 2014) and Sydney Ports Corporation (2002 – 2005). In unlisted entities, she has chaired People & Remuneration, Audit & Risk and Finance Committees.</p> <p>Sibylle was a partner of two major commercial law firms (Baker & McKenzie and Clayton Utz) for a combined period of 22 years, holding several strategic planning and management roles. Her client work included corporate law, governance and directors' duties.</p>	Section 6.1
Stuart Smith Managing Director	<p>Stuart was appointed as an Executive Director in August 2015.</p> <p>Stuart has worked with Shelston IP since 1988, and has 27 years' experience as a patent attorney specialising in mechanical engineering technologies. Stuart was a partner of Shelston IP for over 20 years, and a member of the executive management team for more than 15 years. For the last 10 years, Stuart held the position of executive chairman with responsibility for leading the firm, developing business strategy and co-ordinating the activities of the management team.</p>	Section 6.1
Andrew Harrison Independent Non-Executive Director	<p>Andrew was appointed as a Non-Executive Director in October 2015.</p> <p>Andrew is an experienced company director, ASX100 CFO, and corporate adviser. He has held executive and non-executive directorships in public and private companies, and has been CFO for a number of companies including Seven Group Holdings (ASX: SVW), Alesco Limited, Hanson Australia Limited in Australia, and Landis+Gyr in Europe and the US. Andrew is currently non-executive director and chairs the Audit Committees of Burson Group Limited (ASX: BAP), Estia Health Limited (ASX: EHE), Ingogo Limited and WiseTech Global Limited (unlisted public companies).</p>	Section 6.1
Susan Forrester Independent Non-Executive Director	<p>Susan was appointed as a Non-Executive Director in October 2015.</p> <p>Susan is an accomplished company director, with significant experience as a non-executive director across a range of listed and unlisted company boards, spanning the legal services, professional services, healthcare and childcare sectors. In particular, she has chaired, or been a member of, various audit, risk management and remuneration committees.</p> <p>Susan currently holds the position of chair for National Veterinary Care Ltd (ASX: NVL) and Oncore Group Holdings Pty Ltd, is a non-executive director for G8 Education Limited (ASX: GEM), Uniting Care Qld and Healthdirect Australia Ltd. She serves on the Audit Committees of Local Government Association of Queensland and Transport and Main Roads. She has previously held directorships for Propell National Valuers Pty Ltd, Shine Corporate Ltd (ASX: SHJ), Children's Health Foundation of Queensland, Trustee Gold Coast Parklands, Ergon Energy Corporation, Brisbane Festival Limited and Queensland Professional Credit Union Limited.</p>	Section 6.1

1. Investment Overview (continued)

Director	Experience	For more information
Russell Davies Executive Director	<p>Russell was appointed as an Executive Director in August 2015.</p> <p>Russell has worked for Shelston IP since 1997, and has 24 years' experience as a patent attorney specialising in mechanical engineering technologies. He was a partner for 11 years, and a member of the executive management team for the last 8 years. This entailed direct responsibility for managing and co-ordinating the group's core support functions, including HR, IT, finance and operations. Russell is also team leader of the mechanical engineering patent practice group.</p>	Section 6.1
Management	Experience	
Stuart Smith Managing Director	Refer above.	Section 6.2
Russell Davies Executive Director	Refer above.	Section 6.2
Jacinta Flattery O'Brien Head of Practice Development	<p>Jacinta has worked for Shelston IP since 1998, and has 17 years' experience as a patent attorney. She was a partner of Shelston IP for 11 years, and a member of the executive management team for the last 5 years, with direct responsibility for practice development including marketing, business development and professional team performance. Jacinta specialises in patent drafting, prosecution and opposition matters relating to molecular biology, pharmaceuticals, health care products, food science and agricultural technologies for a number of the firm's major clients and is also team leader of the biotechnology patent practice group.</p>	Section 6.2
Nicholas Carson Chief Financial Officer and Company Secretary	<p>Nicholas joined the Group as Chief Financial Officer in April 2015 and was appointed Company Secretary in August 2015.</p> <p>Nicholas has over 20 years' experience in senior financial management roles including with IPH Limited (ASX: IPH), Spruson & Ferguson, Phillips Fox, Bain & Co and Bridge Wholesale Acceptance Corporation. Prior to these roles Nicholas commenced his professional career at Price Waterhouse.</p>	Section 6.2

1. Investment Overview (continued)

1.7 Significant interests of key people and related party transactions

Topic	Summary	For more information																		
What significant benefits are payable to Directors and the other persons connected with the Offer and what significant interests do they hold?	<p>As at the date of this Prospectus, Directors of Xenith are entitled to receive the annual remuneration described as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Director</th> <th style="text-align: right;">Board Remuneration per annum</th> <th style="text-align: right;">Other Compensation</th> </tr> </thead> <tbody> <tr> <td>Stuart Smith</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">\$250,000</td> </tr> <tr> <td>Russell Davies</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">\$250,000</td> </tr> <tr> <td>Sibylle Krieger</td> <td style="text-align: right;">\$150,000</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Andrew Harrison</td> <td style="text-align: right;">\$90,000</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Susan Forrester</td> <td style="text-align: right;">\$90,000</td> <td style="text-align: right;">Nil</td> </tr> </tbody> </table>	Director	Board Remuneration per annum	Other Compensation	Stuart Smith	Nil	\$250,000	Russell Davies	Nil	\$250,000	Sibylle Krieger	\$150,000	Nil	Andrew Harrison	\$90,000	Nil	Susan Forrester	\$90,000	Nil	Section 6.4.1.3
Director	Board Remuneration per annum	Other Compensation																		
Stuart Smith	Nil	\$250,000																		
Russell Davies	Nil	\$250,000																		
Sibylle Krieger	\$150,000	Nil																		
Andrew Harrison	\$90,000	Nil																		
Susan Forrester	\$90,000	Nil																		

The table below sets out each Director's shareholding in the Company following the Offer:

Director	Shares held after the Restructure but before the Offer completes ¹	% of Shares held after the Restructure but before the Offer completes ²	Shares sold in the Offer	Shares held immediately after the Offer completes (number)	Shares held immediately after the Offer completes (%)
Sibylle Krieger	0	0	0	18,400	0.1%
Stuart Smith	3,022,008	9.6%	1,813,205	1,208,803	3.7%
Andrew Harrison	0	0	0	36,800	0.1%
Russell Davies	3,022,008	9.6%	1,813,205	1,208,803	3.7%
Susan Forrester	0	0	0	27,600	0.1%

Certain Directors intend to subscribe for an aggregate of \$225,000 worth of Shares under the Offer as described in Section 7.4 and may elect to be paid their Directors fees in the form of Shares.

¹ See Section 9.4 for details of the Restructure.

² See Section 9.4 for details of the Restructure.

1. Investment Overview (continued)

Topic	Summary	For more information																																																																						
Who are the owners of the Group and what will be their interest in Xenith post Completion of the Offer?	The Current Owners are the 11 Principals who are the current Shareholders of the Group. On completion of the Offer, the Current Owners will hold a total of 12,541,333 Shares, representing 38.2% of the total Shares on issue at this time.	Section 7.4																																																																						
		<table border="1"> <thead> <tr> <th></th> <th colspan="2">At Prospectus Date</th> <th colspan="2">At Completion of the Offer</th> </tr> <tr> <th>Current Owners</th> <th>Shares</th> <th>%</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Andrew Lockhart</td> <td>2,644,257</td> <td>8.4%</td> <td>1,057,703</td> <td>3.2%</td> </tr> <tr> <td>Caroline Bommer</td> <td>2,644,257</td> <td>8.4%</td> <td>1,057,703</td> <td>3.2%</td> </tr> <tr> <td>Charles Tansey</td> <td>3,022,008</td> <td>9.6%</td> <td>1,208,803</td> <td>3.7%</td> </tr> <tr> <td>Chris Bevitt</td> <td>2,644,257</td> <td>8.4%</td> <td>1,057,703</td> <td>3.2%</td> </tr> <tr> <td>Jacinta Flattery-O'Brien</td> <td>3,022,008</td> <td>9.6%</td> <td>1,208,803</td> <td>3.7%</td> </tr> <tr> <td>Jack Redfern</td> <td>3,022,008</td> <td>9.6%</td> <td>1,208,803</td> <td>3.7%</td> </tr> <tr> <td>Paul Harrison</td> <td>3,022,008</td> <td>9.6%</td> <td>1,208,803</td> <td>3.7%</td> </tr> <tr> <td>Peter Treloar</td> <td>2,644,257</td> <td>8.4%</td> <td>1,057,703</td> <td>3.2%</td> </tr> <tr> <td>Russell Davies</td> <td>3,022,008</td> <td>9.6%</td> <td>1,208,803</td> <td>3.7%</td> </tr> <tr> <td>Sean McManus</td> <td>2,644,257</td> <td>8.4%</td> <td>1,057,703</td> <td>3.2%</td> </tr> <tr> <td>Stuart Smith</td> <td>3,022,008</td> <td>9.6%</td> <td>1,208,803</td> <td>3.7%</td> </tr> <tr> <td>Total</td> <td>31,353,333</td> <td>100.0%</td> <td>12,541,333</td> <td>38.2%</td> </tr> </tbody> </table>		At Prospectus Date		At Completion of the Offer		Current Owners	Shares	%	Shares	%	Andrew Lockhart	2,644,257	8.4%	1,057,703	3.2%	Caroline Bommer	2,644,257	8.4%	1,057,703	3.2%	Charles Tansey	3,022,008	9.6%	1,208,803	3.7%	Chris Bevitt	2,644,257	8.4%	1,057,703	3.2%	Jacinta Flattery-O'Brien	3,022,008	9.6%	1,208,803	3.7%	Jack Redfern	3,022,008	9.6%	1,208,803	3.7%	Paul Harrison	3,022,008	9.6%	1,208,803	3.7%	Peter Treloar	2,644,257	8.4%	1,057,703	3.2%	Russell Davies	3,022,008	9.6%	1,208,803	3.7%	Sean McManus	2,644,257	8.4%	1,057,703	3.2%	Stuart Smith	3,022,008	9.6%	1,208,803	3.7%	Total	31,353,333	100.0%	12,541,333	38.2%
		At Prospectus Date		At Completion of the Offer																																																																				
	Current Owners	Shares	%	Shares	%																																																																			
	Andrew Lockhart	2,644,257	8.4%	1,057,703	3.2%																																																																			
	Caroline Bommer	2,644,257	8.4%	1,057,703	3.2%																																																																			
	Charles Tansey	3,022,008	9.6%	1,208,803	3.7%																																																																			
	Chris Bevitt	2,644,257	8.4%	1,057,703	3.2%																																																																			
	Jacinta Flattery-O'Brien	3,022,008	9.6%	1,208,803	3.7%																																																																			
	Jack Redfern	3,022,008	9.6%	1,208,803	3.7%																																																																			
	Paul Harrison	3,022,008	9.6%	1,208,803	3.7%																																																																			
	Peter Treloar	2,644,257	8.4%	1,057,703	3.2%																																																																			
	Russell Davies	3,022,008	9.6%	1,208,803	3.7%																																																																			
Sean McManus	2,644,257	8.4%	1,057,703	3.2%																																																																				
Stuart Smith	3,022,008	9.6%	1,208,803	3.7%																																																																				
Total	31,353,333	100.0%	12,541,333	38.2%																																																																				
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	Each of the Current Owners has entered into voluntary escrow arrangements under which they have undertaken not to dispose of any interest in or to grant any security over any of the 12.5 million Shares held by them collectively on Completion of the Offer (Escrow Shares). These restrictions will terminate on the second anniversary of the Listing Date.	Section 7.5																																																																						
What is the Restructure?	<p>In anticipation of Listing, the Company is undertaking the Restructure.</p> <p>As at the Prospectus Date, the operations of the Group are undertaken through two separate partnerships, being Shelston IP and Shelston IP Lawyers. Shelford Services Pty Ltd, as trustee for the Shelford Services Trust, provides administrative and support services to the Shelston IP and Shelston IP Lawyers partnerships.</p> <p>Following the Restructure, the Shareholders of the Company will be the Current Owners.</p>	Section 9.4																																																																						

1. Investment Overview (continued)

1.8 Overview of the Offer

Topic	Summary	For more information
Who are the issuers of this Prospectus?	Xenith IP Group Limited (ACN 607 873 209), a company registered in Victoria. Xenith IP (SaleCo) Limited (ACN 607 851 883), a company registered in Victoria.	Section 7
What is the Offer?	The Offer includes: <ul style="list-style-type: none">• \$3.9 million of new Shares to be issued by the Company;• the sell down of \$51.2 million of Shares owned by the Current Owners; and• \$0.1 million of Shares available to Eligible Employees for no monetary consideration. All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with each other.	Section 7.1
Why is the Offer being conducted?	The Offer is being conducted to: <ul style="list-style-type: none">• provide Xenith with access to capital markets, enhancing financial flexibility to pursue growth opportunities and implement strategic initiatives outlined in Section 3.9;• provide an opportunity for the Current Owners to partially monetise their investment;• attract and retain high quality staff and management by raising Xenith's profile and reputation;• align the interests of staff and management with those of shareholders by providing remuneration in the form of equity based incentive schemes; and• provide a liquid market for Xenith's Shares. The proceeds of the Offer will be applied to: <ul style="list-style-type: none">• payment to SaleCo (which will distribute payments to the Current Owners);• increase the Group's cash and cash equivalents; and• pay stamp duty associated with the Restructure.	Section 7.3

1. Investment Overview (continued)

Topic	Summary	For more information																																							
How much will be raised under the Offer?	<p>The Offer is expected to raise approximately \$55.1 million as follows:</p> <ul style="list-style-type: none"> • \$3.9 million will be paid to the Company; and • \$51.2 million will be paid to SaleCo. This amount, less costs of approximately \$3.7 million agreed to be paid by SaleCo, will be passed on to the Current Owners. The funds received from the sale of these Shares will not be paid to the Company. <p>The table below sets out in detail the use of proceeds raised under the Offer.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Sources of Funds</th> <th style="text-align: right;">A\$m</th> <th style="text-align: right;">%</th> <th style="text-align: left;">Uses of Funds</th> <th style="text-align: right;">A\$m</th> <th style="text-align: right;">%</th> </tr> </thead> <tbody> <tr> <td>Cash proceeds received for the transfer of Shares by SaleCo</td> <td style="text-align: right;">51.2</td> <td style="text-align: right;">85.1%</td> <td>Payment of proceeds to SaleCo</td> <td style="text-align: right;">47.4</td> <td style="text-align: right;">79.0%</td> </tr> <tr> <td>Cash proceeds received for the issue of New Shares</td> <td style="text-align: right;">3.9</td> <td style="text-align: right;">6.5%</td> <td>Costs of the Restructure to be borne by Xenith</td> <td style="text-align: right;">1.6</td> <td style="text-align: right;">2.6%</td> </tr> <tr> <td rowspan="4">Drawdown of the new Banking Facilities</td> <td rowspan="4" style="text-align: right;">5.0</td> <td rowspan="4" style="text-align: right;">8.3%</td> <td>Costs of the Offer to be borne by the Current Owners</td> <td style="text-align: right;">3.7</td> <td style="text-align: right;">6.2%</td> </tr> <tr> <td>Repayment of loans to the Current Owners</td> <td style="text-align: right;">4.6</td> <td style="text-align: right;">7.6%</td> </tr> <tr> <td>Refinancing of the existing Banking Facilities</td> <td style="text-align: right;">2.0</td> <td style="text-align: right;">3.3%</td> </tr> <tr> <td>Increase in cash and cash equivalents</td> <td style="text-align: right;">0.8</td> <td style="text-align: right;">1.3%</td> </tr> <tr> <td>Total sources</td> <td style="text-align: right;">60.1</td> <td style="text-align: right;">100.0%</td> <td>Total uses</td> <td style="text-align: right;">60.1</td> <td style="text-align: right;">100.0%</td> </tr> </tbody> </table>	Sources of Funds	A\$m	%	Uses of Funds	A\$m	%	Cash proceeds received for the transfer of Shares by SaleCo	51.2	85.1%	Payment of proceeds to SaleCo	47.4	79.0%	Cash proceeds received for the issue of New Shares	3.9	6.5%	Costs of the Restructure to be borne by Xenith	1.6	2.6%	Drawdown of the new Banking Facilities	5.0	8.3%	Costs of the Offer to be borne by the Current Owners	3.7	6.2%	Repayment of loans to the Current Owners	4.6	7.6%	Refinancing of the existing Banking Facilities	2.0	3.3%	Increase in cash and cash equivalents	0.8	1.3%	Total sources	60.1	100.0%	Total uses	60.1	100.0%	Section 7.3
Sources of Funds	A\$m	%	Uses of Funds	A\$m	%																																				
Cash proceeds received for the transfer of Shares by SaleCo	51.2	85.1%	Payment of proceeds to SaleCo	47.4	79.0%																																				
Cash proceeds received for the issue of New Shares	3.9	6.5%	Costs of the Restructure to be borne by Xenith	1.6	2.6%																																				
Drawdown of the new Banking Facilities	5.0	8.3%	Costs of the Offer to be borne by the Current Owners	3.7	6.2%																																				
			Repayment of loans to the Current Owners	4.6	7.6%																																				
			Refinancing of the existing Banking Facilities	2.0	3.3%																																				
			Increase in cash and cash equivalents	0.8	1.3%																																				
Total sources	60.1	100.0%	Total uses	60.1	100.0%																																				
What is SaleCo and what role does it play in the Offer?	<p>SaleCo is a special purpose vehicle, established to sell Shares acquired from the Current Owners. The Shares which SaleCo acquires from the Current Owners, along with the New Shares issued by the Company will be transferred to successful Applicants at the Offer Price.</p>	Section 9.5																																							
Will the Shares be listed?	<p>The Group will apply for admission to the official list of the ASX and quotation of the Shares on the ASX. The Group's ASX Code is expected to be "XIP". The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the official list is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p> <p>If permission is not granted for the official quotation of the Shares on the ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p>	Section 7.15.1																																							

1. Investment Overview (continued)

Topic	Summary	For more information
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • The Broker Firm Offer, which is open to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares from a Broker; • the Institutional Offer, which is an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and Hong Kong; • the Priority Offer, which is open to Australian and New Zealand resident investors nominated by Xenith, limited to a maximum of 735,000 Shares; and • the Eligible Employee Offer, which is open to Eligible Employees only. <p>No general public offer of Shares will be made under the Offer.</p>	Section 7.2
How can I apply?	<p>If you are an eligible investor who has received an invitation to apply for Shares under the Broker Firm Offer, you may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>To the maximum extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Sections 7.7 and 7.8
When will I receive confirmation that my application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or about Tuesday, 17 November 2015.</p> <p>Refunds (without interest) to applicants who make an application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after settlement of the Offer.</p>	Section 7.7
Is the Offer underwritten?	<p>Yes. The Offer (excluding the Eligible Employee Offer) is fully underwritten by the Lead Manager.</p>	Section 7.7
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company, having regard to the allocation policy outlined in Sections 7.8.3 and 7.9.2.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares amongst their retail clients.</p> <p>The Lead Manager and the Company have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than that applied for. The Lead Manager and the Company also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>	Section 7.7
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p> <p>For details of the various fees payable by the Company to the Lead Manager, see Section 9.6.1.</p>	Section 7.7
Where can I find more information about this Prospectus or the Offer?	<p>All enquiries in relation to this Prospectus should be directed to the Xenith IP Group Limited Offer Information Line on 1300 781 123 (within Australia) or +61 3 9415 4656 (outside Australia) from 9.00am until 5.00pm (AEDT) Monday to Friday during the Offer Period.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent and qualified professional adviser before deciding whether to invest.</p>	

1. Investment Overview (continued)

Topic	Summary	For more information
Can the Offer be withdrawn?	<p>The Company and SaleCo reserve the right to not proceed with the Offer at any time before the issue or transfer of Shares to Successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be fully refunded by the Share Registry, your Broker or the Company or SaleCo, as applicable</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Sections 7.7 and 7.13



Two

Industry Overview

2. Industry Overview

2.1 The IP industry

The Group's core business is to provide a comprehensive range of IP services including identification, registration, management, commercialisation and enforcement of IP rights, locally and internationally.

IP can generally be considered as the product of intellectual creativity. Such creativity finds expression in many forms including inventions, designs, brands and artistic works. IP rights similarly take a variety of forms including patents, trade marks, industrial designs, copyrights, plant breeder's rights, circuit layouts and trade secrets. A number of these IP rights, including patents, trade marks, industrial designs and plant breeder's rights are subject to formal registration regimes, giving rise to limited monopoly protection under the relevant statutes.

IP is protected internationally by a network of country specific laws, international conventions, treaties and administrative bodies. In most cases, in order for IP rights to be effectively protected and enforced, they must be registered with the relevant government bodies, typically national IP offices, in accordance with specific statutory processes, on a country by country basis. Xenith assists its clients to navigate these processes and to secure effective IP protection under the relevant regimes, locally and internationally.

The majority of Xenith's revenue is derived from services in relation to registrable IP rights, in particular patents, trade marks and designs.

2.2 The different types of IP

The different forms of IP are governed by statutes and regulations, which vary by the type of IP right and by jurisdiction. The most common forms of IP are outlined below.

2.2.1 Patents

A patent provides monopoly protection to safeguard technological innovation. The realm of patentable subject matter is vast, including machines and devices, products and processes, formulations and compositions, medical diagnostics and methods of treatment, computer implemented inventions, pharmaceuticals and biological materials. The primary criteria for patentability include novelty, inventiveness and practical utility. The owner of a patent has a legally enforceable right to exclude others from use of the invention as defined in the patent claims within the relevant jurisdiction.

In Australia, there are currently two types of patents: standard patents and innovation patents. Standard patents are used to protect most inventions for a period of up to 20 years (or 25 years for certain pharmaceutical inventions). Innovation patents have a maximum term of 8 years. Innovation patents are used to a substantially lesser degree, typically for inventions with a lower innovative threshold or shorter commercial life, or for strategic purposes in litigation.

2.2.2 Trade marks

A trade mark is a sign or other device used to indicate and distinguish the trade origin of goods or services. Trade marks may take a variety of forms including brand names, stylised letters or words, logos, aspects of packaging, sounds, scents, colours and shapes. The owner of a registered trade mark has a legally enforceable right to exclude others from use of the trade mark within the relevant jurisdiction in relation to the goods or services covered by the registration. In Australia, the initial protection period for trade marks is 10 years. However, unlike patents, the initial protection period can be renewed indefinitely, subject to continued use.

Business names provide an adjunct to the protection conferred by trade marks. Registration can be renewed indefinitely, subject to eligibility requirements.

With the rise of the internet and e-commerce, domain names often also form an important part of an IP portfolio. As with business names, they are an important adjunct to trade mark protection and often indicate trade source or origin. Domain names can also be renewed indefinitely, subject to eligibility requirements.

2.2.3 Designs

A registered design protects product aesthetics by conferring a monopoly right in the shape and configuration, or surface pattern and ornamentation, applied to a product. The scope of registrable subject matter is extensive, covering virtually any manufactured product or component part with some physical characteristic that is new and visually distinctive. In Australia, the protection period for registered designs is 10 years, subject to renewal after an initial registration period of 5 years.

2.2.4 Copyright and circuit layouts

Copyright protects original forms of creative and artistic expression including music, literary and artistic works, performances, movies and films, photographs, technical drawings, business documents and computer software. Copyright arises upon creation of the relevant work, and confers a right to prevent copying as distinct from a monopoly right. In Australia, no formal registration process is required and the protection period generally extends for the life of the creator plus 70 years.

Circuit layout rights, which protect the design of original circuits for computer chips, are protected by statute in Australia but are not subject to a formal registration regime.

2. Industry Overview (continued)

2.2.5 Plant breeder's rights

Plant breeder's rights confer the right to control the production, sale and distribution of new plant varieties. In Australia, these rights are subject to a statutory registration system, which provides protection for 25 years in the case of trees and grapevines, and 20 years for other plant varieties.

2.2.6 Trade secrets and confidential information

The law in most countries provides some protection to trade secrets and knowhow, as forms of confidential information. Trade secrets can include information, devices, processes or techniques pertaining to technical or commercial aspects of conducting business. Knowhow covers expert skill, information or a body of knowledge that is not readily available in the public domain. These forms of IP are not registrable but are protectable to an extent for as long as they remain confidential.

2.3 Why is IP important?

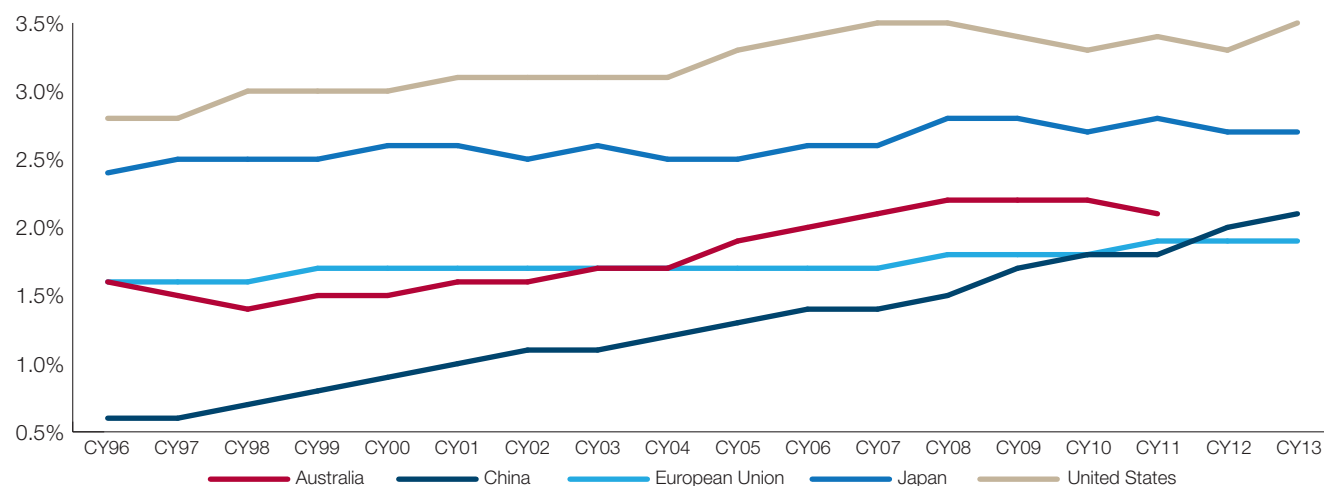
Users of the various IP systems and regimes range from the largest national and multinational corporations and research institutes, through to small and medium sized enterprises (**SMEs**), innovative start-up companies and entrepreneurs. Xenith believes IP is an increasingly important driver of innovation, and an increasingly significant source of commercial value and competitive advantage for a broad spectrum of business organisations and individuals, locally and internationally.

In order to protect their ideas, products or brands, many researchers, innovators and entrepreneurs will seek to take advantage of the monopoly rights conferred by registration of the resultant IP, including particularly by way of patents, trade marks and registered designs. IP protection enables innovators to capture and more effectively exploit the benefits of often substantial investment in product or brand development. In the absence of IP registration in relevant markets, competitors may quickly erode the economic benefit of unprotected innovation or brand development through copying. For these reasons, Xenith believes the systematic creation and protection of IP is often a crucial factor in the growth and development of innovators and the economies in which they operate.

A recent European study in relation to the relative economic importance of IP-intensive industries showed that approximately 39% of total economic activity in the European Union (amounting to approximately €4.7 trillion annually) is generated by IP-intensive industries. Approximately 26% of all employment in the EU (around 56 million jobs) is provided directly by these industries, with a further 9% of all employment supported indirectly. A similar study in relation to the US economy concluded that IP-intensive industries accounted for approximately US\$5.1 trillion in added value, or 34.8% of US GDP in 2010, directly supporting 27.1 million jobs and indirectly supporting a further 12.9 million jobs in the supply chain. This report notes in the summary of principal findings that "the entire US economy relies on some form of IP, because virtually every industry either produces or uses it"^{1,2}.

Figure 1 below shows a general increase in global investment in research and development as a percentage of GDP by country or region. Xenith expects that as research and development expenditure increases, expenditure on protecting the resulting IP will also increase.

Figure 1: Research and Development Expenditure as a percentage of GDP



Source: OECD Data (Gross domestic spending on R&D).

Note: Australian data is provided every second year and for those alternate years when data is unavailable, it is interpolated.

1 "Intellectual property rights intensive industries: contribution to economic performance and employment in the European Union", Industry Level Analysis Report, September 2013, European Patent Office, and Office for Harmonization in the Internal Market.

2 "Intellectual Property and The U.S. Economy: Industries in Focus", March 2012, Economics and Statistics Administration, and United States Patent and Trademark Office.

2. Industry Overview (continued)

2.4 IP regulatory environment

Registrable IP is protected at the national level by country specific legislation. While broadly similar, legislation in relation to the different types of IP varies from country to country. These variations arise from numerous factors including historical and cultural development, legal systems and precedents, regional affiliations, treaties and agreements, levels of economic development, and political ideologies related to IP creation, protection and enforcement.

There are certain regional arrangements in relation to protection of patents in Europe, Eurasia and Africa (and planned for Australia and New Zealand). However, there is no world patent. Apart from these regional arrangements, protection must be sought at a country level.

Given the global nature of business, a substantial network of international arrangements and structures has been established over time to facilitate the international recognition and protection of IP. WIPO, a self-funded agency of the United Nations (UN), is the primary international body responsible for facilitating international cooperation in relation to the co-ordination and administration of IP and its protection.

WIPO administers various international systems for the protection of IP including the Patent Corporation Treaty (PCT), a key part of the process for the filing of patent applications internationally, and the Madrid Protocol, a process used to file trade mark applications in multiple countries. The Hague Agreement, also administered by WIPO, is used to file designs in multiple countries, although not currently in Australia (see Section 4.1.3.6).

In Australia, IP Australia is the Government entity responsible for the administration of patents, trade marks, designs and plant breeder's rights. In New Zealand, the Intellectual Property Office of New Zealand (IPONZ) is responsible for administering IP rights and legislation relating to patents, trade marks, designs and plant breeder's rights.

2.5 IP registration and the role of IP professionals

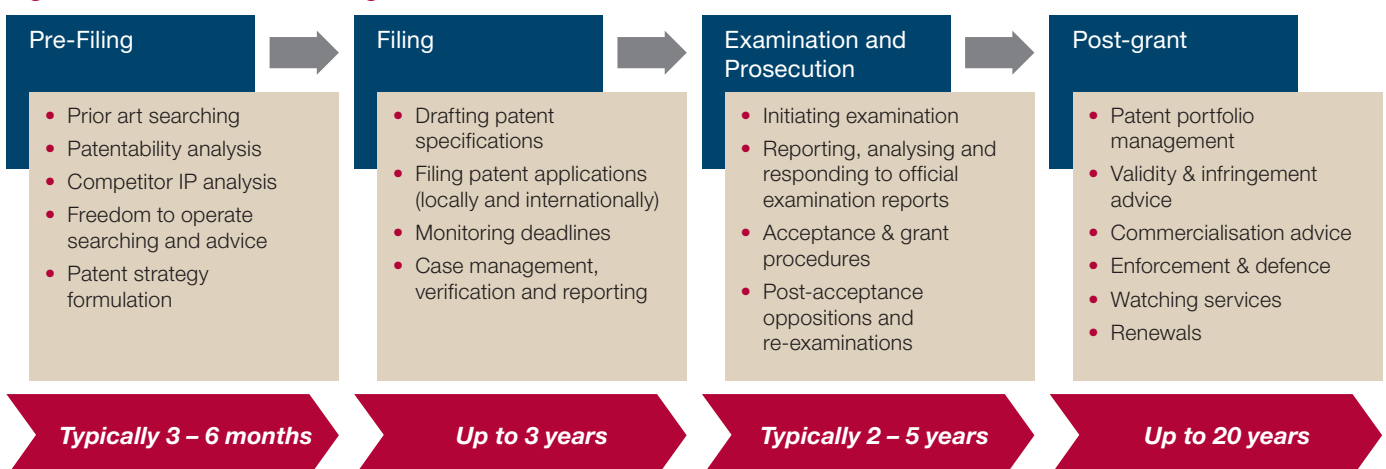
Complex laws and regulations apply to the IP registration process in each country, to ensure that the resulting monopoly protection is only granted in respect of appropriate forms of IP, and that the rights granted are of appropriate scope. Due to this complexity, and significant variations from country to country, applicants often seek specialist services and advice from local qualified patent attorneys, trade mark attorneys or IP lawyers (as appropriate) to protect, commercialise or enforce their IP. The industry therefore employs a range of highly specialised professional staff including patent attorneys, trade mark attorneys and IP lawyers with appropriate technical, legal, and IP specific qualifications. Each specialisation requires tertiary level qualifications combined with relevant industry experience.

2.5.1 Patent registration and the role of patent attorneys

There are many steps in the patent application and registration process including technical specification drafting, filing, examination or prosecution, acceptance and grant, and patent renewal. Related aspects can include patent searching, patentability analysis, and advice in relation to patent validity, infringement, commercialisation and enforcement. Third party disputes in the form of post-acceptance oppositions may also be involved.

The process from patent application, through substantive examination, to acceptance and grant extends over a number of years, as indicated in Figure 2 below. Patent attorneys generate revenue by assisting clients at each stage, and subsequently on annual renewal, typically through a combination of time based charges and scheduled fees relating to specific process steps.

Figure 2: Patents Process Diagram



2. Industry Overview (continued)

Analogous processes apply in relation to the registration of industrial designs and plant breeder's rights.

Because patents relate to technological innovations, patent attorneys are required to have a deep understanding of developments at the forefront of emerging fields of technology, including in relation to what are often nuances of difference between new inventions and previously known technology or "prior art". For this reason, a pre-requisite for registration as a patent attorney is a tertiary level qualification in an approved technical field such as science or engineering. Many patent attorneys hold postgraduate technical qualifications. Registration as a patent attorney in Australia also requires completion of specialised courses of study in IP law and practice, as approved by the Professional Standards Board for Patent and Trade Marks Attorneys (PSB) and two years' of verified practical industry experience. Patent attorneys may also practice in the trade marks area.

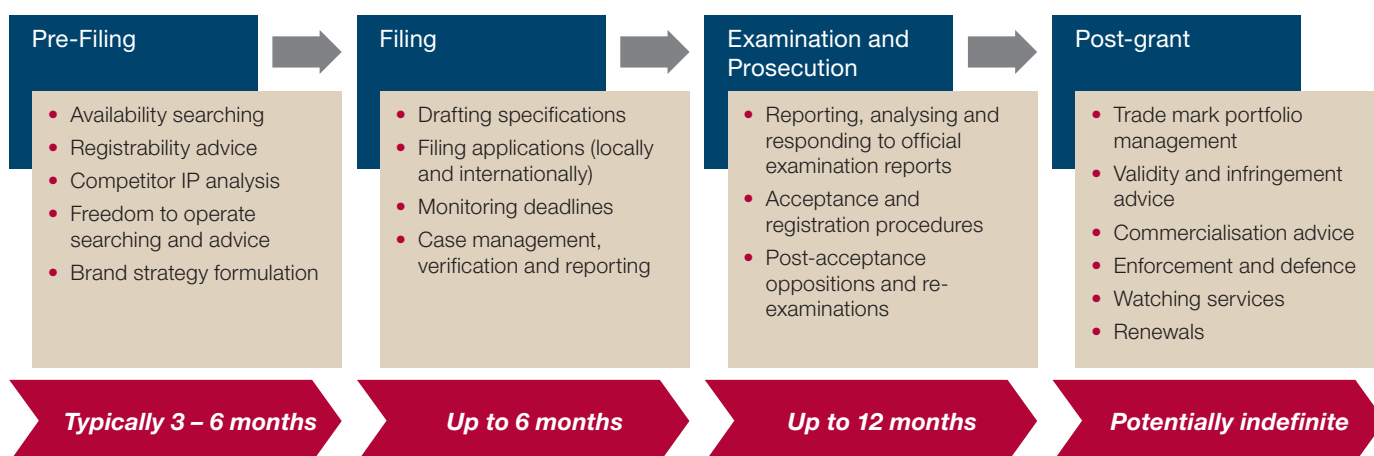
Due to the unique combination of technical and legal skills required, only a registered Australian patent attorneys are authorised to provide certain specific patent related services in Australia. These services include drafting and amendment of patent applications on behalf of clients. Lawyers who are not also qualified and registered as patent attorneys are not able to provide these services. Xenith believes this statutory protection constitutes an important barrier to entry. Patents are the single largest IP service sector of Xenith's business.

2.5.2 Trade mark registration and the role of trade mark attorneys

There are a number of steps in the trade mark registration process including application preparation and filing, examination or prosecution, acceptance and registration, and trade mark renewal. Related aspects can include trade mark searching, registrability advice, and advice in relation to trade mark validity, infringement, commercialisation and enforcement. As with patents, third party disputes in the form of post-acceptance oppositions may also be involved.

The process from trade mark preparation and application, through substantive examination, to acceptance and registration in Australia generally takes around 12 months, as indicated in Figure 3 below. This period can be extended significantly if the application encounters objections from IP Australia or oppositions by third parties. Trade mark attorneys generate revenue by assisting clients at each stage, and subsequently on renewal of each trade mark (every 10 years), typically through a combination of time based charges and scheduled fees relating to specific process steps.

Figure 3: Trade Marks Process Diagram



Trade mark attorneys assist with all non-court trade mark, business name and domain name related matters including searching, registrability advice, filing, prosecution, opposition, and infringement and validity advice. As with patent attorneys, Australian trade mark attorneys must complete specific IP related courses of study at tertiary level and are then registered through the PSB. Registered patent attorneys and lawyers can also assist with trade mark preparation, filing and prosecution services.

2.5.3 IP commercialisation, enforcement and the role of IP lawyers

Once IP rights have been established, owners typically seek to exploit or commercialise those rights on the basis of the monopoly granted by registration. This may involve commercialisation activities in the form of manufacture or distribution of products or services, licensing of IP rights to third parties for commercial benefit, or other commercialisation arrangements including collaborative ventures or outright sale of IP assets. The services of specialist IP lawyers are often required in relation to:

- structuring and documentation of commercialisation arrangements;
- enforcement of IP rights against infringers or defence against challengers; and
- advice and defence in response to allegations of IP infringement.

The nature and extent of services that clients may require from IP lawyers are dependent upon the circumstances of each case. However, IP oppositions can extend well beyond 12 months and IP litigation matters can extend over several years if vigorously contested. IP lawyers generate revenue by providing IP services in connection with a broad range of transactions and disputes, primarily through time based charging.

2. Industry Overview (continued)

2.6 The market for IP

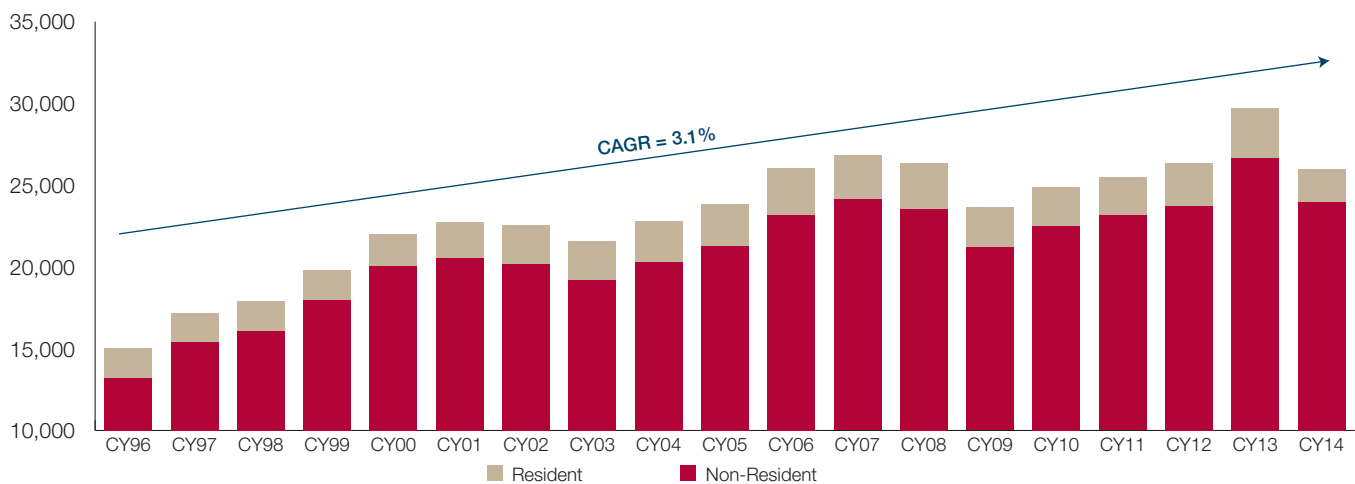
The majority of IP services undertaken by specialist IP firms in Australia relate to patents and trade marks. Xenith believes that patent and trade mark applications filed with IP Australia by specialist IP firms are a reasonable proxy for the Australian IP services market.

2.6.1 Patents

Patent filings in Australia

In CY14, approximately 26,000 patent applications were filed in Australia (approximately 30,000 in CY13). The total number of patents in force in Australia as at 28 September 2015 was approximately 142,000¹. Xenith believes that the number of applications filed in CY14 was impacted by the Raising the Bar Amendments, which brought forward the filing of a material number of Australian patent applications into CY13. In the first 6 months of CY15, Australian patent applications totalled approximately 14,000.

Figure 4: Patent applications filed in Australia



Source: WIPO statistics database.

Note: Standard patent applications only; excludes provisional and innovation patent applications.

Growth in patent filings has not been uniform over recent years, reflecting a number of factors:

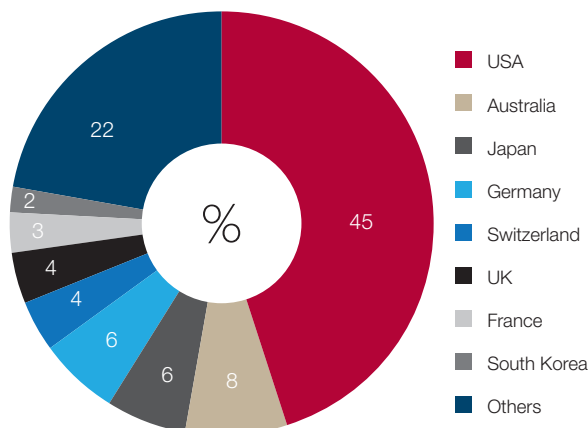
- **The Global Financial Crisis:** Xenith believes growth in IP protection is influenced by underlying growth in global GDP. In CY08 and CY09, there was a fall in the number of resident and non-resident patent applications filed in Australia, reflecting a downturn in both the global and domestic economies during the Global Financial Crisis;
- **'Raising the bar' legislative change:** A change to intellectual property laws in Australia, culminating in the implementation of the Raising the Bar Amendments, came into effect on 15 April 2013. Xenith believes this change brought forward into CY13 the filing of a significant number of Australian patent applications that would otherwise have been filed in CY14. There was an increase of approximately 14% in applications filed in CY13 and a corresponding decrease of approximately 13% in the number of applications filed in CY14; and
- **America Invents Act (AIA):** Significant legislative changes were made to the US patent system pursuant to the AIA, which for a number of key transition provisions came into effect on 16 March 2013. One observed effect of the transition provisions was a surge in US patent applications in the months leading up to March 2013, which subsequently resulted in a corresponding surge in US-originating PCT applications. Many of those PCT applications, where the applicants intend to file in Australia, are scheduled to enter the National Phase in Australia in September and October 2015.

¹ IP Australia Auspat Service.

2. Industry Overview (continued)

Figure 5 is illustrative of the fact that, on average, approximately 90% of patent applications filed in Australia (92% in CY14) are by non-residents

Figure 5: Applicant country of origin for national phase filings in Australia (CY14)



Source: IP Australia (2015 Intellectual Property Report).

Note: Standard patent applications only; excludes provisional and innovation patent applications.

PCT filings with WIPO

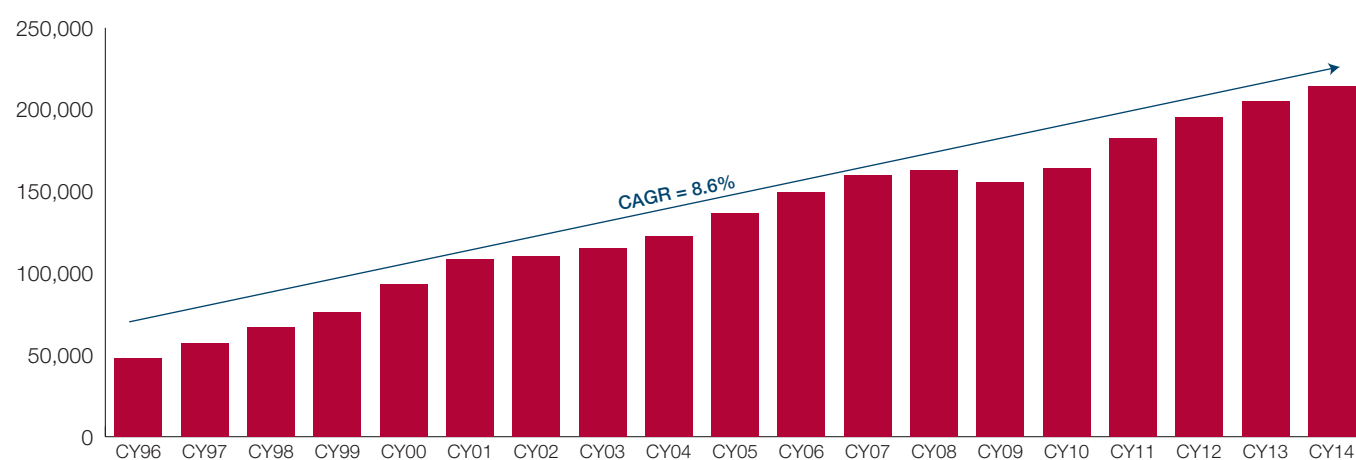
The existing regulatory framework for obtaining patent protection generally requires patent applications to be pursued on a country by country or regional basis. For applicants seeking protection in multiple jurisdictions, the initial step usually involves filing a single patent application in the originating jurisdiction but with international effect, via the Patent Cooperation Treaty (PCT). The PCT is an international treaty involving 148 countries, administered by WIPO. Following a prescribed period, before the PCT application lapses, it is necessary for the applicant to enter the “National Phase” in each country of interest. At this point, the application essentially proceeds on a country by country basis, with some regional groupings in Europe, Eurasia and Africa. Additionally or alternatively to the PCT process, patent applications may be filed directly in specific countries or regions of interest.

PCT is the predominant route for applicants seeking patent protection in multiple jurisdictions. The Group believes this is the result of a number of advantages associated with the PCT procedure including a relatively streamlined application procedure, the provision of an international search report identifying potentially relevant art before the final country selection is required to be made, and deferral of substantial national patent filing costs by approximately 18 months.

Figure 5 includes PCT National Phase patent applications in Australia. These applications and the subsequent substantive examination or prosecution stages are a direct and primary source of revenue for the Group.

Figure 6 provides details of PCT applications filed globally over time. The PCT is widely, although not exclusively, used by patent applicants globally and therefore an approximation of early stage global patent activity in any year can be inferred from the level of PCT applications. While only a proportion of PCT applications proceed to national phase entry in Australia, the PCT filing statistics do nonetheless provide an indication of potential future patent applications in Australia.

Figure 6: Total PCT patent applications filed globally



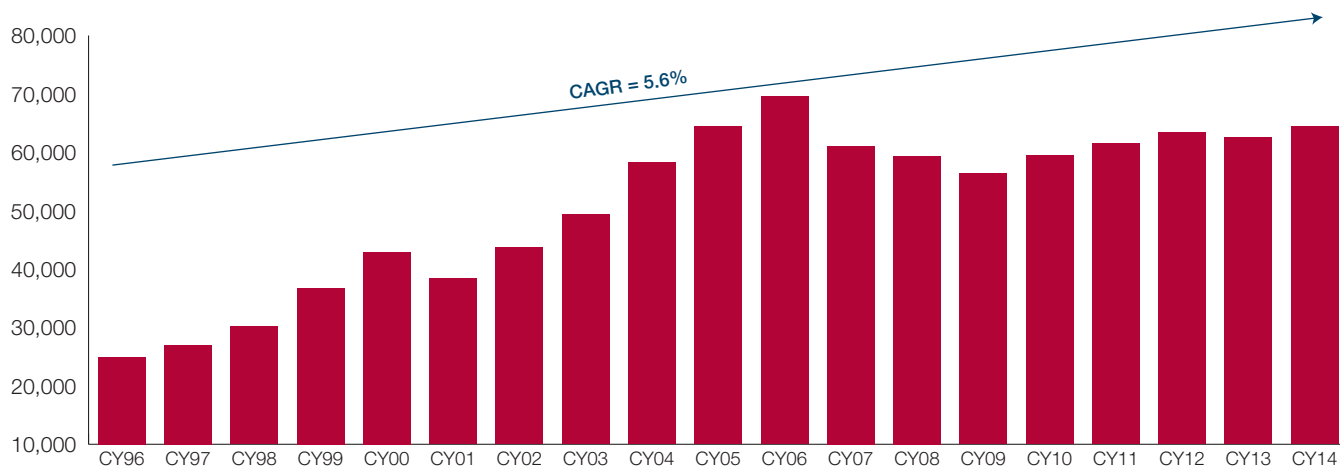
Source: WIPO statistics database.

2. Industry Overview (continued)

2.6.2 Trade marks

In Australia in CY14, the total number of trade mark applications filed was approximately 64,000, and the total number of registered trade marks in force in Australia as at 27 September 2015 was approximately 596,000. The number of applications and market growth in trade marks is set out in Figure 7 below.

Figure 7: Trade mark applications filed in Australia



Source: WIPO statistics database.

Consistent with the downturn observed in Australian patent applications, there was a decline in Australian trade mark applications from CY07 to CY09 during the Global Financial Crisis, with a return to growth in applications commencing in the following year.

A key difference between patents and trade marks relates to the greater complexity of patent drafting, filing and prosecution processes, and the narrower category of professionals qualified to carry out patent-related work. A substantial proportion of trade mark applications in Australia in CY14 were filed directly by the applicants (self-filed) without initial involvement from an IP service provider.



Three

Business Overview

3. Business Overview

3.1 Introduction to Xenith

Prior to the date of the Restructure, Shelston IP and Shelston IP Lawyers operated as partnerships, with shared services provided by Shelford Services Pty Limited. These partnerships and Shelford Services Pty Limited are subject to a Restructure to facilitate the Listing contemplated by this Prospectus (see Section 9.4). The Principals listed in Section 6.3 are all former partners of Shelston IP or Shelston IP Lawyers, and will continue in the business after the Restructure.

Immediately prior to Listing, the Restructure will take place, and the Company will wholly own the following entities:

- Shelston IP Pty Ltd, a specialist IP practice;
- Shelston IP Lawyers Pty Ltd, a specialist IP law practice; and
- Xenith IP Services Pty Ltd, an entity providing shared services to the Group.

3.1.1 Services overview

The Group provides a comprehensive range of IP services including identification, registration, management, commercialisation and enforcement of IP rights for a broad spectrum of local and international clients. While the Group primarily provides IP services in Australia, New Zealand and the Pacific Islands, the Group also works with clients to protect and enforce their IP throughout the world, using an extensive international network of specialist associate IP firms. The Group maintains a particular focus on Chinese¹ clients seeking IP protection in Australia and New Zealand, with a dedicated China business development team.

The majority of the Group's professional fees revenue (approximately 90% in FY15) is derived from IP services relating to patents, trade marks and industrial designs. This activity is supported by Shelston IP Lawyers, a dedicated transactions and disputes team, which focuses on structuring business arrangements, IP licences and assignments, opposition proceedings before IP Australia, IP litigation and alternative dispute resolution.

3.1.2 Market position and clients overview

Xenith holds a leading position in the Australian IP market, generally ranking in the top five in market share for patents and trade marks in Australia in recent years. It is the only full service Australian IP practice to have gained market share in both patents and trade marks over the five year period to 30 June 2015 (see Section 3.6).

Xenith has a broad client and revenue base, with over 3,000 active clients. The largest clients are a range of national and multinational corporations, public sector research and tertiary educational institutions, SMEs, innovative start-up companies and entrepreneurs. Clients are diversified by geography, industry and service line, with the top 20 clients spread across various countries of origin, industry sectors and IP service segments.

3.1.3 Personnel overview

As Xenith derives its revenue from providing specialised IP services, its professional and support staff are key contributors to its ongoing success. The Group currently employs over 100 personnel, including approximately 40 IP professionals (patent attorneys, trade mark attorneys and IP lawyers). The Principals have an average of over 22 years' experience in the IP industry, with an average tenure with the Group of more than 16 years.

The Group's professionals possess diverse business, legal and technical expertise. They are highly qualified, experienced and specialised, practising across a range of science and engineering disciplines including physics, biotechnology, organic and inorganic chemistry, chemical engineering, mechanical, civil, electrical and mining engineering, electronics computer science, information technology and telecommunications. Over 40% of Xenith's patent professionals have PhDs or Masters Degrees.

The Group's professionals hold a range of executive and committee roles across influential IP industry organisations and associations including:

- Institute of Patent and Trade Mark Attorneys of Australia (IPTA);
- International Federation of Intellectual Property Attorneys (FICPI);
- International Association for the Protection of Intellectual Property (AIPPI); and
- Asian Patent Attorneys Association (APAA).

¹ In this Prospectus, "China" and "Chinese" refer to Greater China, including the People's Republic of China (mainland China), Hong Kong, Macau and the Republic of China (Taiwan).

3. Business Overview (continued)

3.1.4 Purpose and business objectives

The Group's purpose is the protection, management and commercialisation of intellectual assets on behalf of its clients, with the aim of contributing to their success.

In support of this purpose, the Group's primary objective is to consolidate and grow its position as a leading provider of IP services in Australia, New Zealand and other secondary IP markets (outside the primary markets of the US, Europe, Japan and South Korea), representing many of the world's largest, fastest-growing, most innovative and most successful companies, research institutes and entrepreneurs.

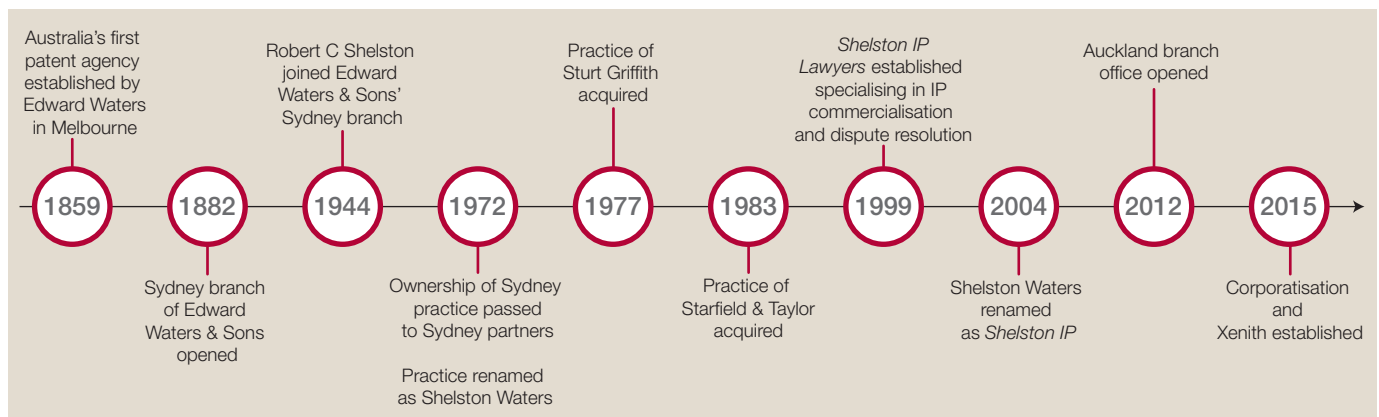
Xenith intends to pursue this objective through a combination of organic growth and carefully targeted strategic acquisitions. Xenith's plans for domestic expansion will be coupled with continuation and extension of the Group's successful business development initiatives in China and expansion into the emerging markets of Southeast Asia¹ (see Section 3.9).

Xenith believes its purpose and business objectives will be underpinned by the Group's highly specialised personnel, scalable advanced technology platform, and embedded core values. These core values include client focus, responsiveness, integrity, teamwork, professional excellence and citizenship. The financial flexibility and incentive opportunities provided by operating as a listed company are expected to give further support to Xenith's purpose and business objectives.

3.2 History

Shelston IP is the oldest IP firm in Australia with a proud 156 year history, dating back to its inception as Edward Waters & Sons in Melbourne, in 1859.

Figure 8: History of Shelston IP



The expansion of industry and commerce in the developing Australian nation required a corresponding expansion in IP services. This resulted in the Group's first expansionary step in 1882, with the establishment of a Sydney branch. Ownership of the Sydney practice was transferred to the then Sydney partners in 1972, at which point the name was changed to Shelston Waters. The practice continued to expand through organic growth and by acquisition, including acquisition of the practices of Sturt Griffith in 1977 and Starfield & Taylor in 1983.

An IP legal practice was established in 1999 to specialise in IP commercialisation and litigation, enabling the Group to provide a comprehensive range of integrated IP services and advice. The name of the Group was condensed to Shelston IP in 2004 and to support continued expansion, an affiliated office was established in Auckland, New Zealand, in 2012.

¹ Primarily South Korea, Singapore, Malaysia, Indonesia, Thailand, Vietnam and the Philippines.

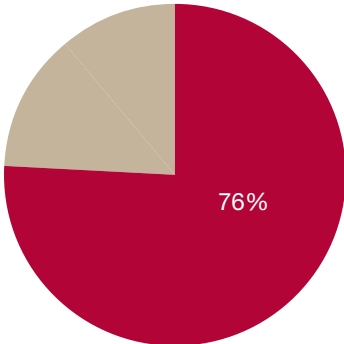
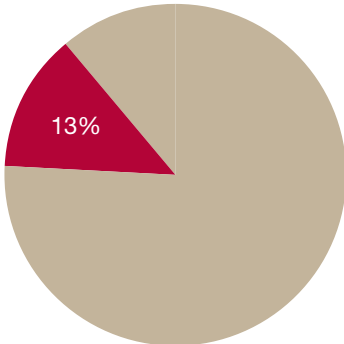
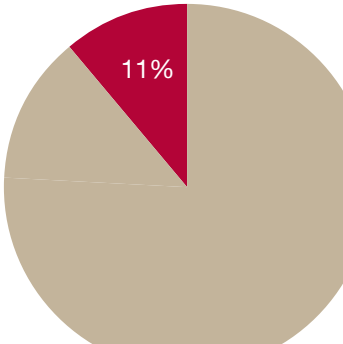
3. Business Overview (continued)

3.3 Services and sources of revenue

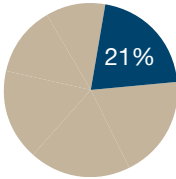
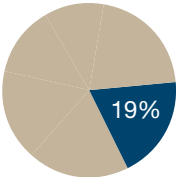
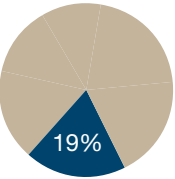
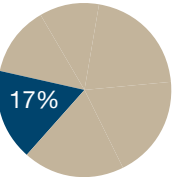
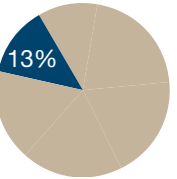
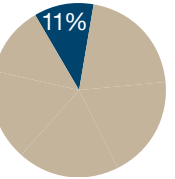
3.3.1 Outline of services

The Group's services and associated revenue streams can be segmented as follows.

Figure 9: Snapshot of the Group

By Practice Area	Patents and Designs	Trade Marks	Transactions and Disputes
Overview	The Group provides a comprehensive range of IP services including identification, registration, management, commercialisation and enforcement of IP rights		
Services	<ul style="list-style-type: none"> • Pre-filing services • Drafting and filing applications • Examination and prosecution • Infringement and validity advice • Portfolio management and renewals • Patent strategy advice • Oppositions and disputes • IP litigation support • IP due diligence 	<ul style="list-style-type: none"> • Pre-filing services • Drafting and filing applications • Examination and prosecution • Infringement and validity advice • Portfolio management and renewals • Brand strategy advice • Oppositions and disputes • Customs seizures • IP litigation support 	<ul style="list-style-type: none"> • Business structuring • Technology transfer • Licence agreements • IP commercialisation • Infringement and validity advice • Oppositions and disputes • Customs seizures • IP litigation • Negotiation and alternative dispute resolution • IP due diligence
FY15 Professional fees	 <p>76%</p>	 <p>13%</p>	 <p>11%</p>

3. Business Overview (continued)

FY15 Market share	Top 6 (5.9%)		Top 5 (4.4%)			n/a
By Team						
	Mechanical	Chem/Pharma	Biotech/Pharma	Electrical/ICT	Trade Marks	Transactions and Disputes
FY15 Professional fees						
FY15 Market share	Top 5 (7.0%)	Top 5 (7.3%)	Top 6 (7.7%)	Top 6 (4.4%)	Top 5 (4.4%)	n/a
Revenue model	Scheduled charges by service type, plus hourly rates; with local clients charged in AUD and the majority of international clients charged in USD					Primarily hourly rates
Professionals (inc. Principals)	7 attorneys (3 Principals)	6 attorneys (2 Principals)	7 attorneys (2 Principals)	6 attorneys (2 Principals)	6 attorneys (2 Principals)	6 lawyers (3 Principals)

Source: Shelston IP, IP Australia, 2015 Australian Intellectual Property Report.

Note: Market position and market share are measured by the total number of patent or trade mark applications filed in FY15 with IP Australia (except market share for trade marks, which is based on filings with IP Australia by the top 50 agents).

3.3.2 Patent and trade mark services

Xenith processes and manages portfolios of patent, trade mark and design applications and registrations for its clients at all stages throughout the respective IP life cycles.

The nature of these IP life cycles means that each case can continue to generate revenue for up to:

- 10 years for registered designs;
- 20 years for standard patents (25 years for certain pharmaceutical patents); and
- indefinitely for trade marks.

Xenith believes the nature and extent of these IP life cycles, including the pre-filing and post-registration stages, are important factors contributing to a relatively consistent and transparent earnings profile for the Group.

The majority of Xenith's revenue derived from patent and trade mark applications is generated during the pre-filing, filing and prosecution stages, reflecting the relative concentration of IP services required during these stages. The post-grant management and maintenance stages of the IP life cycle typically generate less but ongoing revenue for the life of the IP.

In most jurisdictions, regular renewal fees must be paid to the respective government IP offices to maintain patent, trade mark and design applications and registrations in force. These regimes vary from country to country. Typically renewal fees are payable annually for patents, and every ten years for trade marks. In some cases, Xenith outsources the renewal fee payment process to a specialist third party IP renewals service provider, pursuant to a service agreement which gives rise to a corresponding revenue stream for the Group. In other cases, Xenith earns revenue by managing renewals for clients directly.

3.3.3 IP legal services

Once IP rights have been established, owners typically seek to exploit or commercialise those rights. This can involve optimising their structuring, a wide variety of contractual arrangements, defence or enforcement, and advice on infringement and validity of IP rights.

The Group's specialist IP legal services include:

- Advising on structuring and restructuring activities including shareholders' agreements and acquisition and divestment agreements;
- Advising on, negotiating and drafting a broad range of IP related commercial agreements including non-disclosure agreements, collaborative R&D agreements, joint venture agreements, transfer agreements, licensing agreements, IT and cloud computing agreements, website terms, privacy policies, manufacturing agreements and distribution and supply agreements;
- Advising on validity and infringement of IP rights;

3. Business Overview (continued)

- Acting in litigation and related matters concerning patents, trade marks, designs, copyright, passing off and trade secrets including oppositions and infringement and revocation proceedings;
- Acting in claims under the Australian Consumer Law and in breach of contract claims;
- Providing advice on parallel importation, counterfeit products and customs seizure proceedings;
- Engaging in alternative dispute resolution procedures; and
- Conducting IP audits and preparing due diligence reports.

3.3.4 The revenue model

As at 11 September 2015, the Group was responsible for over 31,500 active patent, trade mark and design cases at various stages of the IP life cycle, which can be further broken down into their respective phases as follows:

- More than 750 in the pre-filing and application phases, with a timeline of up to 3 years for patents, and up to 6 months for trade marks;
- More than 6,100 in the prosecution phase, with a timeline of 2 to 5 years for patents, and up to 2 years for trade marks; and
- More than 24,700 in the post grant phase, with a timeline of up to 20 years for standard patents (with a possible 5 year extension for pharmaceutical patents), 10 years for designs and indefinitely for trade marks.

During FY13 to FY15, the Group handled more than 370 matters relating to IP transactions and disputes.

The Group typically invoices clients at frequent intervals and at the conclusion of each process step throughout the various stages of the IP life cycle, ensuring that work-in-progress (**WIP**) is low (month end average of 17 days in FY15). Combined with minimal bad debt write-offs (0.63% of total revenue for FY15), this model provides high visibility for revenue receipts. Consistent with industry practice, foreign clients generally operate on 90 day payment terms. Accordingly, average debtor levels for FY15 were 70 days.

The majority of the Group's services are charged on the basis of hourly rates. Many of the individual process steps in the Group's work streams additionally attract scheduled administrative charges (scale charges). On occasion, the Group may also enter into arrangements for fixed or capped fees. The Group does not enter into contingency based fee arrangements where its right to be paid for services depends on a particular outcome being achieved.

The Group also generates revenue via its contractual relationships with a number of specialist service providers, including a specialist provider of IP renewals services and a provider of referrals for PCT National Phase applications.

3.4 Operational overview

The Group's Sydney office acts as a hub for the Group's operations, with an affiliated office in Auckland, New Zealand, and serviced offices in Brisbane and Newcastle.

The Group's highly specialised personnel, sophisticated technology platform (see Section 3.7) and comprehensive global network of foreign associate firms developed over decades allow the Group to fully service its clients for all IP requirements in Australia, New Zealand and overseas jurisdictions. The highly scalable nature of the technology platform combined with efficiencies gained through technological innovation contribute to the Group's operational leverage.

3.5 Group Clients

The Group has over 3,000 active clients which can be broadly categorised as:

- Multinational corporations including a number of Fortune Global 500 companies;
- Domestic and foreign corporations, research institutes, educational institutions, SMEs and entrepreneurs;
- Domestic professional services firms seeking specialist IP advice; and
- Foreign associate firms, including offshore specialist IP and general practice law firms representing their clients in foreign jurisdictions.

Revenue is diversified by client size, industry, geography and IP service segment. The majority of the Group's revenue (73% in FY15) is derived from foreign clients, with approximately 27% of FY15 revenue sourced from Australian and New Zealand based clients¹. The Group's top 20 clients in combination provided approximately 25% of revenue in FY15, with no single client group providing more than 6% of revenue in FY15.

¹ Based on professional services fees.

3. Business Overview (continued)

Figures 10 and 11 below illustrate this diversification.

Figure 10: Group FY15 revenue by client

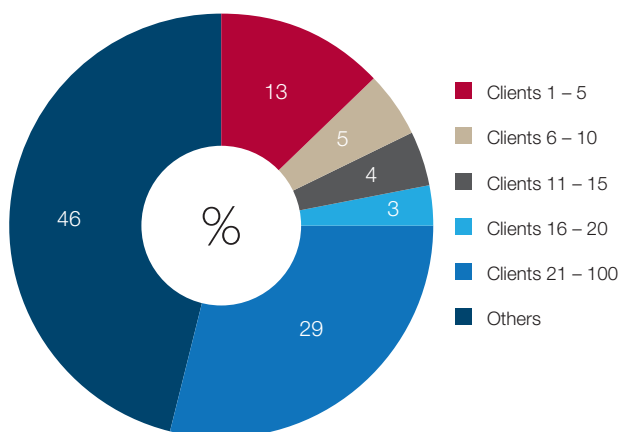
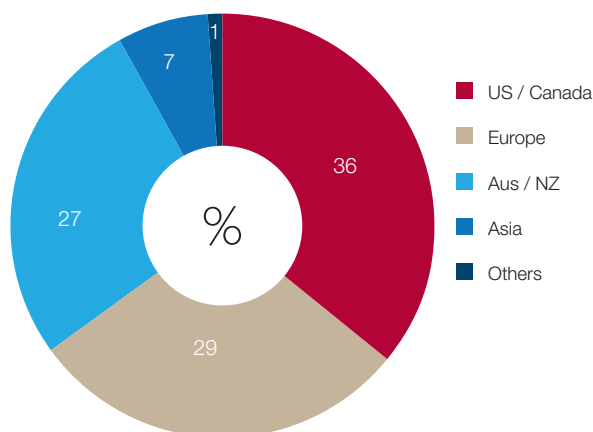


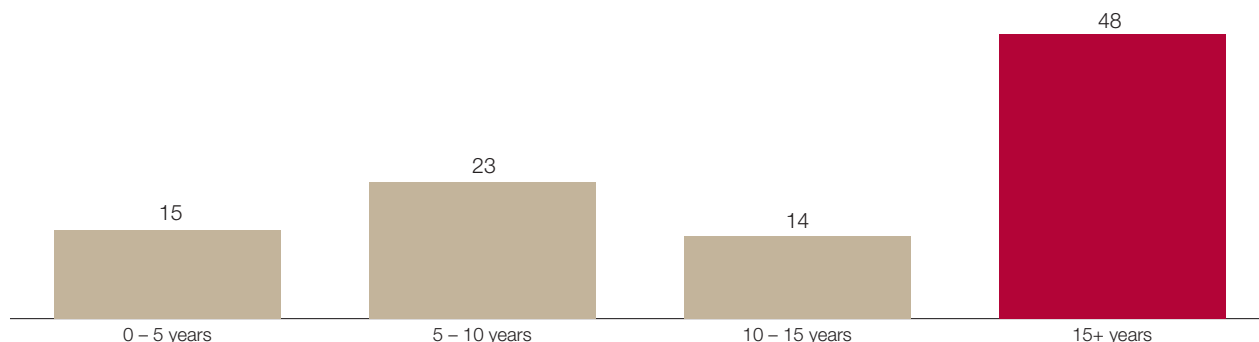
Figure 11: Group FY15 revenue by client geography



Source: Shelston IP.

The Group has long term relationships with many of its largest clients, with 62 of the top 100 clients having been clients for more than 10 years, and 48 for more than 15 years.

Figure 12: Tenure of top 100 clients



Source: Shelston IP internal records.

Xenith believes the stability and continuity of its client relationships are supported by the:

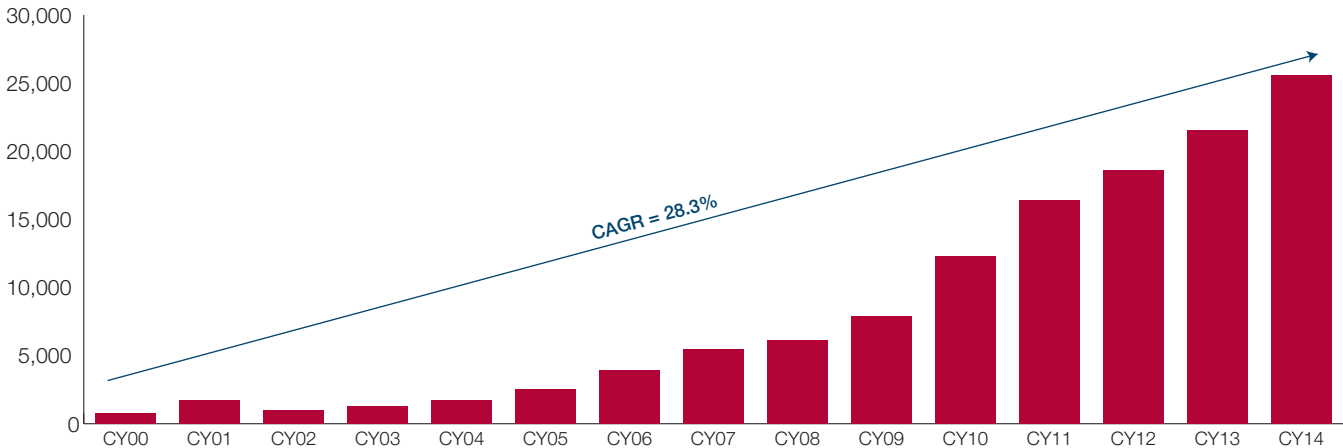
- long life cycles of patents, trade marks and design registrations, often linked to extensive R&D pipelines and/or brand development programmes;
- extensive knowledge of individual client technologies and/or brand strategies, businesses and industry sectors developed by the Group’s professionals over extended periods of time;
- extensive knowledge of individual client IP portfolios, related product portfolios and competitor IP landscapes developed by the Group’s professionals over extended periods of time;
- long standing relationships with the Group’s extensive global network of foreign associate firms as ongoing referral sources for foreign clients;
- importance of continuity of technical knowledge and professional advice during the IP life cycle and particularly in the case of patents, during the extended period from invention identification to grant (often 5 years or longer);
- functionality of the Group’s technology platform in supporting clients’ matter and portfolio management, including by access to IP case data through the Group’s secure customisable web portal; and
- logistical difficulties involved in transferring large IP portfolios without loss of matter continuity, loss of relevant background knowledge, or significant transition risk.

3. Business Overview (continued)

3.5.1 China

The Group has targeted China as a significant potential source of inbound business. Figure 13 below illustrates the substantial increase in PCT applications filed by Chinese applicants as an indication of the growth in Chinese-originating patent activity.

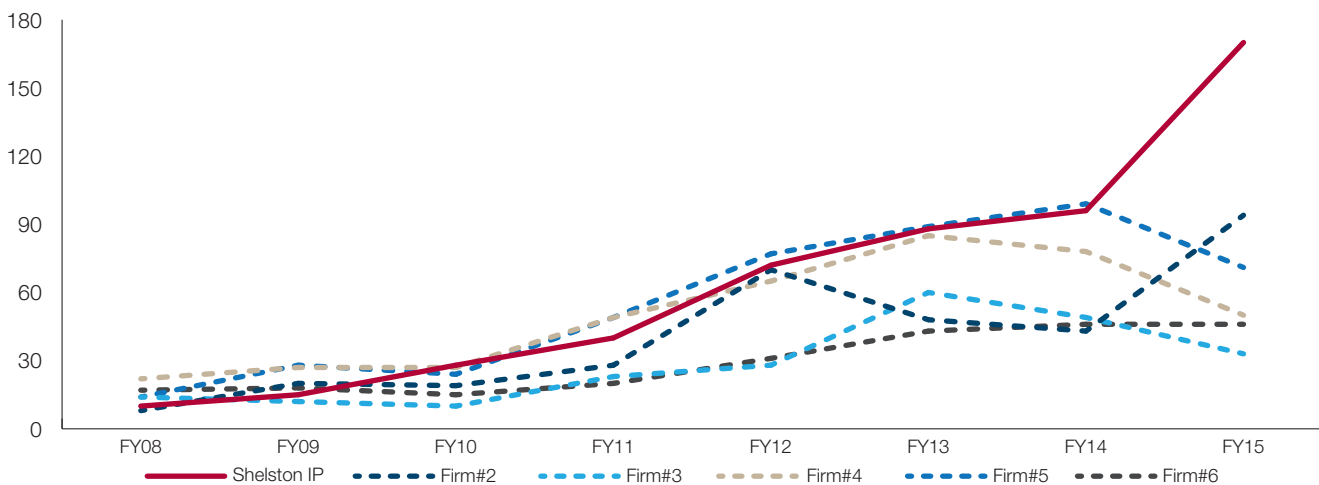
Figure 13: Number of PCT applications filed by Chinese applicants



Source: WIPO statistics database.

The Group established a specialist China business development team in 2009, featuring Mandarin speaking Chinese nationals and a dedicated “China Desk”. The team, based in Xenith’s Sydney office, commenced a concerted strategic business development program involving extensive contact with Chinese companies, IP firms and government agencies. Through these activities, Xenith has secured relationships with over 190 Chinese clients diversified by size, industry sector and IP service line. In FY15, Xenith processed approximately 18% of all Chinese patent applications filed in Australia, significantly more than its nearest Australian competitor. While the revenue generated for the Group by these activities is not yet material, Xenith believes that there is considerable growth potential (See Section 3.9.1.2).

Figure 14: Chinese originating applications filed in Australia by IP firm¹



Source: Shelston IP, IP Australia.

Note: For Australian firms that processed over 25 applications for Chinese applicants in FY15.

3.6 The competitive landscape

Across its business divisions and service segments, the Group competes against:

- Top tier specialist IP services firms;
- Smaller IP services firms and sole practitioners;
- General practice law firms with IP services capabilities; and
- Niche providers of specific process oriented IP services such as IP renewal and PCT national phase entry.

¹ Australian national phase filings based on a PCT application or Paris Convention priority claim from a Chinese applicant.

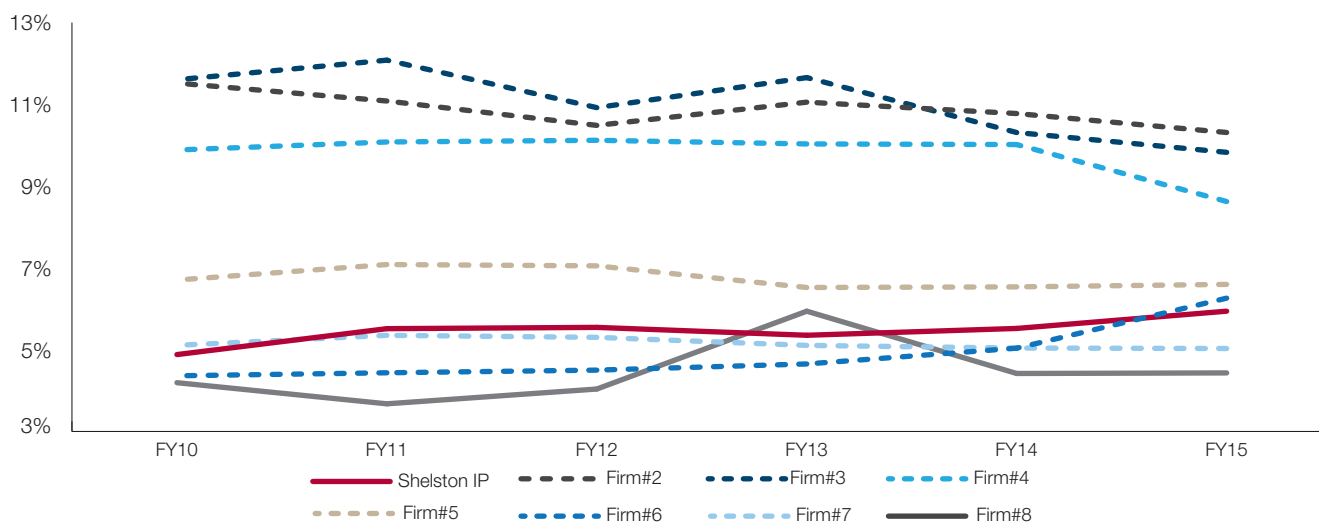
3. Business Overview (continued)

3.6.1 Patents and designs

The Australian market for patents and designs is relatively mature and fragmented. The top eight firms combined held approximately 55% of the market share for Australian patent applications filed in FY15.

The Group has increased its market share of Australian patent applications since FY08, and in FY15 the Group held market share of approximately 5.9%.

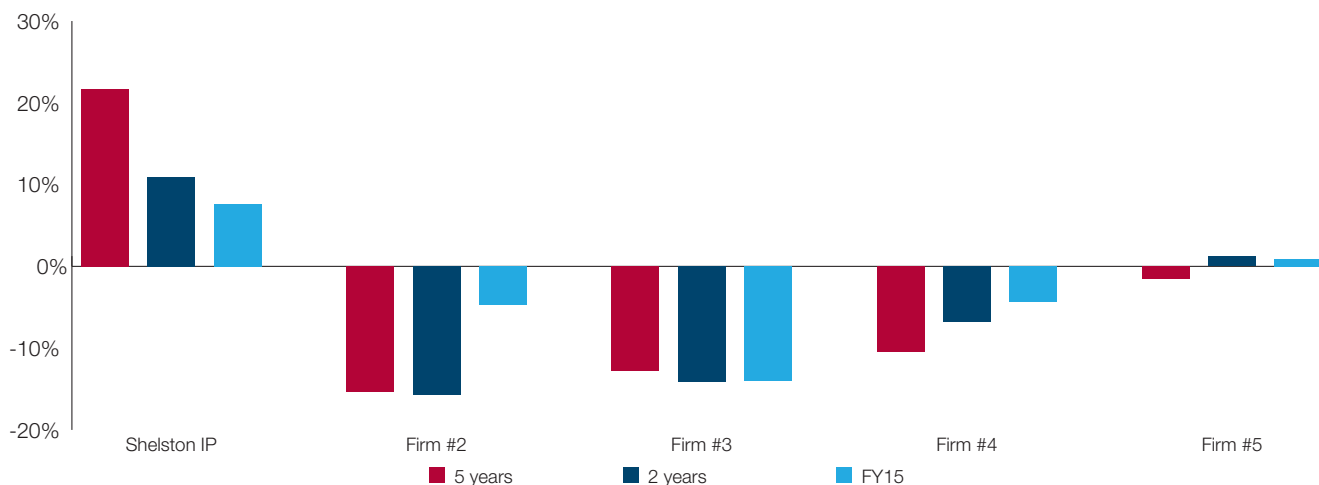
Figure 15: Shelston IP share of the market for Australian patent applications by top eight firms



Source: Shelston IP using IP Australia patent application filing data.

Xenith is the only top five Australian full service IP practice to have organically gained market share in patents over the past five year period. Patent work is the largest IP service in the Group’s business and has the highest barriers to entry.

Figure 16: Organic growth in Australian Patents Market Share by top five full service IP practices by patent applications filed



Source: Shelston IP using IP Australia patent application filing data.

Note: Calculated as FY15 market share/base year market share.

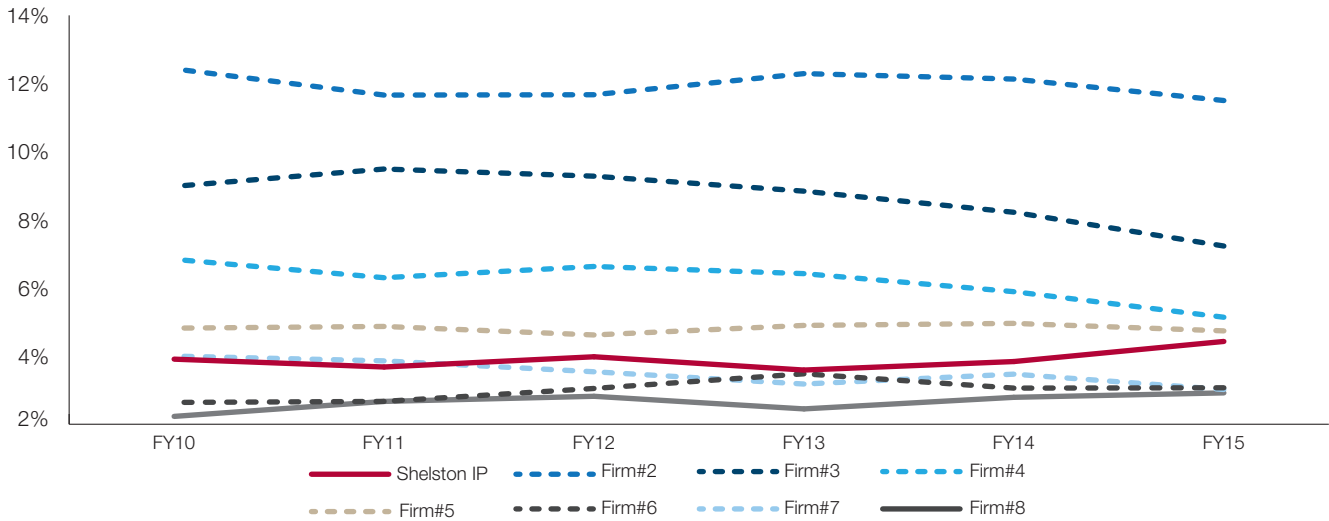
3.6.2 Trade marks

The Australian market for trade mark applications broadly reflects trends observed in the patent market. It is similarly mature but more fragmented, with the top eight firms combined holding approximately 42% market share in FY15 (measured by reference to trade mark filings by the top 50 firms as an indicative measure of the contestable market for trade marks and a proxy for exclusion of self-filing applicants).

On this basis, the Group has increased its market share from FY08, and in FY15 held approximately 4.4% of the contestable market for Australian trade mark applications.

3. Business Overview (continued)

Figure 17: Shelston IP share of the contestable market for Australian trade mark applications by top eight firms

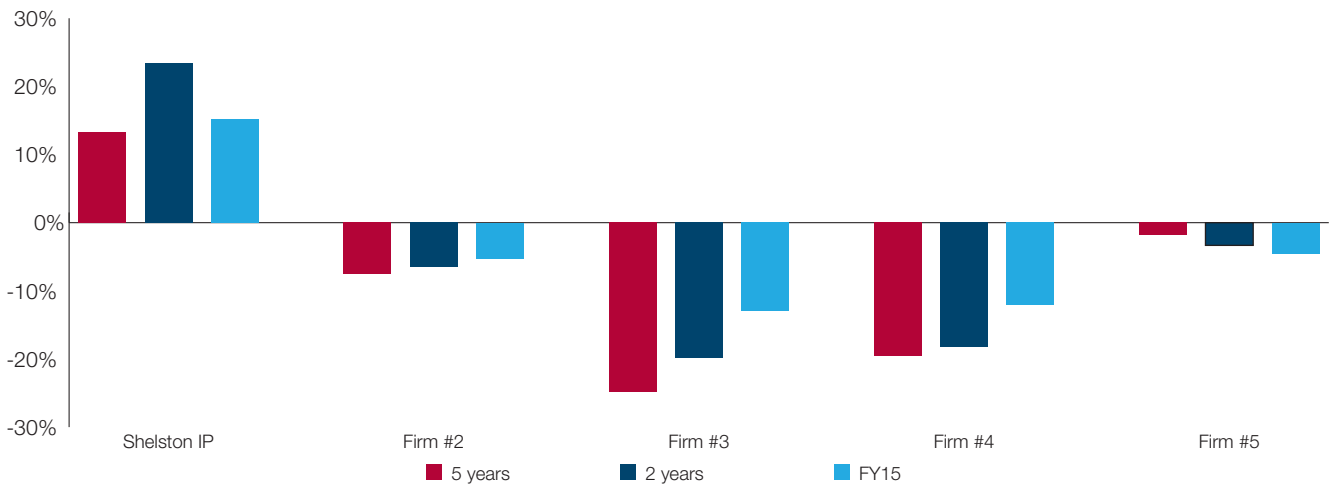


Source: Shelston IP using IP Australia trade mark application filing data.

Note: Calculated as FY15 market share/base year market share based on the top 50 agents by application.

Xenith is the only top five Australian full service IP practice to have gained market share in trade marks over the past five year period.

Figure 18: Growth in Australian Trade Marks Market Share by top five full service IP practices



Source: Shelston IP using IP Australia trade mark application filing data.

Note: Calculated as FY15 market share/base year market share based on the top 50 agents by application.

3.6.3 IP legal services

The Group provides IP legal services, both independently and in support of the Group's specialist patent and trade mark teams, across a broad spectrum of IP transactions, disputes and commercial matters. IP litigation in particular can generate significant revenue. Competition for IP legal services arises from specialist IP legal practices, general legal practices with IP service capabilities and in-house corporate legal teams.

3. Business Overview (continued)

3.7 Specialist IT platform and scalable operations

The patent, trade mark and design application, prosecution and renewal processes involve extensive document preparation, monitoring of deadlines, payment of official fees and a myriad of related processes and procedures on behalf of a large number of clients, both locally and internationally.

The Group's IT platform is held within and operated by Xenith IP Services. This platform comprises a matrix of specialised third party software systems and bespoke modifications to meet Xenith's specific requirements, providing functionalities in relation to:

- professional time and WIP recording;
- case management, monitoring and deadline tracking;
- automated document generation;
- process automation;
- digital document and file management;
- client contact and relationship management;
- invoicing and accounting;
- IP portfolio management;
- data analysis and customised reporting;
- web-enabled remote access for clients and staff; and
- back-up and data recovery.

Based on these and other features and functionalities, Xenith regards its technology platform as an important element of its service offering and a driver of its operational efficiency. The Group also believes its technology platform provides significant competitive advantages.

The constituent systems have been developed, integrated, customised and implemented by Xenith's in-house IT development team in conjunction with third party suppliers over many years to meet the evolving needs of the Group and its clients. This team comprises six specialised IT personnel, a number of whom have been with the Group for more than 10 years.

Xenith continues to work closely with the Group's suppliers and other stakeholders in relation to ongoing development and enhancements. For example, both IP Australia and IPONZ now issue all correspondence and documentation via online channels and request that all communications be in digital form. Xenith's case and document management systems enable the Group to deal efficiently and reliably with these and other government agencies in their preferred communication modes.

Xenith's technology platform and related business processes are scalable beyond current utilisation levels and capable of supporting multiple practices. Accordingly, Xenith believes there is scope for significant rationalisation of IT systems and resources of any IP practices that may subsequently be acquired or amalgamated, with resultant cost synergies.

3.8 IP industry recognition and contribution

3.8.1 Recognition

Xenith has received a number of industry awards, acknowledgements and accolades. Recent examples include:

- Managing Intellectual Property (MIP), magazine recognises *Shelston IP* in the following ways:
 - a number of Principals nominated specifically as "IP Stars" (2015);
 - Tier 1 firm for Australian trade mark prosecution (2015);
 - Tier 2 firm for Australian patent prosecution (2015); and
 - Australian IP (prosecution) Firm of the Year (2013).
- Intellectual Asset Magazine (IAM) lists *Shelston IP* as:
 - recommended Australian IP firm for patents - prosecution and litigation (2015)
- Legal 500 (Asia-Pacific) rates *Shelston IP* as:
 - One of Australia's leading IP firms (2014).

3. Business Overview (continued)

Figure 19: Example awards and acknowledgements received by Xenith in recent years



3.8.2 Contribution

The Group's Principals are actively involved in leading national and international IP organisations, industry forums and professional associations, through which they aim to contribute positively to the development and harmonisation of IP laws and practices, nationally and internationally.

Figure 20: Examples of current involvement of Principals in IP industry associations

Organisation	Principal Involvement
Institute of Patent and Trade Mark Attorneys of Australia (IPTA)	Member of Council and Executive Committee (Stuart Smith)
International Federation of Intellectual Property Attorneys (FICPI)	Councillor of FICPI Australia (Caroline Bommer) Member of FICPI International Designs Group (Caroline Bommer)
International Association for the Protection of International Property (AIPPI)	Member of Australian Committee (Peter Treloar) Member, International AIPPA Committee (Peter Treloar)
Asian Patent Attorneys Association (APAA)	President, APAA Australian Group (Paul Harrison) Co-Chair, Patents Committee (Paul Harrison) International APAA Councillor (Paul Harrison) Member, Emerging IP Rights Committee (Dr. Charles Tansey)

3.9 Opportunities for growth

Xenith's primary focus is to continue to expand its presence in Australia and New Zealand, consolidating its position as a leading provider of IP services in these markets to many of the world's largest, fastest-growing, most innovative and/or successful companies, research institutes and entrepreneurs. It intends to do so through a combination of organic growth and carefully targeted strategic acquisitions. Xenith's plans for domestic expansion will be coupled with continuation and expansion of the Group's successful business development initiatives in China and expansion into the emerging markets of Southeast Asia.

3.9.1 Organic growth

3.9.1.1 Continued technological innovation

Xenith believes that ongoing development of the Group's technology platform has potential to enable further process automation and efficiency gains, with scope for improvement in operating margins while facilitating synergies from any new acquisitions. A particular area of focus will be streamlining the Group's digital business-to-government (B2G) interface with IP Australia and other government IP offices.

3.9.1.2 Business development in China

The Group has already established itself as the pre-eminent service provider for Chinese applicants IP protection in Australia. Xenith intends to continue this business development strategy, with additional dedicated resources recently added to the team. Xenith believes this strategy has significant medium to longer term potential. The Principals and China business development team therefore intend to continue their frequent visits to, and communications with, current and prospective Chinese clients, promoting Australia as an important market for protection of Chinese IP rights, and Xenith as the preferred IP service provider.

3. Business Overview (continued)

3.9.1.3 Increased market share in Australasia

Xenith is the only top five full service IP practice to have organically grown its market share in both patents and trade marks in Australia over the last five years. These gains have resulted primarily from referrals, targeted proposals, tenders and other successful business development strategies. Xenith has forecast continued growth in its core business in FY16 (see Section 5.3).

3.9.1.4 Expansion into Southeast Asia

Xenith is aware that many of its multinational corporate clients pursue IP protection in Southeast Asia on a country by country basis, through local IP service firms in their respective countries of interest. Xenith believes there is significant scope to leverage off its current technology platform and established agent networks across the region, to provide to existing and potential new clients a pre-packaged all-in-one service for IP protection throughout Southeast Asia.

This service will provide value to clients as a single point of instruction covering multiple jurisdictions across the region. Features include consolidated reporting and invoicing, assurance of appropriate technical and legal expertise in each jurisdiction through well established agency networks, centralised deadline tracking and rigorous quality control through the Group's established technology platform and consistent prosecution strategy through centralised coordination. Underpinning the offering will be commercially oriented strategic advice in plain English, from advisers that the Group's established clients already know and trust.

It is envisaged that this integrated service solution will initially be managed from the Group's Sydney office but subsequently coordinated through a base in Southeast Asia, either as a greenfield site or through acquisition of an established IP service firm in the region. In the first instance, the Group intends to target those countries it believes demonstrate the strongest growth potential in IP activity including South Korea, Singapore, Malaysia, Indonesia, Thailand, Vietnam and the Philippines.

3.9.1.5 Regulatory change in New Zealand

The Group has an established position and presence in the New Zealand market. Xenith believes that proposed regulatory changes in connection with the Single Economic Market initiatives between Australia and New Zealand should create opportunities for the Group to expand its share of the market for IP services in New Zealand with the planned introduction of a single patent application process across both countries (see Section 4.1.3.5).

3.9.2 Inorganic growth

Business acquisition opportunities within Australia and New Zealand will be a key focus for Xenith in the short to medium term.

The Australian IP sector is fragmented, comprised of a number of larger specialist IP firms, and a relatively large number of smaller to medium sized practices. Xenith believes that the larger specialist firms, particularly those with the financial flexibility to undertake acquisitions, are well placed to exploit this consolidation opportunity.

Xenith would benefit significantly from acquisitions due to its operational leverage, economies of scale and cost synergies resulting from its existing business processes, management resources and scalable technology platform. Xenith also believes that an increasing need to invest in technology and other infrastructure coupled with changes to the regulatory environment will provide potential benefits to smaller practices in the event of a merger or acquisition.

As the restrictions on patent attorneys operating in a corporate structure were only repealed through the Raising the Bar Amendments in April 2013, consolidation across the sector has only recently begun. There is potential for Xenith to secure an early-mover advantage as the second IP firm to seek a listing on the ASX in effecting acquisitions, potentially contributing scale to the existing business. In such circumstances, the potential for support services to be shared across the Group through Xenith IP Services also provides scope for cost synergies. Operating as a listed company should provide Xenith with flexibility in funding any potential acquisitions.



Four Risks

4. Risks

This Section identifies the key specific and general risks that the Board considers to be associated with an investment in Xenith. Certain risks identified are either partially or completely outside of the control of the Group, its Directors and its senior management. Not every risk associated with an investment in the Group is included, with the selection of risks identified being based on an assessment of the probability of a risk occurring and its potential impact if it did occur. These risks were identified by the Directors as at the Prospectus Date and do not purport to be exhaustive.

There is no guarantee or assurance that one or more risks will not change in relative importance or that other risks will not emerge.

No assurances can be given that the Group will deliver on its business strategies, that the forecasts or any forward looking statements will be achieved or realised, or that historical performance is any indicator of future performance.

Before an application for Shares is made, you should be satisfied that you have an adequate understanding of the risks involved in making an investment in the Company. Relevant considerations may include whether an investment is suitable based on your financial position, taxation position and investment objectives. If you require clarification on any part of this Prospectus or have any queries as to whether an investment is suitable based on your personal circumstances, Xenith recommends you seek professional advice and/or guidance from a solicitor, stockbroker, accountant or other appropriate independent and qualified professional adviser before you make a decision to invest.

4.1 Specific investment risks

4.1.1 Competition

The Group's revenue is dependent upon providing IP services to its clients. The market for Australian IP professional services is relatively mature and subject to substantial competition between large and small IP firms based on price, service levels, service range, technology, professional expertise and reputation. Competitive pressures resulting from activities of current competitors, emergence of new competitors, changing client expectations or other changes in the competitive landscape could result in loss of key clients, resulting in loss of revenue, and/or margin compression and a corresponding reduction in the Group's profitability.

4.1.1.1 Loss or diminution of key clients

The Group is exposed to the risk of loss of key clients due to a range of factors such as competitive pricing pressure, competitive tendering processes, client merger and acquisition activity, diminution of the nature or extent of IP services required and client insolvency. Unless and until the Group could compensate by generating additional revenue from new or existing clients, loss or diminution of key clients may have a material adverse impact on the Group's revenue and margins.

4.1.1.2 Pricing pressure

The Group operates in a competitive environment with an increasing number of qualified IP professionals and IP service firms. Many of the Group's clients also operate in increasingly competitive environments. More aggressive pricing by current or new competitors, the emergence of alternative IP pricing models such as fixed fee for service models, increased client expectations or other changes in the competitive landscape, may result in reduced revenue or compressed profit margins and a corresponding reduction in profitability of the Group.

4.1.1.3 Disintermediation

Xenith acts as an agent for its clients in respect of many of the IP services it provides. This agency relationship is based on a combination of the Group's specialist technical and legal expertise, and knowledge of local regulatory requirements. The agency relationship is also supported by regulatory barriers such as an exclusive right of patent attorneys to provide specific IP services and a requirement for patent applicants to record a local address for service. Changes in market dynamics or the regulatory environment that diminish or obviate the requirement for local agents as intermediaries in connection with any of the IP application or registration processes may reduce the Group's revenue from clients and lead to a corresponding reduction in Group profitability.

4.1.1.4 Limitations in market share

As IP service firms increase market share in particular industry sectors, the probability of legal or commercial conflicts of interest tends to increase. Some clients also require that their IP service providers not represent specified competitors, thereby potentially limiting the Group's ability to expand its services or market share in some industry sectors. This may have an adverse effect on the Group's ability to grow revenue and market share.

4.1.1.5 Insourcing of IP services by key clients

A substantial proportion of the Group's revenue is derived from corporate clients, many of which have in-house legal resources and, in some cases, IP service capabilities. There is a risk that such clients may increasingly undertake in-house IP services that have previously been performed by the Group which may result in reduced revenue and profit for the Group.

4.1.1.6 Diversion of IP services to lower cost jurisdictions

Some services that the Group provides, including IP searching and analysis, document production, document processing, document discovery and patent drafting services, are subject to competition from service providers in lower cost jurisdictions. There is a risk that the Group's clients may divert IP services currently provided by the Group to such providers and thereby adversely affect the Group's revenue and lead to a corresponding reduction in Group profitability.

4. Risks (continued)

4.1.1.7 Loss of key business relationships

The Group has informal referral relationships with a large number of IP firms in various countries outside Australia, particularly in the US, Europe, China and Japan. The Group's revenue is dependent in part upon maintenance and development of these referral relationships. Consequently, loss or diminution of these relationships may adversely affect the Group's financial performance.

The Group also has contractual relationships with a number of specialist service providers, one of which is a source of PCT National Phase patent applications, and another of which is a specialist provider of IP renewals services and a source of associated revenue for the Group. Although these relationships are long standing, they may be terminated on short notice. The loss or diminution of one or more of these relationships may have a material impact on the Group's revenue and a corresponding reduction in Group profitability.

4.1.2 Personnel

The Group is primarily involved in the provision of IP services by specialised professionals and highly experienced support staff. The revenue of the Group is therefore highly dependent upon its personnel. An inability of the Group to attract, retain, align or incentivise staff may impact the Group's ability to generate revenue and may lead to a corresponding reduction in Group profitability.

4.1.2.1 Loss of key personnel

Many of the Group's key personnel are highly qualified and highly experienced with in-depth industry and client knowledge. Any loss of key personnel may have an adverse impact on the Group's client service capabilities and/or financial performance. The Principals have entered into three year employment contracts. However, the restructure of the Group and its operation in a listed environment, including changes to its remuneration models and governance structure, may adversely affect the ability of the Group to retain key staff and/or attract new staff with appropriate qualifications and experience at comparable cost. Since the Group's revenues are heavily dependent on its professional staff, which represent a significant proportion of the cost base, this may have an adverse impact upon the Group's revenue and/or profitability.

4.1.2.2 Succession planning and knowledge management

All of the Principals have entered into three year employment contracts and are all less than 55 years old. However, there is a risk that the Group does not adequately plan for succession of its Principals or other key personnel. Given the Group's reliance on the activities of its professional staff for client service and revenue generation, inadequate succession planning and inadequate knowledge management may inhibit the Group's ability to maintain service levels, retain key clients and staff, or pursue growth opportunities. The Group may also incur additional costs to recruit replacement staff if succession planning is not adequately managed.

4.1.2.3 Concentration of shareholding

The Current Owners will hold approximately 38% of the Group's Shares post IPO. This may enable the Current Owners to exercise substantial influence over the election of Directors and other matters put before Shareholder meetings. There may be circumstances where the Current Owners have different objectives or motivations from other Shareholders and there is a risk that Current Owners could exercise their voting rights differently from other Shareholders. Concentration of shareholding may also impact market liquidity for Xenith's Shares.

All of the Shares that remain held by the Current Owners after the Restructure and Completion of the Offer are subject to a two year voluntary escrow period commencing on the date of quotation by the ASX of the Shares. There is a risk that, due to personal circumstances or other reasons, one or more Current Owners may seek to sell some or all of their Shares immediately or shortly after that escrow period ends. Subject to liquidity, timing and other factors, this could have an adverse impact on Xenith's share price.

4.1.3 Regulatory change

IP rights and IP service providers are subject to substantial legal regulation, both in Australia and internationally. These regimes are subject to regular review and material changes to the legislative or regulatory framework in Australia or foreign jurisdictions may have adverse effects on the activities, revenue or profitability of the Group.

Set out below is a range of potential and actual changes to the legislative framework relevant to the provision of IP services by the Group. The list is not exhaustive and the details of a number of proposals under consideration are not yet fully known, making it difficult or impossible to determine the impact of such proposals on the Group's activities or prospects.

4.1.3.1 Removal or diminution of local agency role

Some of the Group's core IP services in relation to preparation and prosecution of patent applications in Australia are supported by rights and privileges granted exclusively to Australian patent attorneys and, to an extent, by the requirement for a local address for service in relation to Australian patent applications. Any legislative or regulatory change that has the effect of removing or diminishing the rights and privileges granted exclusively by statute to Australian patent attorneys, or local address for service requirements may have a material impact on the Group's ability to generate and grow revenue and a corresponding reduction in Group profitability.

4. Risks (continued)

4.1.3.2 Extension of ePCT to the National Phase

The existing regulatory framework for obtaining patent protection generally requires patent applications to be pursued on a country by country or in some cases a regional basis. The initial step often involves filing a single patent application with international effect via the PCT which is administered by WIPO. The PCT application subsequently enters the National Phase. Additionally or alternatively, patent applications may be filed directly in specific countries or regions of interest.

The ePCT system allows patent applicants or IP service providers to lodge PCT applications at first instance via an online portal. WIPO has proposed to extend this system to enable subsequent National Phase entry to be effected via the same online portal. If implemented, the National Phase filing process could potentially be undertaken by the patent applicant or IP service provider in the originating jurisdiction. This could diminish or eliminate the role of local agents at that stage of the application process. A large majority of patent applications filed in Australia are foreign originating and IP services associated with PCT National Phase applications in Australia represent a substantial source of revenue for the Group.

Implementation of the proposal to extend the ePCT system to the National Phase entry stage may therefore have a significant adverse impact on the Group's ability to generate and grow revenue and a corresponding reduction in Group profitability. It is currently not known if and when the ePCT system will be extended to the National Phase entry stage, or if Australia will participate. However, IP Australia is participating in discussions in relation to implementation of the proposed National Phase extension.

4.1.3.3 Patent examination harmonisation

Currently, the majority of patent applications are separately examined in each country or region in which the applications are filed. The Group derives substantial revenue from the substantive examination process in Australia, New Zealand and other jurisdictions. There is a long term international trend toward harmonisation of patent examination regimes. Various proposals have been discussed, and in some cases implemented, with the aim of minimising the duplication of effort across multiple offices and improving consistency of examination outcomes, subject to variations in local laws. This has resulted in various "Patent Prosecution Highway" programs and similar bilateral and multi-lateral collaboration regimes, including a Global Patent Prosecution Highway (GPPH) initiative currently involving Australia and 20 other countries.

Another harmonisation project, known as the "Global Dossier", is an initiative involving collaboration between the European Patent Office (EPO), Japanese Patent Office (JPO), Korean Intellectual Property Office (KIPO), Chinese Industrial Property Office (SIPO) and the United States Patent and Trademark Office (USPTO), collectively referred to as the "IP5" offices. Through this initiative, the IP5 have agreed to make available information produced by each patent office in relation to families of corresponding patent applications (applications for the same invention filed in multiple jurisdictions). The aim is to simplify access to important information pertaining to these application dossiers for use by patent examiners, applicants and the general public, in order to enhance the transparency and efficiency of the patent system.

Under these regimes, in the event of a successful examination outcome in one participating jurisdiction, the search and examination results are relied upon to streamline and accelerate the examination processes in other participating countries. The Group derives significant revenue from the substantive patent examination processes, in relation to both local and foreign patent applications. Any harmonisation regime that has the effect of diminishing IP services that the Group provides in connection with these patent examination processes may have an adverse impact on revenue and Group profitability.

4.1.3.4 World patent

The most comprehensive patent harmonisation proposal is the concept of a patent which has effect worldwide, on the basis of a single application and examination process. Attempts to harmonise substantive patent laws and procedures across national boundaries as a precursor to some form of world patent date back many decades. The Group believes that such attempts have met with limited success due to competing national interests, competing priorities between developed and developing nations, differing legal systems and legal philosophies, and fundamental considerations of national sovereignty in relation to the granting and enforcement of IP rights. However, given the Group services secondary IP markets (outside the primary markets of the US, Europe, Japan and South Korea), the introduction of such a system, or substantial moves in that direction, could have a fundamental adverse impact on the Group's viability and future financial performance.

4.1.3.5 TransTasman Single Economic Market

The TransTasman Single Economic Market was established in 2009, and seeks to integrate the Australian and New Zealand markets. One initiative of the Single Economic Market is implementation of a single patent application and examination regime covering both countries, to replace the current requirement for separate applications and examinations. Australia has passed legislation to effect this change. However, New Zealand has not yet passed equivalent legislation.

In cases where the Group would otherwise file corresponding patent applications in both jurisdictions, implementation of this system may reduce Group revenue to the extent it removes duplication of the application and examination processes. Implementation may also increase competition from New Zealand IP service providers with resultant pressure on pricing, revenue and market share and a corresponding reduction in Group profitability.

4.1.3.6 The Hague Agreement for Designs

The Hague Agreement for Designs establishes a process for filing applications for design registration in signatory countries without the need for a local agent. The United States, Japan and South Korea have recently become signatories to the Hague Agreement and it is possible that Australia will become a signatory in the future. If and when this occurs, there is a risk that a proportion of the Group's revenue derived from design applications will diminish. Designs revenue represented less than 3% of the Group's total revenue in FY15.

4. Risks (continued)

4.1.3.7 Changes in scope of patentable subject matter

Registration of intellectual property is subject to regulation and interpretation of that regulation by IP offices and courts. In recent years, the courts have considered the allowability of patentable subject matter and the allowable scope of patents in various fields including business methods, computer-implemented inventions and genetics. The boundaries of patentable subject matter continue to evolve as a result of technological innovation, legislative change and judicial interpretation. Material changes to the regulatory landscape or the interpretation of the regulatory framework may adversely affect the Group's revenue by narrowing the scope of patentable subject matter, and hence potentially the number of patent applications filed in particular technical fields.

4.1.4 Computer system disruption

The Group's business is heavily dependent upon a computerised technology platform including customised electronic case management, document management, file management, client relationship management and reporting systems. Any failure, corruption or disruption of the Group's technology platform including computer hardware, software, internet connections or communications systems may have a significant adverse impact on client service, deadline monitoring, integrity of records or financial performance. The Group's backup protocols, in-built redundancies, restoration procedures and data recovery plans may not be adequate to enable timely recovery in all conceivable circumstances including natural disasters, acts of terrorism or war, failure of utilities, sabotage, including breaches of cybersecurity and malicious hacking, or system failure due to other causes. This could lead to delays and processes becoming more labour intensive, resulting in the Group losing what it considers a competitive advantage with respect to its technology platform. Fundamental technology platform failure could lead to loss of clients' IP rights with consequential financial and reputational damage to the Group, potentially resulting in loss of clients, loss of revenue and/or claims against the Group.

4.1.5 Professional duties

4.1.5.1 Regulatory sanctions

The patent attorneys, trade mark attorneys and lawyers within the Group are bound by various ethical and professional standards imposed by relevant legislation and supervising professional bodies. Those bodies and the Legal Services Commissioner (in the case of lawyers) have the power to make findings of unsatisfactory professional conduct or professional misconduct against professionals who breach the required standards, to levy fines against the affected professional and in extreme cases, to disbar the affected individual. Even without disbarment, a finding of professional misconduct against a Group employee may seriously damage the reputation of the Group, risking loss of clients and hence potential loss of revenue for the Group.

4.1.5.2 Professional liabilities

By virtue of the IP services it provides to clients with IP assets of substantial value, the Group has the potential to be subject to claims from clients or other third parties for negligence, breach of contract or breach of duty. Any claim of this kind may damage the Group's reputation, making it more difficult to attract and retain both clients and staff. It may also have a direct financial impact, for example, if the Group's professional indemnity insurance does not cover a potential claim, if the claim exceeds the level of coverage in place, or if the Group is required to pay a deductible or excess component before insurance applies. A claim may also result in an ongoing increase in insurance premiums, with consequential adverse impact on profitability. The Group does not limit its potential liability to clients. Accordingly, its insurance cover may be insufficient to meet the liability due to the size or number of claims in a given year. If one or more claims exceed the amount the Group is insured for, this could have a material and adverse effect on the financial performance or viability of the Group.

4.1.5.3 Conflict of duties

The Group provides IP legal services and its employed solicitors have duties to the court and their clients. In some circumstances these duties may prevail over the Group's duties and obligations to Shareholders. Similarly, the Group's patent and trade mark attorneys are bound by a professional code of conduct with duties and obligations to act in accordance with the law, the best interests of their clients, in the public interest and in the interests of the profession as a whole. In certain circumstances, these duties and obligations may also compete with and prevail over the Group's duties and obligations to Shareholders, which may result in loss of clients, potentially impacting the Group's revenue.

4.1.6 Restructure

4.1.6.1 Transition from partnership

The IPO of Xenith will involve the transition from a partnership model to a listed public company structure. This will necessitate changes in corporate governance, management structures and financial and operational reporting requirements. The inability of the Company to adapt to any of these changes or to identify, manage and mitigate any risks as they emerge, may adversely impact the financial performance and position of the Group. The inability of personnel to adapt to any of these changes may result in adverse financial impact due to the cost and disruption of unplanned staff turnover.

4. Risks (continued)

4.1.6.2 Restructure

The business of the Group, including all assets and liabilities, will have been acquired from the Current Owners by the Allotment Date. The Current Owners have given very limited warranties and indemnities in connection with the assets and liabilities that will have been transferred to the Group. The Group may suffer loss or damage in connection with the businesses, assets and liabilities which will have been transferred, which it is unable to recover from the Current Owners due to the limited warranties and indemnities which they have offered.

Xenith has considered the stamp duty and taxation implications of the Restructure. A contrary interpretation by taxation authorities of the stamp duty or other taxation laws applicable to the Restructure may give rise to an increased liability for stamp duty or tax payable.

4.1.7 Foreign currency exposure

The majority of the Group's revenue is derived from foreign clients and the majority of invoices for those foreign clients are denominated in USD. The Group is therefore exposed to currency fluctuations as many of its key expenses such as rent and salaries are denominated and paid in AUD. If the AUD appreciates against the USD, the Group will have lower net profits in AUD. The Group may not be willing or able to negotiate with its clients to raise its prices in order to compensate for this. This currency exposure is not currently hedged, and movements in the AUD/USD exchange rate may have an adverse impact on the Group's profitability.

4.1.8 Litigation

The Group is not currently a party to any material litigation and is not aware of any facts or circumstances that may give rise to any material litigation. However, given the scope of the Group's activities and the wide range of parties with which it deals, the Group may be exposed to potential litigation from third parties such as clients, regulators, employees, service providers and business associates. Any such litigation may adversely affect the Group's profit and reputation.

4.1.9 Dividends

Payment of future dividends will depend on matters such as the future profitability and financial position of the Company and the other risk factors set out in this Section 4.

There can be no guarantee as to the future dividend policy, the extent of future dividends, or the level of franking of such dividends.

4.2 General investment risks

4.2.1 Economic downturn

4.2.1.1 Global

As a business operating in both local and international markets, the Group's revenue is subject to fluctuations in the global economy or country specific economic circumstances. The majority of the Group's revenue is derived from foreign clients. Accordingly, adverse economic conditions overseas may potentially have an adverse effect on the Group's revenue. Any significant downturn in investment in research and development may result in a reduction in demand for the Group's services and a reduction in revenue earned.

4.2.1.2 Local

Local clients are an important source of revenue for the Group. Accordingly, adverse economic conditions in Australia and New Zealand may affect the Group's revenue.

4.2.2 Acquisitions

The Group has made no allowance in its FY16 forecasts for potential acquisitions. Conservatism in the profession and/or activities of other IP firms seeking to acquire competitors may render achievement of consolidation activity more difficult, expensive and/or time consuming than anticipated. Combined with the mature nature of the market, inability to achieve acquisitions may limit the revenue growth potential of the Group. Conversely, acquisitions which do not achieve the desired business objectives or do not achieve the anticipated revenue or synergy outcomes may have an adverse impact on the Group's financial performance or growth prospects.

4.2.3 Taxation

Any changes to the tax regime or the tax rate levied on the Group in Australia or in any other jurisdiction may affect the Group's financial performance. To the extent that the Australian Taxation Office or other taxation office adopts an interpretation of applicable tax law which is different from the Group's understanding or approach, the Group is vulnerable to an increased taxation liability and consequential reduction in the Group's performance.

4. Risks (continued)

4.2.4 Accounting standards

The Australian Accounting Standards Board (**AASB**) determines the Australian Accounting Standards (**AAS**) with which the Group must comply. The AASB regularly revises existing AAS and issues new iterations of AAS. By 2018, the AASB proposes to issue revised or new AAS which may affect how key profit and loss and balance sheet items are measured and recognised, such as receivables and revenue. Interpretation of AAS may also change over time. Any new or revised AAS or changed interpretations of existing AAS may have a material effect on the financial performance of the Group and the way that its financial performance is reported.

4.2.5 Reputation and brand

Shelston IP has a long, established reputation and brand in the market. Anything which damages that reputation or brand is likely to have a negative impact on the Group's revenue and overall performance. The effect of a particular event will depend on the seriousness of the event and the extent to which it is publicised. Operating as a listed entity increases the prospect that events which adversely affect the Group will be publicised and may result in the Group being required to disclose the events in question even if not otherwise publicised.

4.2.6 Share price fluctuations

The market value of Shares quoted on the ASX may increase or decrease for a variety of reasons. These reasons may include changes in the pricing of comparable stocks, shifts in demand for listed equities, changes to general economic conditions, changes in interest rates, exchange rates or commodity prices, domestic or international changes to fiscal, monetary or regulatory policy, changes in legislation or regulations, shifts in industry dynamics and changes to the business environment. This may result in fluctuations in the share price that are not explained by the performance of the Group.

These reasons or factors, amongst others, may result in the Shares trading below the Offer Price and no assurance can be made that the price of Shares will increase following quotation on the ASX, even if the Company's earnings forecasts are met.

4.2.7 Liquidity

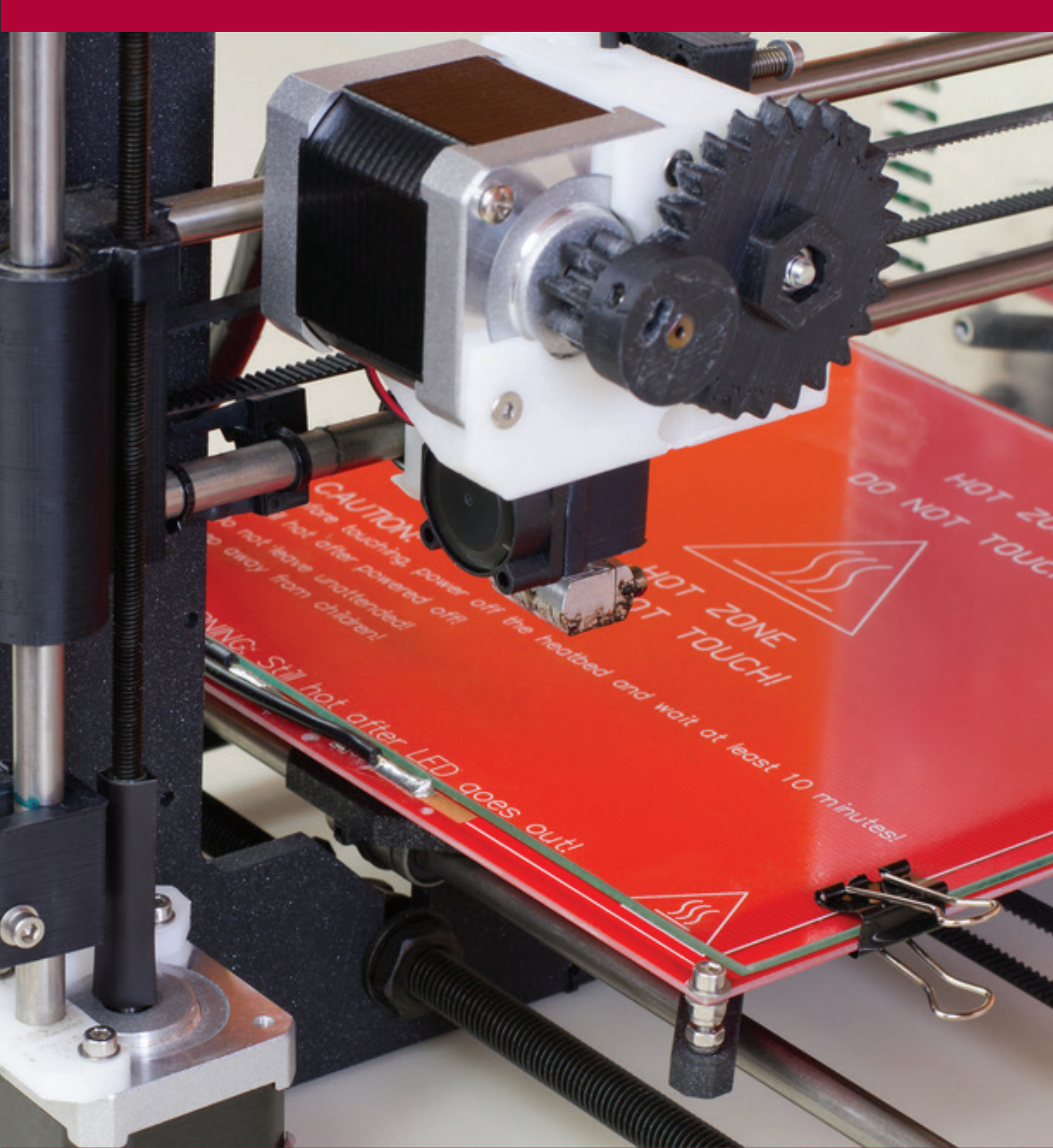
The Shares issued under the Offer will only be listed on the ASX and will not be listed for trading on any other securities exchanges. There can be no guarantee that an active market in the Shares will develop or continue. If an active market for Shares does not develop or is not sustained, it may be difficult for investors to sell their Shares at the time or for the price they seek. Further, the market price for Shares may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movements can be caused by the trading in a relatively small number of shares.

Sales of a substantial number of Shares following the Offer, either by the Current Owners or by new Shareholders, or the perception or expectation that such sales may occur, could cause the market price of the Shares to decline.

The Company may also offer additional Shares in subsequent offerings, which may adversely affect the market price for the Shares.

4.2.8 Shareholder dilution

The Company may seek to issue Shares to raise capital for a number of reasons within the constraints of the ASX Listing Rules (other than where exceptions apply). This may result in the dilution of existing shareholders.



Five Financial Information

5. Financial Information

5.1 Introduction

The financial information contained in this Section includes the historical Financial Information of the Group comprising the:

- Summary Pro Forma consolidated historical income statements for FY13, FY14 and FY15 (**Pro Forma Historical Income Statements**) together with a reconciliation to the statutory consolidated income statements of the Group for each year;
- Summary Pro Forma consolidated historical cash flow statements for FY13, FY14 and FY15 (**Pro Forma Historical Cash Flows**) together with a reconciliation to the statutory consolidated cash flow statements of the Group for each year;
- Statutory consolidated historical balance sheet as at 30 June 2015 (**Statutory Historical Balance Sheet**); and
- Pro Forma consolidated historical balance sheet as at 30 June 2015 (**Pro Forma Historical Balance Sheet**).

together the **Historical Financial Information**.

The forecast financial information for the Group comprises the:

- Summary Pro Forma and statutory consolidated forecast income statements for FY16 (**Pro Forma and Statutory Forecast Income Statements**), together with a reconciliation between each income statement; and
- Summary Pro Forma and statutory consolidated forecast cash flow statements for FY16 (**Pro Forma and Statutory Forecast Cash Flows**), together with a reconciliation between each cash flow statement;

together the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

The Financial Information has been reviewed by the Investigating Accountant, whose report is contained in Section 8. Investors should note the scope and limitations of the Investigating Accountant's report. The information in this Section should also be read in conjunction with the key risks set out in Section 4 and other information contained in this Prospectus.

Also summarised in this Section are:

- The basis of preparation and presentation of the Financial Information (Section 5.2);
- Pro Forma Historical and Forecast Income Statements and the Statutory Forecast Income Statement (Section 5.3);
- Key operating metrics (Section 5.4);
- Statutory Historical and Pro Forma Historical Balance Sheets (Section 5.5);
- Pro Forma Historical and Forecast Cash Flows and the Statutory Cash Flows (Section 5.6);
- Management discussion and analysis of the Pro Forma Historical Financial Information (Section 5.7);
- The Directors' best estimate assumptions underlying the Forecast Financial Information (Section 5.8);
- Analysis of the sensitivity of FY16 Pro Forma forecast EBITDA to changes in the key assumptions (Section 5.9);
- Summary of the capitalisation and indebtedness before and after the Offer (Section 5.10);
- Description of New Banking Facilities (Section 5.11);
- Description of the foreign exchange hedging policy (Section 5.12); and
- Summary of the dividend policy (Section 5.13).

All amounts disclosed in this Section are presented in AUD and, unless otherwise noted, are rounded to the nearest \$'000.

5.2 Basis of preparation of the Financial Information

The Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, (including the Australian Accounting Interpretations).

The significant accounting policies of Xenith relevant to the Financial Information are noted in Section 10. The accounting policies of Xenith have been consistently applied throughout the periods presented.

The Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

The Financial Information has been prepared for the purpose of the Offer.

5. Financial Information (continued)

5.2.1 Preparation of the Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for inclusion in this Prospectus and has been derived from the audited historical aggregated financial statements of the Group for FY13, FY14 and FY15. The historical aggregated financial statements of the Group for FY13, FY14 and FY15 were audited by Grant Thornton Audit Pty Ltd, who issued an unqualified audit opinion.

The Pro Forma Historical Financial Information has been presented on a comparable basis to the Forecast Financial Information, and has been adjusted to include the impact of:

- The debt and equity structure following Completion of the Offer;
- Incremental costs of being a listed entity;
- The salaries including long service leave entitlements of the Principals of the business including an appropriate level of on-costs;
- An STI Plan and LTI Plan which will be implemented following Completion of the Offer; and
- Eliminating certain non operating or non recurring items.

The Group has historically not been required by any regulatory authority to prepare and have audited consolidated financial statements. Accordingly, the aggregated financial statements of the Group for FY13, FY14 and FY15 represent the first year of preparation of audited financial statements prepared in accordance with Australian Accounting Standards.

The Group reported the operating activities and financial results of the business until the Restructure when Xenith became the ultimate parent company of the Group. From the Restructure, Xenith is the reporting entity. The Restructure has been evaluated in accordance with the criteria in AASB 3: "*Business Combinations*" and it has been determined that the underlying substance of the consolidated group is unchanged. The Restructure therefore has no impact on the book value of net assets as recorded prior to the Restructure. The transaction will be accounted for using the predecessor carrying values of the net assets of the Group at the time of the Restructure. The carrying value of the net assets will continue to be recorded at their book values as per the Group aggregated financial statements and the results of Xenith will continue to be reported in a manner consistent with that recorded by the Group. Refer to Section 9.4 for a detailed description of the Restructure.

The Directors note that the accounting for transactions such as the Restructure referred to above and contemplated in connection with the Offer, is currently being reviewed by international standard setters, and is subject to alternative interpretations and may be subject to change. The timing of any decisions, the outcome of these deliberations, and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in this Prospectus. In the event that the transactions contemplated by the Offer were required to be recorded at fair value:

- The net assets of Xenith would be increased to reflect the indicative market capitalisation as a result of the Offer by approximately \$89.3 million (based on the Offer price);
- The Directors estimate that the excess of the fair value (based on the indicative market capitalisation) compared to the book value of net assets, if a purchase price allocation were required to be undertaken in the future, would primarily be allocated to customer relationships (estimated to be between \$14.2 million and \$17.4 million), trade marks and business names (estimated to be \$8.2 to \$13.3 million), with any residual to goodwill. A deferred tax liability would also be recognised representing the difference between the tax and accounting cost bases of the identified intangible assets (e.g. customer relationships); and
- To the extent that any of the excess was allocated to finite intangible assets (customer relationships), NPAT would be impacted by the annual amortisation of these intangible assets, which the Directors have estimated to be in the range of \$0.68 million to \$0.84 million per year).

If acquisition accounting were required to be applied in the future, the exact impact can not be determined at this time, as a formal purchase price allocation has not been carried out. The above estimates are preliminary indicative estimates only, which may change upon undertaking a formal purchase price allocation in the future.

Should acquisition accounting be subsequently required, the impact is non cash in nature and will not affect future cash flows or the ability of Xenith to pay future dividends, as the overall financial position of the parent entity, the Company, will be the determinant of whether or not dividends are able to be paid in future periods.

Investors should note that past results are not a guarantee of future performance.

5. Financial Information (continued)

5.2.2 Preparation of Forecast Financial Information

The Pro Forma forecast consolidated income and cash flow statements for Xenith have been derived from the statutory forecast consolidated income and cash flow statements after adjusting for the Pro Forma adjustments to reflect Xenith's operations following Completion of the Offer as set out in this Section.

The Pro Forma forecast consolidated income statement, set out in Section 5.3, differs from the statutory forecast consolidated income statement as the Pro Forma forecast consolidated income statement reflects the full year impact of the operating, debt and equity structure that will be in place upon Completion of the Offer, though it excludes costs directly attributable to the Offer and other non recurring items which are not expected to occur in the future. Refer to Section 5.6.1 for reconciliations between the statutory and Pro Forma Forecast Financial Information.

The Forecast Financial Information has been prepared by Xenith based on an assessment of present economic and operating conditions and on a number of Directors' best estimate assumptions regarding future events and actions as set out in Section 5.8. The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, subject to the risk factors set out in Section 4. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Presentation of the Directors best estimate assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Xenith's actual financial performance, cash flows or financial position. Accordingly, neither Xenith, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise. Investors are advised to review the Forecast Financial Information and the Directors' best estimate assumptions set out in Section 5.8, in conjunction with the sensitivity analysis set out in Section 5.9 and other information set out in this Prospectus.

Xenith has no intention to revise or update the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

5.2.3 Non IFRS financial measures

Investors should be aware that certain financial data included in this Section 5 is "non IFRS financial information" under *Regulatory Guide 230: "Disclosing non IFRS financial information"* published by ASIC. The Company believes that this non IFRS financial information provides useful information to users in measuring the financial performance and conditions of Xenith. As non IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which Xenith calculates these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non IFRS financial information and ratios.

In particular the following non IFRS financial data is included:

- EBITDA which means earnings before interest, taxation depreciation and amortisation; and
- EBIT which means earnings before interest and taxation.

5. Financial Information (continued)

5.3 Pro Forma Historical and Forecast Income Statements and the Statutory Forecast Income Statement

Set out below is the Pro Forma Historical Income Statements for FY13, FY14 and FY15 and the Pro Forma and Statutory Forecast Income Statement for FY16, and other non IFRS financial information.

Figure 21: Pro Forma Historical and Forecast Income Statements, and the Statutory Forecast Income Statement

\$'000 June year end	Notes	Pro Forma historical and forecast				Statutory forecast ⁶
		FY13	FY14	FY15	FY16	FY16
Net revenue		25,063	24,532	27,137	29,888	22,273
Recoverable disbursements		(3,233)	(3,817)	(3,651)	(3,875)	(2,952)
Compensation		(12,608)	(12,578)	(12,883)	(13,418)	(10,796)
Occupancy		(1,428)	(1,430)	(1,430)	(1,467)	(1,112)
Other		(3,644)	(3,657)	(3,679)	(3,659)	(4,154)
Total operating expenses		(17,680)	(17,665)	(17,992)	(18,544)	(16,062)
Total expenses		(20,913)	(21,482)	(21,643)	(22,419)	(19,014)
EBITDA	1,4	4,150	3,050	5,494	7,469	3,259
Depreciation and amortisation		(312)	(253)	(263)	(499)	(508)
EBIT	1,4	3,838	2,797	5,231	6,970	2,751
Interest	2	(241)	(241)	(241)	(252)	(189)
NPBT		3,597	2,556	4,990	6,718	2,562
Income tax expense	3	(1,079)	(767)	(1,497)	(2,015)	(768)
NPAT	5	2,518	1,789	3,493	4,703	1,794

Notes:

1. Refer to Section 5.2.3 for definitions of EBITDA and EBIT.
2. Interest expense: prior to entering into the New Banking Facilities with ANZ, the debt profile of the Group was reflective of the historical operating structure of the business. Pro Forma historical interest expense has been adjusted to reflect the drawdowns (excluding drawdowns applicable for costs incurred after 30 June 2015 directly attributed to the IPO) and interest rates applicable under the terms of the New Banking Facilities following Completion of the Offer. It has been assumed that the debt profile and interest rates in FY16 also applied to FY13, FY14 and FY15.
3. Tax expense: under the previous operating structure of the business, the Group was not taxable in its own right as it operated via a partnership and trust structure. The Pro Forma historical tax expense has therefore been adjusted to reflect the Restructure and tax profile of Xenith, applied as if the same structure was in place in FY13, FY14 and FY15.
4. The lower FY16 statutory forecast EBITDA and EBIT compared to the FY16 Pro Forma forecast EBITDA and EBIT is due to the statutory forecast encapsulating 9 months of activity from the Restructure, as well as one off Offer costs impacting the statutory forecast.
5. Pro Forma NPAT is reconciled to statutory NPAT in Section 5.6.1.
6. Statutory forecast is for the period from Restructure to 30 June 2016.

5. Financial Information (continued)

5.4 Key operating metrics

Set out below is a summary of the Group's key Pro Forma historical operating metrics for FY13, FY14 and FY15 and the key Pro Forma forecast operating metrics for FY16, which includes non IFRS financial information. All metrics have been calculated as a percentage of professional fees (as opposed to net revenue), as this is considered to be the key indicator and driver of the business and the industry.

Figure 22: Reconciliation of net revenue to professional fees

\$'000	Pro Forma Historical			Pro Forma forecast
	FY13	FY14	FY15	FY16
Net revenue	25,063	24,532	27,137	29,888
Less: recoverable disbursements	(3,233)	(3,817)	(3,651)	(3,875)
Less: sundry income	(539)	(574)	(682)	(643)
Professional fees	21,291	20,141	22,804	25,370

Figure 23: Key Pro Forma operating metrics

	Pro Forma forecast			Pro Forma historical
	FY13	FY14	FY15	FY16
Professional fee growth %	-	(5.4%)	13.2%	11.3%
EBITDA growth (\$'000)	-	(1,100)	2,444	1,975
EBITDA margin (% of professional fees)	19.5%	15.1%	24.1%	29.4%
EBIT growth (\$'000)	-	(1,041)	2,434	1,739
EBIT margin (% of professional fees)	18.0%	13.9%	22.9%	27.5%
NPAT growth (\$'000)	-	(729)	1,704	1,210

5. Financial Information (continued)

5.5 Statutory Historical and Pro Forma Historical Balance Sheets

Figure 24 below has been extracted from the audited statutory consolidated balance sheet assuming Xenith IP Group Limited was incorporated as at 30 June 2015 and adjusted to reflect the impact of the Offer and New Banking Facilities as if they were both in place as at 30 June 2015.

The post Offer Pro Forma historical consolidated balance sheet is provided for illustrative purposes and is not necessarily indicative of Xenith's view of its future financial position.

Figure 24: Pro Forma Historical Balance Sheet as at 30 June 2015

\$'000 June year end	Notes	Xenith IP Group Limited historical balance sheet at incorporation	Impact of the Restructure	Impact of the Offer	Pro Forma historical balance sheet at 30 June 2015
Assets					
Current assets					
Cash and cash equivalents	1	-	(597)	2,783	2,186
Trade and other receivables		-	7,459	-	7,459
WIP		-	279	-	279
Other assets		-	289	-	289
Total current assets		-	7,430	2,783	10,213
Non current assets					
Plant and equipment		-	671	-	671
Intangibles		-	8	-	8
Other non current assets		-	66	-	66
Deferred tax assets	2	-	1,045	308	1,353
Total non current assets		-	1,790	308	2,098
Total assets		-	9,220	3,091	12,311
Liabilities					
Current liabilities					
Trade and other payables		-	1,877	-	1,877
Provisions		-	1,418	-	1,418
Total current liabilities		-	3,295	-	3,295
Non current liabilities					
Provisions		-	1,815	-	1,815
Loans and borrowings	3	-	4,583	417	5,000
Deferred tax liability		-	81	-	81
Total non current liabilities		-	6,479	417	6,896
Total liabilities		-	9,774	417	10,191
Net assets		-	(554)	2,674	2,120
Equity					
Issued capital	4	-	85,369	3,796	89,165
Share based payment reserve	5	-	-	768	768
Restructuring reserve	6	-	(85,923)	-	(85,923)
Retained losses	7	-	-	(1,890)	(1,890)
Total equity		-	(554)	2,674	2,120

5. Financial Information (continued)

Notes:

- Cash and cash equivalents:** Xenith intends to raise \$3.8 million in new equity net of new Offer costs. \$2.0 million of the funds raised will be used to partially repay the Current Owner loans, with a further \$1.0 million used to partially pay stamp duty and other IPO costs upon Restructure of the Group, and the remaining \$0.8 million will increase cash and cash equivalents. The total stamp duty is estimated at \$1.3 million, \$1.0 million of which will be borne by Xenith and \$0.3 million of which will be borne by the Current Owners.
- Deferred tax assets and liabilities:** represents the recognition of deferred tax assets that arise as a result of the payment of offer costs by Xenith upon completion of the Offer (\$0.3 million) and the first time recognition of deferred tax balances on Restructure (\$1.0 million deferred tax asset and \$0.1 million deferred tax liability).
- Loan and borrowings:** adjustment to loans and borrowing represents the refinancing of existing banking facilities under the New Banking Facilities. Facilities drawn represents amounts to partially repay Current Owner loans of \$2.6 million, \$0.4 million to pay a portion of the stamp duty liability following the Restructure with the remaining \$2.0 million to refinance the existing working capital facility.
- Issued capital:** increases by \$89.2 million to reflect the Offer and the value of the new shares issued to acquire the Group based on the Offer price. New capital raised will be \$3.8 million.
- Share based payment reserve:** reflects the granting of Performance Rights as part of the LTI Plan which vest over 3 years with embedded market and non market conditions. Also reflects the one off granting of rights issued on IPO date to retain key staff.
- Restructuring reserve:** As described in Section 5.2.1, the Restructure has been accounted for using the net asset carrying values of the Group prior to the Restructure. The difference between the fair value (based on the indicative market capitalisation) and the carrying values has been recognised as a Restructure reserve for the purposes of this Prospectus to highlight the impact of maintaining the predecessor carrying values. In future reporting periods, issued capital will be reported net of this amount.
- Retained losses:** reflects the payment of stamp duty and the associated deferred tax asset, other one off IPO costs and the granting of share based payments through the LTI Plan and retention rights.

5.6 Pro Forma Historical and Forecast Cash Flows and the Statutory Cash Flows

The Group has historically generated strong cash flows, converting to operating free cash flow a high proportion of EBITDA after capital expenditure. The strong cash flows of the Group are net of the stable monthly cash outflows (primarily compensation expenses) and low capital expenditure requirements. Capital expenditure is primarily comprised of expenditure on information technology and leasehold improvements.

Figure 25 below is a summary of the Group's Pro Forma historical consolidated cash flow statements for FY13, FY14 and FY15, and the Pro Forma and statutory forecast consolidated cash flow statements for FY16.

FY15 was a strong year in terms of financial performance. This was driven by June 2015 being a larger billings month with the June 2015 trade debtors balance being significantly larger than previous periods.

Figure 25: Pro Forma Historical and Forecast Cash Flows, and the Statutory Forecast Cash Flows

\$'000 June year end	Notes	Pro Forma historical and forecast				Statutory forecast ⁵
		FY13	FY14	FY15	FY16	FY16
Cash flows from operating activities						
EBITDA	1	4,150	3,050	5,494	7,469	3,259
Non cash movements	2	111	111	(289)	(81)	(136)
Change in working capital		570	663	(1,292)	574	374
Capital expenditure	3	(182)	(57)	(372)	(635)	(251)
Operating cash flow before financing activities and tax		4,649	3,767	3,541	7,327	3,246
Income taxes paid		(1,079)	(767)	(1,497)	(2,015)	(768)
Interest paid		(241)	(241)	(241)	(252)	(189)
Net operating cash flow before dividends		3,329	2,759	1,803	5,060	2,289
Cash conversion ratio	4	116.4%	125.4%	71.2%	106.6%	107.3%

Notes:

- Pro Forma EBITDA has been adjusted to reflect the Pro Forma adjustment to the statutory historical results and statutory forecast results set out in Section 5.6.1.
- Represents non cash movements including write back of provisions relating to the property lease and share based payments.
- The level of capital expenditure forecast in FY16 is not expected to continue at the same levels in subsequent years.
- Cash conversion ratio calculated as operating cash flow pre-tax and financing costs and exclusive of capital expenditure over EBITDA.
- Statutory forecast is for the period from the Restructure to 30 June 2016.

5. Financial Information (continued)

5.6.1 Pro Forma adjustments to the Statutory Forecast Income Statements and Cash Flow Statements

Set out below is a reconciliation between the statutory historical and forecast consolidated NPAT to Pro Forma historical and forecast NPAT as well as a reconciliation between the statutory and Pro Forma forecast cash flow statements:

Figure 26: Pro Forma adjustments to the statutory historical and forecast consolidated income statements

\$'000	Notes	Historical		Forecast	
		FY13	FY14	FY15	FY16
Statutory NPAT		7,687	6,888	8,229	1,794
<i>Adjustments:</i>					
PBT impact of the Restructure	1	-	-	-	2,820
Principals salaries	2	(3,661)	(3,620)	(3,480)	(929)
Principals leave balances	3	(111)	(111)	289	(28)
STI Plan and LTI Plan	4	(200)	(200)	(200)	(50)
Lease surrender	5	1,017	707	865	495
Retention rights	6	-	-	-	730
Incremental public company costs	7	(1,000)	(1,000)	(1,000)	(250)
IPO related costs	8	-	-	393	405
Stamp duty	9	-	-	-	1,026
One off impairment	10	-	-	20	-
Finance cost	11	(135)	(108)	(126)	(63)
Income tax adjustment	12	(1,079)	(767)	(1,497)	(1,247)
Pro Forma NPAT		2,518	1,789	3,493	4,703

Figure 27: Pro Forma adjustments to the statutory forecast cash flows

\$'000	Notes	Historical		Forecast	
		FY13	FY14	FY15	FY16
Statutory net cash flows before dividends		8,437	7,797	6,909	2,289
Impact of the Restructure	1	-	-	-	2,820
Principals salaries	2	(3,661)	(3,620)	(3,480)	(929)
STI Plan and LTI Plan	4	(200)	(200)	(200)	(50)
Lease surrender	5	967	657	804	1,059
Incremental public company costs	7	(1,000)	(1,000)	(1,000)	(250)
IPO related costs	8	-	-	393	405
Stamp duty	9	-	-	-	1,026
Finance costs	11	(135)	(108)	(126)	(63)
Income tax adjustment	12	(1,079)	(767)	(1,497)	(1,247)
Pro Forma net cash flows before dividends		3,329	2,759	1,803	5,060

Notes for Figures 26 and 27:

- Impact of the Restructure*: an adjustment has been made to reflect the impact of the Restructure representing the first three months of operations.
- Principals' salaries*: an adjustment has been made to reflect the agreed salary costs of the Principals during the historical period in line with the post Offer structure.
- Principals' leave balances*: the adjustment eliminates the impact of the first time recognition of employee entitlements on the change in employment status of the Principals over the historical period and estimates movement in the leave provisions during the periods.
- Short and long term incentive plans*: an adjustment has been made to include the estimated cost of amounts payable under the post Offer corporate STI Plan/ LTI Plan, based on a target payment level; share based payments to selected key employees under the post Offer corporate LTI Plan.
- Lease surrender*: an adjustment has been made to reverse all one off adjustments occurring as a result of the surrender of level 20 at the existing premises. Historical adjustments have been made to remove the impact of the sub lease income earned for the surrendered floor, the associated expenditure as well as other one off surrender costs.
- Retention rights*: an adjustment has been made to reverse the one off retention rights issued to certain key employees with a service period of up to 3 years.

5. Financial Information (continued)

7. *Incremental public company costs*: an adjustment has been made to include the Group's estimate of the incremental annual costs that it will incur as a listed public company. These incremental costs include Director and executive remuneration, additional audit and tax costs, listing fees, share registry fees, directors and officers liability insurance premium, as well as annual general meeting and annual report costs.
8. *IPO costs*: total one off costs directly attributable to the Offer are estimated at \$5.3 million. Certain costs attributable to the Offer which have been borne or reimbursed by SaleCo have not been reflected in the Pro Forma balance sheet.
9. *Stamp duty*: estimated stamp duty on Restructure and incorporation amounting to \$1.3 million, \$1.0 million of which will be borne by Xenith and \$0.3 million of which will be borne by the Current Owners.
10. *Impairment*: an adjustment to reverse the impact of the one off impairment of financial assets in FY15.
11. *Finance cost adjustment*: an adjustment has been made to finance costs to reflect an interest expense commensurate with the post Offer debt rates and amount under the New Banking Facilities, line fees and amortisation of loan establishment fees.
12. *Income tax adjustment*: includes an adjustment for the tax effect of the post Offer structure and tax profile of the Group and tax impact of the above items.

5.7 Management discussion and analysis of the Pro Forma Historical Financial Information

5.7.1 General factors affecting the operating results of the Group

This Section sets out a discussion of the main factors which affected the Group's operations and relative performance in FY13, FY14 and FY15, and which may continue to affect it in the future. The discussion of these factors is intended to provide a brief summary only and does not detail all factors that affected the historical operations and financial performance, nor everything which may affect the future operations and financial performance.

Figure 28: Pro Forma Historical Income Statement: FY14 compared to FY13

\$'000 June year end	Pro Forma historical		
	FY13	FY14	% change
Net revenue	25,063	24,532	(2.1)%
Recoverable disbursements	(3,233)	(3,817)	18.1%
Compensation	(12,608)	(12,578)	(0.2)%
Occupancy	(1,428)	(1,430)	0.1%
Other	(3,644)	(3,657)	0.4%
Total operating expenses	(17,680)	(17,665)	(0.1)%
Total expenses	(20,913)	(21,482)	2.7%
EBITDA	4,150	3,050	(26.5)%
Depreciation and amortisation	(312)	(253)	(18.9)%
EBIT	3,838	2,797	(27.1)%
Interest	(241)	(241)	-
NPBT	3,597	2,556	(28.9)%
Income tax expense	(1,079)	(767)	(28.9)%
NPAT	2,518	1,789	(28.9)%

5. Financial Information (continued)

Figure 29: Pro Forma Historical Income Statement: FY15 compared to FY14

\$'000 June year end	Pro Forma historical		
	FY14	FY15	% change
Net revenue	24,532	27,137	10.6%
Recoverable disbursements	(3,817)	(3,651)	(4.4)%
Compensation	(12,578)	(12,883)	2.4%
Occupancy	(1,430)	(1,430)	-
Other	(3,657)	(3,679)	0.6%
Total operating expenses	(17,665)	(17,992)	1.9%
Total expenses	(21,482)	(21,643)	0.8%
EBITDA	3,050	5,494	80.1%
Depreciation and amortisation	(253)	(263)	3.9%
EBIT	2,797	5,231	87.0%
Interest	(241)	(241)	-
NPBT	2,556	4,990	95.2%
Income tax expense	(767)	(1,497)	95.2%
NPAT	1,789	3,493	95.2%

5.7.1.1 Revenue

Professional fees are derived from providing professional services to clients across all stages of the IP life cycle, including the filing phase, prosecution phase and renewal phase as discussed in Section 2.5.

An indicator of professional fees is the number of applications filed. As Xenith can earn revenue from before an application is filed up to its final renewal (which can be up to 20 years in the case of patents and indefinite in the case of trade marks), this is not necessarily reflective of earnings in a particular year. Xenith has a large portfolio of patents and trade marks at various stages of the IP life cycle that will reflect applications filed in previous years.

In addition, Xenith also provides other advisory services to its clients in relation to their IP rights and in advising in relation to the IP rights of their competitors. Xenith provides commercial legal advice and IP litigation services. This is set out in Section 3.1.1.

Xenith's services are primarily charged on the basis of hourly rates, fixed price or a combination of both. Pricing is task based and Xenith maintains a schedule of charges in AUD, and USD. In some cases, Xenith will enter into a project based fixed price arrangement with its clients. Xenith does not enter into contingency arrangements with clients where the right of Xenith to be paid for its services depends on a particular outcome being achieved.

The Group typically invoices clients at frequent intervals and at the conclusion of each process step throughout the various stages of the IP life cycle, ensuring that work-in-progress (**WIP**) is low (month end average of 17 days in FY15). Consistent with industry practice, foreign clients generally operate on 90 day payment terms. Accordingly, average debtor levels for FY15 were 70 days.

Other income includes management services income from renewals processed by a third party renewals service provider.

Management discussion FY14 and FY13

As a result of the Raising the Bar Amendments, the total number of patents processed through all of the phases declined in FY14 by 16.5%. Specifically, revenues generated through patent applications and requests for examinations of patents declined \$1.1 million (FY13 had 6,568 patents processed in these two phases whilst FY14 had 3,258). This reflected the market trend in Australian patent applications over this period. This change in legislation resulted in a number of Australian patent applications and examination requests that would ordinarily have been filed in FY14 instead being filed and examined early in FY13, so they could be processed under the prior legislation. Xenith expects to see the impact of the increased filings in FY13 on the subsequent prosecution and renewal phases over the next one to four years.

Management discussion FY15 and FY14

The total number of patent and trade mark applications and registrations processed in FY15 increased by 8.2% whilst the patents components alone increased by 11.0%. This growth in processing activity and associated increase in professional fees is due to the normalising of activity levels following the impact of the Raising the Bar Amendments in FY14, in conjunction with organic growth. As an indicator of organic growth, new patent filings increased by 15.3% and new trade mark filings increased by 18.2% on FY14. Xenith believes further professional fees growth is expected as the patent applications filed ahead of the Raising the Bar Amendments continue to flow through to the examination and opposition stages, as well as from further organic growth.

5. Financial Information (continued)

5.7.1.2 Operating expenses

Operating expenses have been categorised as follows:

- *Compensation*: salaries, wages and other employment related costs for the Principals, other professional staff, operational staff, corporate staff and executive management who are employed by Xenith;
- *Occupancy*: rent and other occupancy related costs for premises that are leased and occupied by Xenith; and
- *Other expenses*: includes Directors' Fees, audit and tax fees, bad and doubtful debts, utilities, marketing, insurance, IT, and general and administrative expenses.

Management discussion FY14 and FY13

Total operating expenses decreased by 0.1% in FY14. None of the three components of operating expenses varied significantly from the previous year highlighting that the cost structure is largely fixed.

Management discussion FY15 and FY14

Operating expenses increased by 1.9% to \$18.0 million in FY15. Key factors affecting operating costs in FY15 include:

- Compensation costs increased by 2.4% to \$12.9 million. A decline in Principals' remuneration due to Principal movements has been offset by annual salary increases to professional staff;
- Occupancy costs relate to the straight lining of rental expense for the existing premises. Pro Forma occupancy expense has remained in line with FY14; and
- Other costs have remained consistent, increasing slightly by 0.6%.

5.7.1.3 EBITDA and EBIT

Management discussion FY14 and FY13

As a result of the changes in revenue and operating expenses discussed above, EBITDA declined by 26.5% to \$3.1 million in FY14. The EBITDA margin declined 4.4% to 15.1% primarily due to the impact of the Raising the Bar Amendments. Depreciation and amortisation charges remained consistent with FY13. EBIT declined by \$1.0 million to \$2.8 million in FY2014, with the EBIT margin decreasing by 4.1% to 13.9%.

Management discussion FY15 and FY14

EBITDA increased by 80.1% to \$5.5 million in FY15. The primary driver for this growth is the \$2.7 million increase in professional fees, which was only partially offset by \$0.3 million increase in compensation costs. Given the fixed cost structure, the growth in professional has led to an in EBITDA margin of 24.1% from 15.1% in FY14. Depreciation and amortisation has remained consistent in FY14 with the previous periods. EBIT has increased by \$2.4 million to \$5.2 million in FY15, with the EBIT margin increasing from 13.9% to 22.9%.

5.8 Directors' best estimate assumptions underlying the Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, of which the main general and specific assumptions are summarised below. These assumptions do not represent all factors that will affect Xenith's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information set out in Section 5.2.2, the general and specific assumptions set out below and the risk factors set out in Section 4.

5.8.1 General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- no material change in the competitive operating environment in which Xenith operates;
- no significant deviation from current market expectations in Australia, and the economic conditions relevant to Xenith;
- no material changes in any government legislation or regulation (including tax legislation), or government policy that has a material impact on financial performance or cash flows, financial position, accounting policies, of Xenith, or its ability to earn income from clients including in jurisdictions where it is not licensed and does not actively market;
- no material changes in key personnel and Xenith maintains its ability to recruit and retain the personnel required to support future growth;
- no significant interruptions are experienced in relation to the technology, platform or websites utilised by Xenith;

5. Financial Information (continued)

- no material changes in applicable Australian Accounting Standards or other mandatory professional reporting requirements of the Corporations Act which have a material effect on Xenith's financial performance, financial position, accounting policies, financial reporting or disclosure during the forecast period;
- no material industry disturbances, regulatory change, contingent liabilities or legal claims will arise or be settled to the detriment of Xenith;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus;
- no material changes to Xenith's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations of Xenith nor other material changes in its business activities;
- no material amendment to or termination of any material agreement, contract or arrangement other than set out in, or contemplated by, this Prospectus;
- none of the risks listed in Section 4 eventuate, or if they do, none of them has a material adverse impact on the operations of the Xenith;
- foreign exchange rates are forecast to remain consistent. Key exchange rates used by the Xenith's management are \$0.76 US dollar to one Australian dollar; and
- the Offer proceeds in accordance with the timetable set out in this Prospectus.

5.8.2 Specific assumptions

The Forecast Financial Information has been prepared, having regard to the current trading performance of the Group up until the Restructure.

Figure 30 below sets out the summary Pro Forma consolidated income statements for FY15 and FY16 and other non IFRS financial information.

Figure 30: Pro Forma Forecast Income Statement: FY16 compared to FY15

\$'000 June year end	Pro Forma historical	Pro Forma forecast	% change
	FY15	FY16	
Net revenue	27,137	29,888	10.1%
Recoverable disbursements	(3,651)	(3,875)	6.1%
Compensation	(12,883)	(13,418)	4.2%
Occupancy	(1,430)	(1,467)	2.6%
Other	(3,679)	(3,659)	(0.5)%
Total operating expenses	(17,992)	(18,544)	3.1%
Total expenses	(21,643)	(22,419)	3.6%
EBITDA	5,494	7,469	35.9%
Depreciation and amortisation	(263)	(499)	89.7%
EBIT	5,231	6,970	33.2%
Interest	(241)	(252)	4.6%
NPBT	4,990	6,718	34.6%
Income tax expense	(1,497)	(2,015)	34.6%
NPAT	3,493	4,703	34.6%

5.8.2.1 Revenue

Net revenue is forecast to increase by 10.1% to \$29.9 million. Professional fees are forecast to increase by 11.3% to \$25.4 million. Key factors forecast to increase professional fees include:

- The number of patent applications filed is forecast to increase due to the flow on effects of the change in legislation in the US which occurred in FY13. The implementation of the America Invents Act is expected to result in increased filings in Australia in the first half of FY16;
- Increased prosecution phase revenue as a result of more rigorous examination of Australian patent applications, and an increased number of examination requests as a result of the Raising the Bar Amendments; and
- Organic growth of the existing business.

5. Financial Information (continued)

5.8.2.2 Operating expenses

Given the largely fixed cost structure, operating expenses are forecast to remain consistent, increasing slightly by 3.1% to \$18.5 million. This assumes that:

- Compensation increases by 4.2% to \$13.4 million in FY16. Principals' remuneration is forecast to decline due predominantly to a retiring Principal but this is offset by the forecast increase in salaries and wages for staff; and
- Occupancy expense has increased slightly by 2.6% to \$1.47 million due to CPI increases in the rent expense.

5.8.2.3 EBITDA

As a result of the forecast changes in revenue and operating expenses, EBITDA is forecast to increase by 35.9% to \$7.5 million in FY16. Xenith's EBITDA margin is forecast to increase by 5.3% to 29.4% due to the impact of the changes in legislation in America (America Invents Act), Australia (Raising the Bar Amendments) and continued organic growth. The uplift in professional fees directly influences the EBITDA levels given the largely fixed cost base of the business, and capacity within existing resources for further growth.

5.8.2.4 Depreciation and amortisation

The increase in depreciation and amortisation is due to an increase in capital expenditure in FY16 by way of investment in information technology as well as the fit outs on the existing premises. The level of capital expenditure and development forecast in FY16 is not expected to continue at the same levels in subsequent years.

5.8.2.5 Interest expense

Pro Forma interest expense is forecast to be \$0.3 million in FY16 based on the debt and equity structure following the Offer as set out in the Pro Forma consolidated financial position of Xenith in Section 5.5, which incorporates the New Banking Facilities set out in Section 5.11. The forecast assumes \$5.0 million is drawn down from the Facilities as set out in Section 5.5 at an effective interest rate of 4.85% p.a.

5.8.2.6 Tax expense

Income tax expense of \$2.0 million has been forecast in FY16 based on an effective tax rate of 30.0%, reflecting the current corporate income tax rate in Australia. The income tax expense has been adjusted to reflect the tax effect of the Pro Forma adjustments made to the Forecast Financial Information.

5.9 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions as described in Section 5.8.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Xenith, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change, and may not be consistent with the Group's current strategy and purpose.

Set out below is a summary of the sensitivity of certain FY16 Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation of changes in other assumptions and assumes a full year impact. In practice, changes in assumptions may offset each other or be incremental, and it is likely that Xenith's management would respond to any changes in one item to seek to minimise or offset the effect on Xenith's EBITDA and cash flow. The sensitivities to movements in exchange rates may be managed dynamically by Xenith in ways which may include entering into hedging contracts and/or modifying Xenith's schedule of charges.

For the purpose of the analysis below, the effect of the changes in key assumptions is based on the FY16 forecast Pro Forma EBITDA of \$7.5 million.

Figure 31: Sensitivity analysis on forecast Pro Forma EBITDA for FY16

Assumption	Increase/(decrease)	FY16 Pro Forma EBITDA impact (\$'000)
Change in professional fees	1.0%/(1.0%)	254/(254)
Change in compensation expense	1.0%/(1.0%)	(134)/134
Change in AUD/USD FX rate	1 cent/(1 cent)	(130)/130

5. Financial Information (continued)

5.10 Indebtedness and capitalisation

Figure 32 sets out the indebtedness and capitalisation of Xenith as at 30 June 2015, before and following completion of the Offer:

Figure 32: Net indebtedness and equity before and after completion of the Offer

\$'000	Notes	Before completion of the Offer	After completion of the Offer
Cash and cash equivalents		-	(2,186)
Financial liabilities		-	5,000
Total indebtedness		-	2,814
Issued capital		-	89,165
Share based payment reserve		-	768
Restructuring reserve			(85,923)
Retained losses		-	(1,890)
Total equity		-	2,120
Total capitalisation and indebtedness		-	4,934

5.11 Description of New Banking Facilities

Following Completion of the Offer, Xenith's principal source of funds will be cash flow from operations. Xenith expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs during the forecast period. Xenith expects that its operating cash flows will position Xenith to grow its business in accordance with the Forecast Financial Information.

Xenith has renegotiated its existing facilities with its incumbent lender, ANZ. The facilities have increased from \$2.0 million to a total of \$10.8 million. The term of the facilities is three years. \$6.0 million of the facility is for general corporate purposes including refinancing existing debt, paying dividends to shareholders, payment of transactions costs in relation to the IPO and permitted acquisitions. \$4.0 million of the facility is for working capital requirements.

5.12 Description of the foreign exchange hedging policy

A significant proportion of revenue in the Australian business is charged in USD. In addition, a proportion of expenses in the Australian business are incurred in USD. The net foreign exchange exposure to the currency is not hedged. The Board will periodically review the foreign exchange hedging policy.

5.13 Dividend policy

Subject to the financial forecast being achieved and other relevant factors, the Directors intend to declare fully franked dividends for FY16 of \$2.3 million or 7.0 cents per Share. The forecast FY16 annualised dividend yield is 4.2% based on the Offer Price per Share of \$2.72. It is expected that the FY16 dividends will be fully franked.

Beyond the forecast period, the Board is targeting a dividend payout ratio of 70% to 90% of net profit after tax and to frank and impute dividends to the greatest extent possible. The Directors can provide no guarantee as to the future dividend policy, the extent of future dividends or the level of franking or imputation of such dividends, as these will depend upon the future profits of Xenith, and the Company's financial and taxation position at that time.

This information is not intended to be a forecast or guarantee of dividend payouts. It is merely an indication of Xenith's objectives. Xenith may not be successful in achieving its objectives. Results are not guaranteed.



Six

Key People, Interests and Benefits

6. Key People, Interests and Benefits

6.1 Board of Directors

The Board members have been selected for their extensive experience and expertise. They bring a variety of skills and experience, including industry and business knowledge, corporate governance, financial management, accounting, legal and operational experience.

Director

Expertise, experience and qualifications



Sibylle Krieger

Independent
Non-Executive Chair
Member of the Audit and
Risk Committee; Member
of the Nomination and
Remuneration Committee
*LLB (Hons), LLM,
FAICD, MBA*

Sibylle was appointed independent Non-Executive Chair in October 2015.

Sibylle is a professional independent non-executive director with over 35 years of broad commercial experience. Her early career was in professional services as a corporate lawyer in private practice, followed by a period as an economic regulator. Her particular focus as a non-executive director has been on corporate governance, professional services, infrastructure and regulated industries, and sectors undergoing significant change or reform.

Sibylle is currently a non-executive director of Australian Energy Market Operator Limited (since 2013), Tasmanian Water & Sewerage Corporation (since 2013) and Sydney Grammar School (since 2012). She has previously served as a director of Allconnex Water (2010 – 2012), Royal Botanic Gardens and Domain Trust (2010 – 2014) and Sydney Ports Corporation (2002 – 2005). Sibylle served two terms as the part-time member of the Independent Pricing and Regulatory Tribunal of NSW (2006 – 2012) and was a member of the Dispute Resolution Panel for the National Electricity and Gas Markets (2009 – 2013). Sibylle has served on various board committees dealing with People and Culture, Remuneration and Safety, Risk and Audit and Capital Works. She has also chaired People and Remuneration, Audit and Risk and Finance committees in unlisted entities.

In her earlier professional career, Sibylle was a partner of two major commercial law firms (Baker & McKenzie, a global law firm, and Clayton Utz, a top tier Australian law firm) for a combined period of 22 years, holding several strategic planning and management roles. Her client work included corporate law, governance and directors' duties. During this time, Sibylle faced many of the governance issues experienced by professional service firms transitioning from traditional partnerships to more corporate business models.

Sibylle holds an MBA from Melbourne Business School as well as an LLM from Columbia University, New York. She is a Fellow of the Australian Institute of Company Directors (AICD).



Stuart Smith

Managing Director
*BE (Mech) PEng FIPTA,
MAICD*
*Registered Australian
and New Zealand Patent
Attorney, Registered
Australian and
New Zealand
Trade Mark Attorney*

Stuart was appointed as an Executive Director in August 2015.

Stuart has worked with Shelston IP since 1988, and has 27 years' experience as a patent attorney specialising in mechanical engineering technologies. Prior to the Restructure, Stuart was a partner of Shelston IP for 20 years, and a member of the executive management team for more than 15 years. For the last 10 years, Stuart held the position of executive chairman with responsibility for leading the firm, developing business strategy and co-ordinating the activities of the management team. He has also been actively involved in strategic patent portfolio creation, management and commercialisation for a number of the firm's larger clients in engineering and related fields ranging from mining and minerals processing, automotive engineering, medical devices, robotics and machine automation through to computer-implemented business methods and financial services.

Stuart is a Fellow and long-serving member of the Executive Council of the Institute of Patent and Trade Mark Attorneys of Australia (FIPTA). He is actively involved with a number of industry associations including the International Association for the Protection of Industrial Property (AIPPI), International Federation of Intellectual Property Attorneys (FICPI) and the Asian Patent Attorneys Association (APAA). He is also a member of Engineers Australia (EA) and the Australian Institute of Company Directors (MAICD).

Stuart holds a Bachelor of Engineering (Mechanical) degree from the University of Sydney and has been a registered Patent and Trade Mark Attorney since 1992.

6. Key People, Interests and Benefits (continued)

Director

Expertise, experience and qualifications



Andrew Harrison

Independent
Non-Executive Director
Chair of the Audit and
Risk Committee
BEC, MBA, CA, MAICD

Andrew was appointed as a Non-Executive Director in October 2015.

Andrew is an experienced company director, ASX100 CFO, and corporate adviser. He has held executive and non-executive directorships in public and private companies, and has been CFO for a number of companies including Seven Group Holdings (ASX: SVW), Alesco Limited, Hanson Australia Limited in Australia, and Landis+Gyr in Europe and the US. Andrew is currently non-executive director and chairs the Audit Committees of Burson Group Limited (ASX: BAP), Estia Health Limited (ASX: EHE), and Ingogo Limited and WiseTech Global Limited (unlisted public companies).

Having advised on and completed numerous mergers, trade sales and capital raisings, Andrew has particular expertise in structuring debt and equity transactions, corporate consolidations and repositioning strategies, multijurisdictional governance, reporting and compliance.

In the earlier stages of his career, Andrew held senior commercial management positions in Brambles Australia Limited, Chase Manhattan Bank (New York) and Ernst and Young (Sydney and London). He holds a B.Ec from the University of Sydney, an MBA from The Wharton School, University of Pennsylvania, is a Chartered Accountant and Member of the Australian Institute of Company Directors (MAICD).



Susan Forrester

Independent
Non-Executive Director
Chair of the Nomination
and Remuneration
Committee. Member of
the Audit and
Risk Committee
*BA LLB (Hons) EMBA
FAICD*

Susan was appointed as a Non-Executive Director in October 2015.

Susan is an accomplished company director, with significant experience as a non-executive director across a range of listed and unlisted company boards, spanning the legal services, professional services, healthcare and childcare sectors. In particular, she has chaired, or been a member of, various audit, risk management and remuneration committees.

Susan currently holds the position of chair for National Veterinary Care Ltd (ASX: NVL) and Oncore Group Holdings Pty Ltd, is a non-executive director for G8 Education Limited (ASX: GEM), Uniting Care Qld and Healthdirect Australia Ltd. She serves on the Audit Committees of Local Government Association of Queensland and Transport and Main Roads. She has previously held directorships for Propell National Valuers Pty Ltd, Shine Corporate Ltd (ASX: SHJ), Children's Health Foundation of Queensland, Trustee Gold Coast Parklands, Ergon Energy Corporation, Brisbane Festival Limited and Queensland Professional Credit Union Limited.

In her earlier career, Susan garnered a wide range of executive experience, having held various roles for Allens Linklaters, Queensland Treasury Corporation, Arkhefield Architects, The CEO Institute and Chandler McLeod.

Susan holds a Bachelor of Laws (Honours) and a Bachelor of Arts (Japanese), both from the University of Queensland, as well as completing an Executive Masters of Business Administration (EMBA) from the Melbourne Business School. She is also a Fellow of the Australian Institute of Company Directors (FAICD).

6. Key People, Interests and Benefits (continued)

Director

Expertise, experience and qualifications



Russell Davies

Executive Director
Head of Support Services
Member of the Nomination
and Remuneration
Committee

BE (Mech) (Hons) FIPTA

*Registered Australian
and New Zealand Patent
Attorney, Registered
Australian and
New Zealand
Trade Mark Attorney*

Russell was appointed as an Executive Director in August 2015.

Russell has worked for Shelston IP since 1997, and has 24 years' experience as a patent attorney specialising in mechanical engineering technologies. Prior to the Restructure, he was a partner for eleven years, and a member of the executive management team for the last eight years. This entailed direct responsibility for managing and co-ordinating the group's core support functions, including HR, IT, finance and operations. Russell is also team leader of the mechanical engineering patent practice group.

Russell is currently a Fellow of the Institute of Patent and Trade Mark Attorneys of Australia (FIPTA), and a member of the Asian Patent Attorneys Association (APAA) and the Intellectual Property Society of Australia and New Zealand (IPSANZ).

Prior to joining the patent profession, Russell worked in the mining industry as a mechanical engineer, acquiring a wide range of experience in mining engineering and the design of mining equipment.

Russell holds a Bachelor of Engineering (Mechanical) Degree with Honours from University of Newcastle and has been a registered Patent and Trade Mark Attorney since 1995.

The composition of the Board committees and details of Xenith's key corporate governance policies are set out in Section 6.6.

The Board has considered the Group's immediate requirements as it transitions to an ASX listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after Listing.

6. Key People, Interests and Benefits (continued)

6.2 Senior management

Management

Expertise, experience and qualifications

Stuart Smith

Managing Director

See Section 6.1 for details.

Russell Davies

Executive Director

See Section 6.1 for details.



Jacinta has worked for Shelston IP since 1998, and has 17 years' experience as a patent attorney. Prior to the Restructure, she was a partner for 11 years, and a member of the executive management team for the last 5 years, with direct responsibility for practice development, including marketing, business development and professional team performance.

Jacinta specialises in patent drafting, prosecution and opposition matters relating to molecular biology, pharmaceuticals, health care products, food science and agricultural technologies for a number of the firm's major clients, and is also team leader of the biotechnology patent practice group.

Jacinta is currently a Fellow of the Institute of Patent and Trade Mark Attorneys of Australia (FIPTA) and a member of the International Association for the Protection of Intellectual Property (AIPPI), the Asian Patent Attorneys Association (APAA), and the Intellectual Property Society of Australia and New Zealand (IPSANZ). Jacinta is also a past committee member of the NSW branch of AusBiotech and a past member of the Editorial Board of the World Patent Information Journal. She has lectured for 15 years on the strategic management of intellectual property in the Commercial Biotechnology Course at the University of New South Wales.

Jacinta Flattery-O'Brien

Head of Practice
Development

BSc (Biochem) (Hons)

PhD (NSW)

GradDipl.S FIPTA

*Registered Australian
and New Zealand
Patent Attorney*

Prior to joining the patent profession, Jacinta was a postdoctoral Research Fellow in the Victor Chang Cardiac Research Institute (Sydney).

Jacinta holds a Bachelor of Science (Biochemistry) (Honours) degree and a Doctor of Philosophy (Molecular Biology) degree from the University of New South Wales. She is also a recipient of the University Medal for outstanding academic achievement from the University of New South Wales.



Nicholas joined Shelston IP as Chief Financial Officer in April 2015 and was appointed Company Secretary in August 2015.

Nicholas has over 20 years' experience in senior financial management roles including with IPH Limited (ASX: IPH), Spruson & Ferguson, Phillips Fox, Bain & Co and Bridge Wholesale Acceptance Corporation. Prior to these roles, Nicholas commenced his professional career at Price Waterhouse.

Nicholas is currently a member of Chartered Accountants Australia and New Zealand, CPA Australia and member and former secretary of the Professional Administrators' Group.

Nicholas Carson

Chief Financial Officer and
Company Secretary

BBus, MEd, MBA, CA

6. Key People, Interests and Benefits (continued)

6.3 Principals

The Principals are senior professional staff of Xenith. Their names, positions, experience and qualifications are listed below.

Name and Position	Years with the Group	Years in IP industry	Qualifications
Stuart Smith Managing Director Patent Attorney Mechanical Team	27	27	<ul style="list-style-type: none"> • Bachelor of Engineering (Mechanical), University of Sydney • Registered Patent Attorney (Australia and New Zealand) • Registered Trade Mark Attorney (Australia and New Zealand)
Russell Davies Patent Attorney Mechanical Team	18	24	<ul style="list-style-type: none"> • Bachelor of Engineering (Mechanical) (Honours 1), University of Newcastle • Registered Patent Attorney (Australia and New Zealand) • Registered Trade Mark Attorney (Australia and New Zealand)
Jacinta Flattery-O'Brien, PhD Patent Attorney Biotechnology Team	17	17	<ul style="list-style-type: none"> • Bachelor of Science (Biochemistry) (Honours), University of New South Wales • Doctor of Philosophy (Molecular Biology), University of New South Wales • Graduate Diploma in Legal Studies, University of Technology Sydney • Registered Patent Attorney (Australia and New Zealand)
Chris Bevitt Solicitor Trade Mark Attorney Transactions and Disputes Team	10	28	<ul style="list-style-type: none"> • Bachelor of Commerce, University of New South Wales • Bachelor of Laws, University of New South Wales • Admitted as Solicitor of the Supreme Court of New South Wales • Admitted as Solicitor of the High Court of Australia • Registered Trade Mark Attorney (Australia)
Caroline Bommer Patent Attorney Mechanical Team	26	26	<ul style="list-style-type: none"> • Bachelor of Science (Mechanical Engineering) (Honours), Imperial College of Science & Technology, London • Registered Patent Attorney (Australia and New Zealand) • Registered Trade Mark Attorney (Australia and New Zealand) • Associate, City & Guilds Institute, United Kingdom
Katrina Crooks Solicitor Patent Attorney Transactions and Disputes Team	3	17	<ul style="list-style-type: none"> • Master of Laws (Honours), University of Cambridge, UK • Bachelor of Laws (Honours), University of Canterbury, New Zealand • Bachelor of Commerce, University of Canterbury, New Zealand • Admitted as Solicitor of the High Court of Australia • Admitted as Solicitor of the Supreme Court of New South Wales • Admitted as Barrister and Solicitor of the High Court of New Zealand • Admitted as Irish Solicitor (non-practising) • Registered Patent Attorney (Australia and New Zealand)
Paul Harrison Patent Attorney Chemistry & Chem Eng. Team	19	30	<ul style="list-style-type: none"> • Bachelor of Engineering (Chemistry), University of Queensland • Registered Patent Attorney (Australia and New Zealand) • Registered Trade Mark Attorney (Australia)

6. Key People, Interests and Benefits (continued)

Name and Position	Years with the Group	Years in IP industry	Qualifications
Andrew Lockhart Solicitor Trade Marks Attorney Trade Marks Team	18	24	<ul style="list-style-type: none"> • Bachelor of Legal Studies, Macquarie University • Bachelor of Science (Biochemistry), University of Sydney • Registered Trade Mark Attorney (Australia) • Admitted as Attorney and Solicitor of the Supreme Court of New South Wales
Sean McManis Solicitor Trade Marks Attorney Trade Marks Team	20	27	<ul style="list-style-type: none"> • Bachelor of Science (Chemistry), Macquarie University • Bachelor of Laws, Macquarie University • Registered Trade Marks Attorney (Australia) • Admitted as a Solicitor of the Supreme Court of New South Wales
Jack Redfern Patent Attorney Electrical and IT Team	25	25	<ul style="list-style-type: none"> • Bachelor of Engineering (Electrical) (Honours), University of New South Wales • Registered Patent Attorney (Australia and New Zealand) • Registered Trade Mark Attorney (Australia)
Grant Shoebridge, PhD Patent Attorney Biotechnology Team	9	10	<ul style="list-style-type: none"> • Doctor of Philosophy (Immunology), University of Technology Sydney • Master of Industrial Property, University of Technology Sydney • Bachelor of Science (Molecular and Cell Biology) (Honours), Macquarie University • Registered Patent Attorney (Australia & New Zealand)
Peter Treloar Patent Attorney Solicitor Electrical and IT Team	13	23	<ul style="list-style-type: none"> • Bachelor of Laws, University of Melbourne • Bachelor of Science (Computer Science and Mathematics) (Honours 1), University of Melbourne • Bachelor of Science (Physics), University of Sydney • Admitted as Barrister and Solicitor of the Supreme Court of Victoria • Admitted as Barrister and Solicitor of the Supreme Court of New South Wales • Registered Patent Attorney (Australia and New Zealand) • Notary Public
Charles Tansey, PhD Patent Attorney Chemistry & Chem Eng. Team	18	18	<ul style="list-style-type: none"> • Doctor of Philosophy (Chemistry), University of Sydney • Bachelor of Science (Chemistry) (Honours 1), University of Sydney • Graduate Diploma in Legal Studies (Intellectual Property), University of Technology Sydney • Registered Patent Attorney (Australia and New Zealand) • Registered Trade Mark Attorney (Australia)
Mark Vincent Solicitor Transactions and Disputes Team	4	19	<ul style="list-style-type: none"> • Master of Laws, University of Melbourne • Bachelor of Laws, University of Adelaide • Bachelor of Arts (Jurisprudence), University of Adelaide • Admitted as a Barrister and Solicitor of the Supreme Court of South Australia • Admitted as a Solicitor of the High Court of Australia • Admitted as Solicitor of the Supreme Court of New South Wales • Admitted as Barrister and Solicitor of the High Court of New Zealand • Graduate Diploma in Legal Practice, University of South Australia

6. Key People, Interests and Benefits (continued)

6.4 Interests and remuneration

The following statements apply to all Directors, other than as stated in this Section and elsewhere in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a Director of the Company;
- no Director or proposed Director holds, or has held at any time in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - the formation or promotion of the Company;
 - the Offer of the Company's securities; or
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer;
 - no Director was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the Offer; and
 - all Directors have confirmed they have sufficient availability of time to perform their roles.

6.4.1 Directors' interests and remuneration

6.4.1.1 Directors' remuneration

The Constitution provides the following in relation to the remuneration of the Directors:

- The Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed at the Company's general meeting. This amount has been fixed by the Company at \$600,000 per annum. Annual Directors' fees currently agreed to be paid by the Company are \$330,000 in aggregate. The Company has obtained from the ASX an in-principle waiver to allow its Non-Executive Directors to elect to receive their fees in Shares for the first two years after Listing (see Section 9.10.1);
- If a Non-Executive Director performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business; and
- Each Executive Director is to be paid an amount of remuneration determined by the Board. The remuneration of Executive Directors is determined by the Directors after recommendations are received from the Remuneration Committee. Stuart Smith and Russell Davies will each receive a fixed remuneration of \$250,000 per annum for the next three years pursuant to employment contracts executed prior to the Offer. Stuart Smith and Russell Davies are both Principals that hold Shares and are selling Shares as part of the Restructure and the Offer. Please see Section 7.4 for more details. Stuart Smith and Russell Davies will not be receiving Director's fees while serving as Board members.

Figure 33 below sets out the amount of remuneration each Director is entitled to receive per annum at the date of this Prospectus.

Figure 33: Directors' remuneration

Director	Board Remuneration per annum	Other Compensation
Stuart Smith	Nil	\$250,000
Russell Davies	Nil	\$250,000
Sibylle Krieger	\$150,000	Nil
Andrew Harrison	\$90,000	Nil
Susan Forrester	\$90,000	Nil

6.4.1.2 Deeds of confidentiality, access, indemnity and insurance for Directors

The Company has entered into a Confidentiality, Indemnity, Insurance and Access Deed with each Director of the Company. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers in certain circumstances.

6.4.1.3 Director's shareholdings

Figure 34 below sets out each Directors' shareholding in the Company following the Offer.

6. Key People, Interests and Benefits (continued)

Figure 34: Directors' shareholdings

Director	Shares held after the Restructure but before the Offer completes ¹	% of Shares held after the Restructure but before the Offer completes ²	Shares sold in the Offer	Shares held immediately after the Offer completes (number)	Shares held immediately after the Offer completes (%)
Sibylle Krieger	Nil	Nil	Nil	18,400	0.1%
Stuart Smith	3,022,008	9.6%	1,813,205	1,208,803	3.7%
Andrew Harrison	Nil	Nil	Nil	36,800	0.1%
Russell Davies	3,022,008	9.6%	1,813,205	1,208,803	3.7%
Susan Forrester	Nil	Nil	Nil	27,600	0.1%

6.4.2 Executive employment agreements

The Company entered into executive employment agreements with each of the Principals on 8 October 2015. The key terms of the executive employment agreements are set out below.

6.4.2.1 Conditional and effective date

The Company's employment of each Principal is conditional on the Restructure taking place. Subject to the Restructure taking place, each Principal's employment and entitlements under the executive employment agreements commenced effective 1 October 2015.

6.4.2.2 Remuneration

The Company will pay each Principal a total fixed remuneration package in an amount between \$200,000 and \$300,000 per annum. The Company will reimburse each Principal for all approved travel and out of pocket expenses actually and properly incurred by each Principal in the discharge of his or her duties.

The Current Owners are not entitled to participate in the STI Plan or LTI Plan for three years from 1 October 2015 (Minimum Term). After expiry of the Minimum Term, a Current Owner may be invited to participate in the STI Plan or LTI Plan at the discretion of the Board.

The Salary Partners are not entitled to participate in the STI Plan or LTI Plan (except in respect of any Retention Rights) for one year from 1 October 2015. After 1 October 2016, a Salary Partner may be invited to participate in the STI Plan or LTI Plan at the discretion of the Board.

6.4.2.3 Termination

A Principal may not terminate his or her employment until after the minimum term, namely 1 October 2018. A Principal may provide notice of termination in the last six months of the Minimum Term. The Company may terminate the employment of a Principal by providing that Principal with six months written notice or payment in lieu.

6.4.2.4 Restraints

The executive employment agreement contains a standard employment restraint, which prohibits each Principal for a maximum of up to 12 months after the date on which his or her employment ends from soliciting the custom of certain clients of the Group or soliciting certain employees of the Group. In addition, the Current Owners will also be prohibited from engaging in a competing business in particular areas during this restraint period.

6.4.3 Employee incentive arrangements

Xenith has put in place both a short term incentive plan (**STI Plan**) and a long term incentive plan (**LTI Plan**) to assist with the retention, motivation and alignment of interests of management and key employees of Xenith. The remuneration arrangements for eligible employees will include a component linked to participation in the STI Plan and LTI Plan (together, the **Plans**).

Eligible senior executives (other than the Principals for an initial period as outlined in Section 6.4.2.2) may participate in the STI Plan and the LTI Plan as determined by the Board (**Participant**). The incentives will involve:

- A cash based payment under the STI Plan (**STI Payment**); and
- Performance rights that convert to Shares under the LTI Plan (**Performance Right**).

The STI Payment will be subject to the achievement of performance based targets each financial year. The award of Shares on exercise of the Performance Rights will be subject to the achievement of performance and service vesting conditions. The performance and service vesting conditions will be determined by the Board.

The STI Plan and LTI Plan, and the budgets, targets and conditions under these Plans, may be varied by the Board from time to time.

¹ See Section 9.4 for details of the Restructure.

² See Section 9.4 for details of the Restructure.

6. Key People, Interests and Benefits (continued)

6.4.4 STI Plan

6.4.4.1 Overview

Under the STI Plan, Participants have an opportunity to receive a cash payment each financial year based on a percentage of their fixed annual remuneration conditional on individual and Company financial and non-financial performance criteria.

The STI Payment (if any) is payable to a Participant in accordance with the terms and conditions of the STI Plan and will be determined by reference to:

- the individual financial performance of the Participant during a financial year (**IFP Component**), which will be up to 30% of the STI Payment;
- the individual non-financial performance of the Participant during a financial year (**INP Component**), which will be up to 20% of the STI Payment; and
- the Company's adjusted net profit after tax (NPAT) for a financial year, which will be the balance of the STI Payment (at least 50% of the STI Payment).

An STI Payment will not exceed the maximum payment for any Participant (**Maximum Payment**). The Maximum Payment is the maximum STI Payment (expressed as a percentage of a Participant's total fixed remuneration) that Xenith may pay to a Participant in accordance with the STI Plan. Participants will be notified of their Maximum Payment by Xenith.

Current Owners will not participate in the STI Plan in the first three years. Salary Partners will not participate in the STI Plan for the first year. The Board will determine participation after these periods.

6.4.4.2 Individual financial performance

On or before the annual review date, the Company will give each Participant a rating in respect of their individual financial performance during the previous financial year.

The IFP Component of the STI Payment payable to a Participant will be calculated as follows (with pro-rata straightline award for performance between the hurdles below):

Figure 35: IFP hurdles

Individual financial performance rating	Percentage of IFP Component awarded
Less than 95% of budget	0.0%
95% of budget	25.0%
100% of budget	66.7%
110% of budget	100.0%

6.4.4.3 Individual non-financial performance

The INP Component of the STI Payment payable to a Participant will be calculated as follows:

Figure 36: INP hurdles

Individual non-financial performance rating	Percentage of INP Component awarded
Below target	0.0%
On target	50.0%
Above target	75.0%
Exceptional	100.0%

6.4.4.4 Company NPAT

After the annual review date, the Company will calculate and disclose the Company's NPAT for the previous financial year. The NPAT Component of the STI Payment payable to a Participant will be calculated as follows (with pro-rata straightline award for performance between the hurdles below):

Figure 37: NPAT hurdles

Company's NPAT	Percentage of NPAT Component awarded
Less than Company Forecast	0.0%
100% of Company Forecast	50.0%
110% of Company Forecast	100.0%

6. Key People, Interests and Benefits (continued)

6.4.4.5 Threshold requirements (individual performance gateway)

No STI Payment will be payable to a Participant in respect of a Financial Year if:

- the Participant receives an individual financial performance rating of less than 95% of budget; or
- the Participant receives an individual non-financial performance rating of below target.

6.4.5 LTI Plan

Under the LTI Plan, initial Participants will receive a grant of Performance Rights at Listing that vest over a period from the Company's Listing Date to 30 June 2018 based on achievement of performance and service vesting conditions. It is anticipated that any future grants of Performance Rights will vest over a period of 3 years.

Each grant of the Performance Right under the LTI Plan will be on the following general conditions:

- rights granted to a Participant will vest subject to the Company's Earnings Per Share (**EPS**) performance relative to the compound annual growth rate (**CAGR**) hurdles outlined in Figure 38 below; and
- The Participant must be in continued employment with the Group at the relevant vesting date.

No Performance Rights will vest for below target performance. All Performance Rights vest on a pro-rata straight-line basis between target and maximum performance.

Figure 38: LTI hurdles

LTI KPIs	Threshold Award	Target Award	Maximum Award
EPS CAGR	Less than 10%	10%	15%
Award (% of maximum)	0%	50%	100%

The Company's EPS performance will be its compound annual growth rate (CAGR) in EPS over the performance period.

6.4.6 Summary terms of Performance Rights

The general summary terms of Performance Rights are as follows:

Figure 39: Terms of Performance Rights

Term	Summary
Eligibility	Eligibility to receive Performance Rights and the various performance and vesting conditions and the number of Performance Rights that is offered to each eligible employee will be determined by the Board.
Exercise of Performance Rights	An eligible employee may exercise their Performance Rights provided the Board has given an exercise notice which has not expired. To exercise Performance Rights, the Participant must lodge with the Board the notice of exercise that complies with the requirements of the LTI Plan rules or conditions of grant.
Consideration for grant	No issue price will be payable. The Performance Rights will be issued for consideration comprising the services that are expected to be provided by eligible employees to, or for the benefit of, Xenith.
Vesting conditions	See Figure 38 above
Disposal conditions	Any shares allocated following exercise of any vested Performance Rights will be subject to applicable dealing restrictions or a holding lock as specified under the LTI Plan rules.
Lapse of Rights	<ol style="list-style-type: none">1. On Cessation of Employment Termination for cause and resignation: All unvested Performance Rights will lapse. Termination without cause: Pro-rata portion of unvested Performance Rights will lapse, unless the Board determines otherwise. Unvested Performance Rights that do not lapse will continue to be held subject to the grant terms.2. Unexercised Vested Performance Rights Any vested Performance Rights that have not been exercised or otherwise lapsed by 5pm on the Last Exercise Date will lapse at that time.

6. Key People, Interests and Benefits (continued)

Corporate Control Event	If a change of control in the Company occurs, all or a specified proportion of unvested Performance Rights will be taken to have become vested Performance Rights. Vested Performance Rights that are not exercised within 60 days will lapse.
Additional Grants	Under the rules of the LTI Plan, options and/or rights may be offered and granted to eligible employees of Xenith from time to time, subject to the absolute discretion of the Board.
Issue or acquisition of shares	Shares allocated on exercise of Performance Rights may be issued by the Company or acquired on or off market by the Company or its nominee.
Voting rights	Performance Rights do not carry any voting rights.
Quotation	The Performance Rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued on exercise of the Performance Rights.

The summary terms of the initial grant of Performance Rights are as follows:

Figure 40: Terms of initial grant of Performance Rights

Term	Summary
Grant date	On or shortly after the Listing Date.
Number of rights	\$149,374 worth of Performance Rights to key staff, with the number of Performance Rights calculated on or about the grant date by the Board by dividing the dollar value of Performance Rights by the Offer Price.
Exercise price	Nil.
Performance period	20 November 2015 to 30 June 2018.
Last exercise date	30 June 2020.

6.4.7 Retention arrangements for key staff

The Company has put in place a retention plan (**Retention Plan**) to assist with the retention of senior employees of Xenith that are not Current Owners.

The Company intends to issue, prior to Listing, a total of 2,190,000 retention rights (**Retention Rights**) to 22 existing senior employees of Xenith that are not Current Owners.

The Retention Rights are capable of conversion into fully paid ordinary shares in the capital of the Company over a 3 year vesting period. Vesting is not conditional on any performance conditions, only time and continued service.

6.5 Interests of experts and advisers

Xenith and SaleCo have engaged the following professional advisers in relation to the Offer:

- CBA Equities acts as Lead Manager to the Offer. A description of the fees paid or agreed to be paid by the Company and SaleCo to the Lead Manager are described in Section 9.6;
- Shaw and Partners acts as Co-Manager to the Offer and CBA Equities has paid or agreed to pay the Co-Manager \$75,000 (excluding disbursements and GST) for services provided;
- HWL Ebsworth acts as legal adviser to the Group in relation to the Offer and the Restructure. The Group has paid, or agreed to pay, approximately \$430,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to HWL Ebsworth in accordance with its normal time-based charges;
- Investec acts as Financial Adviser to the Group in relation to the Offer. The Company and SaleCo have agreed to pay Investec a success fee of \$800,000 (excluding disbursements and GST) subject to completion of the Offer. Investec is also entitled to a retainer of \$30,000 per month from 1 February 2015 until Listing. The Group has paid, or agreed to pay, approximately \$300,000 (excluding disbursements and GST) for these services up until the Prospectus date;

6. Key People, Interests and Benefits (continued)

- Grant Thornton Corporate Finance acted as Investigating Accountant, has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. The Group has paid, or agreed to pay, approximately \$210,000 (excluding disbursements and GST) for the above services up until the Prospectus Date. Further amounts may be paid to Grant Thornton in accordance with its normal time-based charges;
- Mercer Consulting (Australia) Pty Ltd has advised the Board in relation to short term and long term incentive schemes for Group personnel. The Group has paid, or agreed to pay, approximately \$43,000 (excluding disbursements and GST) for these services up until the Prospectus date; and
- The Company has paid, or agree to pay approximately \$28,000 to Computershare Investor Services Pty Ltd for the provision of services for this IPO and ongoing share registry services.

6.6 Corporate governance

This Section explains how the Board oversees the management of Xenith's business. The Board is responsible for the overall corporate governance of Xenith including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of Xenith and oversees its business strategy including approving Xenith's strategic goals and considering and approving an annual business plan including a budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Xenith.

In conducting business, the Board's objective is to ensure that Xenith is properly managed to protect and enhance shareholder interests, and that Xenith, its Directors, officers and employees operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing Xenith including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Xenith's business and which are designed to promote the responsible management and conduct of Xenith.

Xenith's corporate governance principles and policies are structured to comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**ASX Recommendations**), which came into effect on 1 July 2014, and which are as follows:

Recommendation 1	Lay solid foundations for management and oversight
Recommendation 2	Structure the Board to add value
Recommendation 3	Promote ethical and responsible decision making
Recommendation 4	Safeguard integrity in financial reporting
Recommendation 5	Make timely and balanced disclosure
Recommendation 6	Respect the rights of shareholders and stakeholders
Recommendation 7	Recognise and manage risk
Recommendation 8	Remunerate fairly and responsibly

The ASX Recommendations are guidelines, not prescriptions. As a listed entity, the Company will be required to report against the ASX Recommendations and disclose to stakeholders any divergence from the ASX Recommendations. Further, if the Company has not followed a particular recommendation, it must disclose the reason for not following it.

The following is a summary of policies and procedures that have been adopted by the Company in accordance with the ASX Recommendations and lodged with ASIC. The Company has set up its governance practices to currently comply with the ASX Recommendations and therefore has no departures to report.

6.6.1 Board Charter

The Board Charter adopted by the Board sets out the functions and responsibilities of the Board.

6.6.2 Audit and Risk Committee Charter

The Audit and Risk Committee Charter details the role of the internal committee which is to oversee the processes for financial reporting, internal control, financial and non-financial risk management, external audit and monitoring the Company's compliance with laws, regulations and its own policies and evaluating the adequacy of processes and controls established to identify and manage areas of potential risk.

6. Key People, Interests and Benefits (continued)

The Audit and Risk Committee is currently comprised as follows:

Figure 41: Audit and Risk Committee composition

Audit and Risk Committee

Andrew Harrison - Chair

Sibylle Krieger

Susan Forrester

6.6.3 Nomination and Remuneration Committee Charter

The Nomination and Remuneration Committee Charter outlines the role of the committee, its responsibilities, meeting requirements, reporting procedures and duties of the committee. The Nomination and Remuneration Committee is currently comprised as follows:

Figure 42: Nomination and Remuneration Committee composition

Nomination and Remuneration Committee

Susan Forrester - Chair

Sibylle Krieger

Russell Davies

6.6.4 Continuous Disclosure and Shareholder Communication Policy

The Continuous Disclosure and Shareholder Communication Policy sets out how the Company will comply with the continuous disclosure requirements of the ASX Listing Rules and how Shareholders are to be informed of all material developments in respect of the Group.

6.6.5 Share Trading Policy

The Share Trading Policy sets out the Group's policy with regard to trading in the Company's securities. The policy applies to all Directors, key management personnel and other employees of the Group and their associates. The policy outlines the general prohibition on insider trading, restrictions on trading, how permission to trade must be sought, what are trading windows and closed periods for trading, and how proposed trading in securities must be notified to the Group.

6.6.6 Diversity Policy

The Diversity Policy provides a framework for the Group to set measurable objectives for achieving diversity and sets out the procedures by which the Board can report the progress of these objectives in order to achieve a diverse and skilled workforce.

6.6.7 Code of Conduct

The Code of Conduct provides a set of guiding principles which are to be observed by all employees of the Group and addresses matters that are relevant to the Company's legal and ethical obligations to its Shareholders. The policy outlines requirements in respect of the Directors' discharge of their duties, relationships, compliance with laws and ethics, conflicts of interest and confidentiality.

6.6.8 Copies

Copies of these charters, codes and policies are available in full on Xenith's website at www.xenithip.com.

You are also able to obtain, free of charge, a copy of each of the above corporate governance policies and procedures by contacting the Group at its registered office during normal business hours during the Offer Period.

6.7 Related party transactions

Other than as disclosed in this Prospectus, Xenith is not a party to any material related party arrangements or transactions.



Seven Details of the Offer

7. Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an initial public offering of up to approximately 20.3 million Shares in Xenith at an Offer price of \$2.72 per Share to raise \$55.1 million (except in relation to Shares offered under the Eligible Employee Offer which are being offered for no monetary consideration). The Shares offered under this Prospectus will represent approximately 61.8% of the Shares on issue at Completion. The final number of Shares to be offered under this Prospectus will depend upon the number of Shares offered by SaleCo and the number of Shares issued under the Eligible Employee Offer. The total number of Shares on issue at the Completion of this Offer is expected to be 32.8 million. 12.5 million of these Shares will be held by the Current Owners and subject to voluntary escrow arrangements described in Section 7.5. All Shares will rank equally with each other in all respects.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offer

The Offer comprises:

- The **Broker Firm Offer**, which is open to Australian and New Zealand resident investors who are not Institutional Investors and who have received a firm allocation of Shares from a Broker (see Section 7.8);
- the **Institutional Offer**, which is an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and Hong Kong (see Section 7.9);
- the **Priority Offer**, which is open to Australian and New Zealand resident investors nominated by Xenith, limited to a maximum of 735,000 Shares (see Section 7.10); and
- the **Eligible Employee Offer**, which is open to Eligible Employees only (see Section 7.11).

No general public offer of Shares will be made under the Offer.

The Offer (excluding the Eligible Employee Offer) has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.6.

7.3 Purpose of the Offer and use of proceeds

The Offer is being conducted to:

- provide Xenith with access to capital markets, enhancing the Group's financial flexibility to pursue growth opportunities and implement strategic initiatives outlined in Section 3.9;
- provide an opportunity for the Current Owners to partially monetise their investment;
- attract and retain high quality staff and management by raising Xenith's profile and reputation;
- align the interests of staff and management with those of Shareholders by providing remuneration in the form of equity based incentive schemes; and
- provide a liquid market for Xenith's Shares.

The proceeds of the Offer will be applied to:

- payment to SaleCo (which will distribute payments to the Current Owners);
- increase the Group's cash and cash equivalents; and
- pay stamp duty associated with the Restructure.

7. Details of the Offer (continued)

Figure 43 below sets out in detail the use of the proceeds raised from the Offer.

Figure 43: Sources and uses of funds

Sources of Funds	A\$m	%	Uses of Funds	A\$m	%
Cash proceeds received for the transfer of Shares by SaleCo	51.2	85.1%	Payment of proceeds to SaleCo	47.4	79.0%
Cash proceeds received for the issue of New Shares	3.9	6.5%	Costs of the Restructure to be borne by Xenith	1.6	2.6%
Drawdown of the new Banking Facilities	5.0	8.3%	Costs of the Offer to be borne by the Current Owners	3.7	6.2%
			Repayment of loans to the Current Owners	4.6	7.6%
			Refinancing of the existing Banking Facilities	2.0	3.3%
			Increase in cash and cash equivalents	0.8	1.3%
Total sources	60.1	100.0%	Total uses	60.1	100.0%

7.4 Shareholders

Details of the ownership of Shares as at the Prospectus Date and following Completion of the Offer are set out below:

Figure 44: Shareholders

	At Prospectus Date		At Completion of the Offer	
	Shares	%	Shares	%
Current Owners	31,353,333	100.0%	12,541,333	38.2%
Directors (excluding Current Owners)	0	0.0%	82,800	0.3%
Other new Shareholders ¹	0	0.0%	20,200,357	61.5%
Total	31,353,333	100.0%	32,824,490	100.0%

The holdings of each of the Current Owners as at the Prospectus Date and their expected ownership of Shares at the Completion of the Offer is shown in Figure 45 below:

Figure 45: Current Owners' shareholding

Current Owners	At Prospectus Date		At Completion of the Offer	
	Shares	%	Shares	%
Andrew Lockhart	2,644,257	8.4%	1,057,703	3.2%
Caroline Bommer	2,644,257	8.4%	1,057,703	3.2%
Charles Tansey	3,022,008	9.6%	1,208,803	3.7%
Chris Bevitt	2,644,257	8.4%	1,057,703	3.2%
Jacinta Flattery-O'Brien	3,022,008	9.6%	1,208,803	3.7%
Jack Redfern	3,022,008	9.6%	1,208,803	3.7%
Paul Harrison	3,022,008	9.6%	1,208,803	3.7%
Peter Treloar	2,644,257	8.4%	1,057,703	3.2%
Russell Davies	3,022,008	9.6%	1,208,803	3.7%
Sean McManus	2,644,257	8.4%	1,057,703	3.2%
Stuart Smith	3,022,008	9.6%	1,208,803	3.7%
Total	31,353,333	100.0%	12,541,333	38.2%

Note: Totals may differ due to rounding.

1. Assumes that all Eligible Employees take up their full entitlements under the Eligible Employee Offer.

7. Details of the Offer (continued)

None of the Current Owners will hold or have voting power in 5% or more of the Shares on the Completion of the Offer and the Directors do not expect any Shareholder to control the Group on the Completion of the Offer.

7.5 Escrow arrangements

Each of the Current Owners has entered into voluntary escrow arrangements under which they have undertaken not to dispose of any interest in or to grant any security over any of the 12.5 million Shares held by them collectively on Completion of the Offer (**Escrow Shares**). These restrictions will terminate on the second anniversary of the Listing Date.

These restrictions may be released earlier than this, in the event of:

- (a) the acceptance of a bona fide takeover bid made under Chapter 6 of the Corporations Act in respect of a proportion or all of the Shares on issue in the Company, provided the holders of at least half of the Shares on issue in the Company have accepted the offer made under that bona fide takeover bid. The transfer or cancellation of Shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act is also an exception. The Escrow Shares must be returned to escrow if the bid does not become unconditional or the scheme of arrangement does not take effect; or
- (b) the Shares ceasing to be quoted on the ASX (including as a result of a suspension which lasts for more than five consecutive business days, but not as a result of the Company obtaining a trading halt).

The undertakings given by the Current Owners may give Xenith a “relevant interest” in these Shares for the purposes of the Corporations Act. However, Xenith has obtained relief from ASIC so that the takeovers and substantial holdings provisions will not apply to these relevant interests (see Section 9.10.2 for further details).

7.6 Corporate, financial and other information about Xenith

Details of Xenith’s formation, registration and tax status, along with information regarding the Group’s corporate structure and the acquisitions from the Current Owners, are set out in Section 9.

The Group’s pro forma balance sheet as at 30 June 2015, including details of the pro forma adjustments, is set out in Section 5.5.

The Group’s indebtedness and capitalisation as at 30 June 2015, before and following Completion of the Offer, is set out in Section 5.10.

The Directors believe that, on Completion of the Offer, Xenith will have sufficient working capital available to carry out its stated business objectives.

7.7 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.16.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$2.72 per Share.

7. Details of the Offer (continued)

Topic	Summary
What is the Offer period?	<p>The Broker Firm Offer opens at 9.00am (AEDT) on Wednesday, 4 November 2015 and closes at 5.00pm (AEDT) on Wednesday, 11 November 2015.</p> <p>The key dates, including details of the Offer Period, are set out on page 2 of this Prospectus. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. The Company and SaleCo, in consultation with the Lead Manager, reserve the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants).</p> <p>If the Offer is cancelled or withdrawn before the allocation of Shares under the Offer, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</p>
What are the cash proceeds to be raised?	<p>\$55.1 million will be raised if the Offer proceeds from the sale of Shares by SaleCo on behalf of the Current Owners, and the issue of new Shares by Xenith.</p>
Is the Offer underwritten?	<p>Yes. The Lead Manager has fully underwritten (excluding the Eligible Employee Offer) the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.6.</p>
What is the minimum and maximum Application size under the Broker Firm Offer?	<p>The minimum application size under the Broker Firm Offer is \$2,000 worth of Shares and multiples of \$500 thereafter. There is no maximum application size, unless instructed otherwise by your Broker.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company, having regard to the allocation policy outlined in Sections 7.8.3 and 7.9.2.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares amongst their retail clients.</p> <p>The allocation of Shares among applicants in the Institutional Offer will be determined by the Lead Manager in consultation with the Company. For further information on the Institutional Offer, refer to Section 7.9.</p> <p>Allocations under the Priority Offer will be determined by the Company in consultation with the Lead Manager, provided that those allocations (in aggregate) do not exceed 735,000 Shares.</p> <p>Successful Applicants under the Eligible Employee Offer will receive a guaranteed allocation of \$1,000 worth of Shares, or such lesser amount applied for. The allocation of these Shares will have no impact on the allocation of Shares between the Broker Firm Offer, the Institutional Offer and the Priority Offer. For further information on the Eligible Employee Offer, refer to Section 7.11.</p> <p>The Lead Manager and the Company have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than that applied for. The Lead Manager and the Company also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>

7. Details of the Offer (continued)

Topic	Summary
When will I receive confirmation whether my application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or about Tuesday, 17 November 2015.</p> <p>Refunds (without interest) to applicants who make an application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after settlement of the Offer.</p>
Will the Shares be listed?	<p>The Company will apply within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX under the code "XIP".</p> <p>Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Group from time to time.</p> <p>The ASX takes no responsibility for this Prospectus or the investment to which it relates.</p> <p>The fact that the ASX may admit the Company to the Official List is not taken as an indication of the merits of Xenith or the Shares offered for subscription.</p>
When are the Shares expected to commence trading?	<p>It is expected that the dispatch of holding statements will occur on or about Tuesday, 17 November 2015 and that the Shares will commence trading on the ASX on a normal settlement basis on or about Friday, 20 November 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell their Shares before they receive an initial holding statement do so at their own risk.</p> <p>The Group, SaleCo and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Xenith Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 7.5.
Has an ASIC relief or ASX waiver been obtained or relied on?	Yes. Details are provided in Section 9.10.
Are there any taxation considerations?	Summaries of certain Australian tax consequences of participating in the Offer and investing in the Shares are set out in Section 9.14. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p> <p>See Section 9.6.1 for details of the various fees payable by the Company to the Lead Manager.</p>
Where can I find out more information about this Prospectus or the Offer?	<p>All enquiries in relation to this Prospectus should be directed to the Xenith Offer Information Line on 1300 781 123 (within Australia) or +61 3 9415 4656 (outside Australia) from 9.00am until 5.00pm (AEDT) Monday to Friday during the Offer Period.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent and qualified professional adviser before deciding whether to invest.</p>

7. Details of the Offer (continued)

7.8 Broker Firm Offer

Topic	Summary
Who can apply in the Broker Firm Offer?	<p>Australian and New Zealand resident investors who are not Institutional Investors and who have received a firm allocation from a Broker.</p> <p>Investors should contact the Broker that offered them their firm allocation to determine whether they have been allocated Shares under the Broker Firm Offer.</p>
How do I apply for Shares in the Broker Firm Offer?	<p>Complete the Application Form accompanying this Prospectus. Contact your Broker for further instructions.</p> <p>Broker Firm Applicants must lodge their Application Form and Application Monies with the Broker that offered them their firm allocation in accordance with that Broker's directions.</p>
What is the Offer Period?	<p>The Broker Firm Offer is expected to:</p> <ul style="list-style-type: none">• open at 9.00am (AEDT) on Wednesday, 4 November 2015; and• close at 5.00pm (AEDT) on Wednesday, 11 November 2015. <p>Your Broker may impose an earlier closing date. Please contact your Broker for instructions.</p>
Can I apply for Shares prior to the opening of the Broker Firm Offer?	<p>Your Broker may elect to receive your Application prior to the opening of the Broker Firm Offer during the Exposure Period. However, Applications received during the Exposure Period will not be processed until the opening of the Broker Firm Offer. No preference will be conferred on Applications received during the Exposure Period.</p>
What is the Exposure Period?	<p>The seven day period after the date of lodgement of this Prospectus allowing for the Prospectus to be examined by market participants prior to the raising of funds.</p> <p>This period may be extended by ASIC by up to a further seven days.</p>
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Broker Firm Offer.</p>
How can I obtain a copy of this Prospectus and Application Form?	<p>By downloading a Prospectus and Application Form from www.xenithipoffer.com.au or by requesting a Prospectus by contacting the Xenith Offer Information Line on 1300 781 123 (within Australia) or +61 3 9415 4656 (outside Australia) from 9.00am until 5.00pm (AEDT) Monday to Friday during the Offer Period.</p>

7.8.1 Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued to successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account to cover your Application Monies. If the amount of Application Monies is less than the amount specified on the Application Form, you may (unless your Broker advises otherwise) be taken to have applied for such lower number of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.8.2 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to the Company and SaleCo to apply for the number of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application in full or in part will give rise to a binding contract in respect of allocation of Shares to Successful Applicants.

7. Details of the Offer (continued)

The Lead Manager and the Company reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application. All dates are subject to change and are indicative only. The Company and the Lead Manager have the right to vary these dates, without prior notice, including the right to close the Offer early or to withdraw the Offer and to accept late Applications (either generally or in particular cases).

7.8.3 Allocation policy under Broker Firm Offer

Shares which have been allocated to Brokers for allocation to their Australian and New Zealand retail clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Lead Manager and the Company to reject or scale back Applications). It will be a matter for those Brokers how they allocate Shares among their retail clients, and they (and not the Company, SaleCo or the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

The allocation of firm stock to Brokers will be determined by the Lead Manager in consultation with the Company.

7.8.4 Announcement of allocation policy under Broker Firm Offer

The Company expects to determine the final allocation under the Broker Firm Offer on or about Monday 26 October 2015. Applicants in the Broker Firm Offer should confirm their firm allocation with the Broker from whom they received their allocation.

They may also call the Xenith Information Line on 1300 781 123 (within Australia) or +61 3 9415 4656 (outside Australia) between 9.00am and 5.00pm (AEDT), Monday to Friday to confirm their allocations. If you sell Shares before receiving a holding statement, you do so at your own risk, even if you have confirmed your firm allocation with your Broker or obtained details of your holding from the Xenith Information Line.

Shares are expected to commence trading on the ASX on a normal settlement basis on or about Friday, 20 November 2015.

7.9 Institutional Offer

7.9.1 Invitations to bid

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia, New Zealand and Hong Kong to apply for Shares under this Prospectus. The Lead Manager has separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.9.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Lead Manager in consultation with the Company. The Lead Manager, in consultation with the Company, has absolute discretion regarding the basis of allocation of Shares amongst Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- desire for an informed and active trading market following listing on the ASX;
- desire to establish a wide spread of institutional shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long term shareholders; and
- other factors that the Company and the Lead Manager considered appropriate.

7.10 Priority Offer

The Priority Offer is open to Australian and New Zealand resident investors nominated by Xenith. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the Priority Offer. Allocations under the Priority Offer will be determined by the Company in consultation with the Lead Manager, provided that those allocations (in aggregate) do not exceed a maximum of 735,000 Shares.

7. Details of the Offer (continued)

7.11 Eligible Employee Offer

The Board will put in place a Tax Exempt Share Plan (Exempt Share Plan) for Eligible Employees of the Company.

The Exempt Share Plan is intended to align the interests of Eligible Employees with the Shareholders of the Company by encouraging them to hold Shares, which in turn provides anticipated wealth opportunities and incentives for the attraction and retention of employees.

To achieve this aim, Eligible Employees are being invited to apply for up to \$1,000 worth of Shares for no monetary consideration.

Shares acquired under the Exempt Share Plan will be income tax free upon acquisition, subject to the employees adjusted taxable income being \$180,000 or less and to complying with the restrictions which follow.

To receive the income tax free benefit, there are restrictions on selling, transferring or otherwise dealing with any Shares acquired under the Exempt Share Plan until the earliest of the date that:

- is 3 years from the date that the Shares are acquired by the employee; or
- the employee ceases to be an employee of the Company.

After the restriction period employees can choose to:

- sell some or all of the Shares; or
- transfer some or all of the Shares out of the Plan.

When disposing of any of the Shares, employees should be aware of the insider trading provisions of the Corporations Act. Furthermore, as an employee of the Company, employees must comply with the Company's Share Trading Policy when disposing of the Shares.

7.12 Underwriting arrangements

The Offer (excluding the Eligible Employee Offer) is fully underwritten by the Lead Manager. The Lead Manager, the Company and SaleCo have entered into an Underwriting Agreement under which the Lead Manager has been appointed as arranger, manager and underwriter to the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer (excluding the Eligible Employee Offer). The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the agreements and the underwriting obligations. A summary of certain key terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.6.

7.13 Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before the issue of Shares to successful applicants under the Broker Firm Offer, the Institutional Offer, the Priority Offer and the Eligible Employee Offer respectively. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.

The Company, SaleCo and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any applicant or bidder fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.14 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and any other applicable securities laws.

7. Details of the Offer (continued)

Each Applicant in the Broker Firm Offer and each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States, or to or for the account or benefit of US persons, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- it is not in the United States or a US person, and is not acting for the account or benefit of a US person; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain additional representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.15 ASX listing, registers and holding statements

7.15.1 Application to the ASX for listing and quotation of Shares

The Group will apply for admission to the Official List of the ASX and quotation of the Shares on the ASX. The Group's ASX Code is expected to be "XIP". The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.15.2 CHESS and Issuer sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**), in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statement showing any changes to their shareholding. Certificates will not be issued.

7.16 Summary of rights and liabilities attaching to the Shares

7.16.1 General

The shares to be issued under this Prospectus will rank equally with the issued fully paid ordinary shares in the Company. The rights attaching to Shares are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Corporations Act, Listing Rules, ASX Settlement Operating Rules and the general law.

A summary of the significant rights attaching to the Shares on Offer pursuant to this Prospectus and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of the ASX.

7.16.1.1 Voting at a general meeting

Subject to any rights or restrictions for the time being attached to any class or classes of shares in the Company (at present, there is only one class of shares), whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

7. Details of the Offer (continued)

7.16.1.2 Meetings of members

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

7.16.1.3 Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

7.16.1.4 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a member's Shares, Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, Listing Rules or ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares:

- only if that refusal would not contravene the Listing Rules or the ASX Operating Rules;
- if the registration of the transfer would create a new holding of an Unmarketable Parcel;
- to a subsidiary of the Company; and
- if the Corporations Act, the Listing Rules or the ASX Operating Rules forbid registration.

If the Board refuses to register a transfer, the Company must, within five Business Days after the date on which the transfer was delivered to it, give the lodging party notice of the refusal and the reasons for the refusal.

7.16.1.5 Issue of further Shares

Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Board decides.

7.16.1.6 Winding up

If the Company is wound up, then subject to any rights or restrictions attached to a class of Shares, any surplus assets of the Company remaining after payments of debts must be divided amongst Shareholders in proportion to the number of Shares held by them.

7.16.1.7 Unmarketable parcels

Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.16.1.8 Share buy-backs

Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, the Company may buy back Shares in itself.

7.16.1.9 Variation of class rights

At present, the Company's only class of shares on issue is ordinary Shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the written consent of the holders of 75% of the issued shares of the affected class; or
- by a special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

7.16.1.10 Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three.

Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding any managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected.

7.16.1.11 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors entitled to vote on the resolution. In the case of an equality of votes on a resolution, the Chair of the meeting does not have a second or casting vote and the matter is decided in the negative.

7.16.1.12 Directors – remuneration

The Constitution provides that Non-Executive Directors are entitled to such remuneration as determined by the Directors but which must not exceed in aggregate the maximum amount determined by Shareholders at a general meeting. The maximum amount determined by Shareholders at a general meeting is currently \$600,000.

7. Details of the Offer (continued)

7.16.1.13 Variation of the Constitution

The Constitution can only be amended by special resolution passed by at least 75% of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company. The Company must give at least 28 days' written notice of a general meeting of the Company's members.

7.16.1.14 Indemnities

The Company, to the extent permitted by the Corporations Act, indemnifies each Director against any liability incurred by that person as an officer of the Company or its related bodies corporate including as a liability incurred as a result of appointment or nomination by the Company or subsidiary as trustee or as an officer of another corporation, unless the liability arises out of conduct involving a lack of good faith.

The Company, subject to the Corporations Act, may enter into, and pay premiums on, a contract insuring a Director against any liability incurred by that person as an officer of the Company or its related bodies corporate.



Eight

Investigating Accountant's Report

8. Investigating Accountant's Report



Grant Thornton

An instinct for growth™

Board of Directors
Xenith IP Group Limited
Level 21, 60 Margaret Street
SYDNEY NSW 2000

The Directors
Xenith IP (SaleCo) Limited
Level 21, 60 Margaret Street
SYDNEY NSW 2000

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

28 October 2015

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT ON THE PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors (the "Directors") of Xenith IP Group Limited (the "Company") for inclusion in the prospectus (the Prospectus) to be issued by the Company and Xenith IP (SaleCo) Limited in respect of the initial public offering of fully paid ordinary shares in the Company (the "Offer") and listing of the Company on the Australia Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Scope

You have requested Grant Thornton Corporate Finance to review the following financial information of the Company included in the Prospectus:

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

8. Investigating Accountant's Report (continued)



Pro Forma Historical Financial Information

The pro forma historical financial information, as set out in the Prospectus comprises:

- The pro forma historical consolidated statement of comprehensive income for FY2013, FY2014 and FY2015;
- The pro forma historical consolidated statement of cash flows for FY2013, FY2014, and FY2015; and
- The pro forma historical consolidated statement of financial position as at 30 June 2015.

(Hereafter the “Pro Forma Historical Financial Information”).

The Pro forma Historical Financial Information has been derived from:

- a. the audited aggregated financial statements of Shelston IP for FY2013, FY2014 and FY2015) (the Statutory Historical Financial Information); and
- b. the pro forma adjustments applied to the Statutory Historical Financial Information to illustrate the effects of events and transactions related to the Offer on the Company as described in **sections 5.5 and 5.6.1** of the Prospectus.

The Statutory Historical Financial Information has been extracted from the audited consolidated financial report of Shelston IP which was audited by Grant Thornton Pty Ltd who issued an unmodified audit opinion on the financial report.

The Pro forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in **sections 5.5 and 5.6.1** of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, or cash flows.

Forecast Financial Information

The pro forma and statutory forecast financial information, as set out in the Prospectus comprises:

8. Investigating Accountant's Report (continued)



- The pro forma and statutory forecast consolidated statement of comprehensive income for FY2016; and
- The pro forma and statutory forecast consolidated statement of cash flows for FY2016.

(Hereafter the “Forecast Financial Information”).

The Directors’ best estimate assumptions underlying the Statutory Forecast Financial Information are described in **Section 5.8** of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies (included in **Section 10** to the Prospectus);

The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma transactions and/or adjustments described in **Section 5.6.1** of the Prospectus (the Pro forma Adjustments). The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at 1 July 2015. Due to its nature the Pro forma Forecast Financial Information does not represent the Company’s actual prospective financial performance and cash flows for the year ending 30 June 2016.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Group for the year ending 30 June 2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors’ best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors’ best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

8. Investigating Accountant's Report (continued)



Grant Thornton

An instinct for growth™

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in **Section 4** of the Prospectus. The sensitivity analysis set out in **Section 5.9** of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450: *“Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information”*.

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

8. Investigating Accountant's Report (continued)



Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, on the basis of the pro forma adjustments described in **Sections 5.5 and 5.6.1** of the Prospectus and in accordance with the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted by the Company as disclosed in **Section 10** of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- ii. in all material respects, the Statutory Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in **Section 5.8** of the Prospectus;
 - b. is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted and used by the Company as disclosed in **Section 10** of the Prospectus; and
- iii. the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;
- ii. in all material respects, the Pro forma Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in **Section 5.8** of the Prospectus;
 - b. is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted and used by the Company as disclosed in **Section 10** of the Prospectus, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred as at 1 July 2015; and
 - c. the Pro forma Forecast Financial Information itself is unreasonable.

8. Investigating Accountant's Report (continued)



Restriction on Use

Without modifying our conclusions, we draw attention to **Section 5** of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

Neil Cooke
Partner

Conor Farley
Partner – Audit & Assurance

8. Investigating Accountant's Report (continued)



Grant Thornton

An instinct for growth™

Appendix A (Financial Services Guide)

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

This Financial Services Guide is dated 28 October 2015.

About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) ("Grant Thornton Corporate Finance") has been engaged by Xenith Group IP Limited ("the Company") and Xenith IP (SaleCo) Limited to provide a report in the form of Independent Limited Assurance Report for inclusion in the Prospectus dated 28 October 2015 ("the Prospectus") relating to the offer of shares in the Company ("the Issue"). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and to deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

8. Investigating Accountant's Report (continued)



Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including this report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report our fees are charged on a fixed basis. Partners, Directors or employees of Grant Thornton Corporate Finance, Grant Thornton Australia Ltd, or other associated entities, may receive dividends, salary or wages from Grant Thornton Australia Ltd. The fees charged for the preparation of this report agreed by the Company amount to \$210,000

Associations with issuers of financial products

Grant Thornton Corporate Finance and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business. Grant Thornton Audit Pty Ltd has been appointed as the Company's auditor.

Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000



Nine Additional Information

9. Additional Information

9.1 Registration

The Company was incorporated in Victoria on 26 August 2015 as a public company limited by shares.

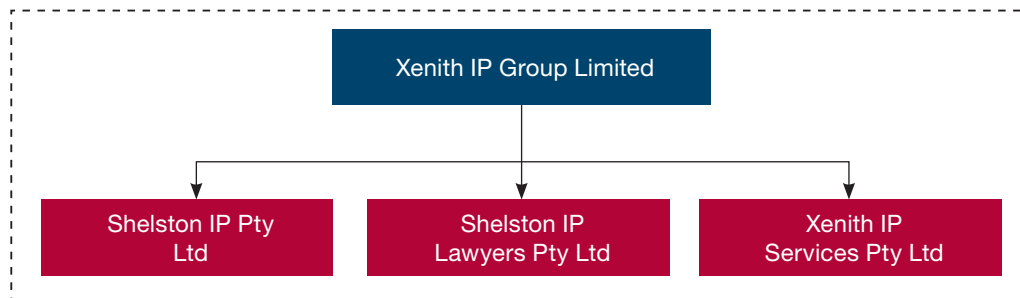
9.2 Tax status

The Company will be taxed as an Australian tax resident public company for the purposes of Australian income tax law.

9.3 Corporate structure

Figure 46 shows the corporate structure of the Company on completion of the Offer. Section 9.4 provides an explanation of the Restructure which will occur prior to Listing.

Figure 46: Group Structure Overview



9.4 Restructure

In anticipation of Listing, the Company is undertaking a Restructure.

As at the Prospectus Date, the operations of the Group are undertaken through two separate partnerships, being Shelston IP and Shelston IP Lawyers. 11 of the Current Owners are partners of Shelston IP and Chris Bevitt is the only equity partner of Shelston IP Lawyers. Shelford Services Pty Ltd, as trustee for the Shelford Services Trust, provides administrative and support services to the Shelston IP and Shelston IP Lawyers partnerships.

Prior to the Prospectus Date, as part of the Restructure:

- Shelston IP Pty Limited and Shelston IP Lawyers Pty Ltd were incorporated. The Current Owners were the sole initial shareholders of one or more of these entities; and
- Xenith IP Services Pty Ltd was incorporated. The Company was the initial sole shareholder of Xenith IP Services.

As part of the Restructure:

- the Current Owners of Shelston IP have entered into an agreement to transfer the business of Shelston IP partnership to Shelston IP Pty Ltd in consideration for the issue of ordinary shares in Shelston IP Pty Ltd pro rata to their partnership points in the Shelston IP partnership. Completion of the transfer of the Shelston IP partnership's business to Shelston IP Pty Ltd is subject to and conditional on receipt by the Company of the Conditional Admission Letter from the ASX;
- Chris Bevitt, as the sole Current Owner of Shelston IP Lawyers partnership, has entered into an agreement to transfer the business of Shelston IP Lawyers partnership to Shelston IP Lawyers Pty Ltd in consideration for the issue of ordinary shares in Shelston IP Lawyers Pty Ltd. Completion of the transfer of the Shelston IP Lawyers partnership's business to Shelston IP Lawyers Pty Ltd is subject to and conditional on receipt by the Company of the Conditional Admission Letter from the ASX;
- Shelford Services Pty Ltd has entered into an agreement to transfer the assets of the Shelford Services Trust to Xenith IP Services Pty Ltd for \$1. The transfer is subject to and conditional on receipt by the Company of the Conditional Admission Letter from the ASX;
- The shareholders of Shelston IP Pty Ltd have entered into an agreement to transfer their shares in Shelston IP Pty Ltd to the Company in consideration for the issue of Shares in the Company pro rata to their shareholdings in Shelston IP Pty Ltd. The transfer is subject to and conditional on receipt by the Company of the Conditional Admission Letter from the ASX; and
- Chris Bevitt, the sole shareholder of Shelston IP Lawyers Pty Ltd, has entered into an agreement to transfer his shares in Shelston IP Lawyers Pty Ltd to the Company in consideration for the issue of Shares in the Company. The transfer is subject to and conditional on receipt by the Company of the Conditional Admission Letter from the ASX.

9. Additional Information (continued)

Following the Restructure, the Shareholders of the Company will comprise of the Current Owners.

9.5 Sale of Shares by SaleCo

Xenith IP Group (SaleCo) Limited, a special purpose vehicle, has been established to facilitate the sale of Shares by the Current Owners.

Each Current Owner has irrevocably offered to sell to SaleCo 60% of their Shares, which will be available for sale by SaleCo into the Offer, free from encumbrances and third party rights.

The Shares which SaleCo acquires from the Current Owners will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo to the selling Current Owners for these Shares is the Offer Price.

SaleCo has no material assets, liabilities or operations other than in respect of:

- (i) buying Shares from the Current Owners and selling them under the Offer; and
- (ii) entry into and performing its rights and obligations under the Underwriting Agreement.

The sole shareholder of SaleCo is Chris Bevitt and the Company Secretary of SaleCo is Nicholas Carson. The directors of SaleCo are Stuart Smith, Russell Davies and Chris Bevitt.

The Company has agreed to indemnify the shareholder and directors of SaleCo for any loss suffered or incurred by them in their respective capacities as shareholder and directors of SaleCo that arises in connection with the Offer (excluding any loss arising from any criminal, fraudulent, dishonest or malicious act), to the extent that such loss is not reimbursed to SaleCo or covered by the directors' and officers' liability insurance effected by the Company or the prospectus liability insurance intended to be offered by the Company, and only to the extent permitted by law.

The Current Owners have agreed to indemnify the SaleCo and the directors of SaleCo for any loss suffered or incurred by them (in the case of the directors of SaleCo, in their respective capacities as directors and shareholders of SaleCo as appropriate) that arises in connection with the Offer (excluding any loss arising from any criminal, fraudulent, dishonest or malicious act), to the extent that such loss is not reimbursed to SaleCo, covered by the directors' and officers' liability insurance intended to be effected by the Company or covered by the indemnity from the Company referred to above.

9.6 Underwriting agreement

The Company, SaleCo and the Lead Manager entered into an underwriting agreement on 28 October 2015 in respect of the Offer (**Underwriting Agreement**).

The Lead Manager has agreed to act as sole lead manager, bookrunner and underwriter in connection with the Offer.

The key terms of the Underwriting Agreement are set out below.

9.6.1 Fees, costs and expenses

Under the Underwriting Agreement, the Company and SaleCo will pay the Lead Manager:

- a management fee of 0.50% of the "Offer Proceeds" (as defined in the Underwriting Agreement); and
- an underwriting fee of 2.50% of the "Offer Proceeds" (as defined in the Underwriting Agreement).

The Company and SaleCo may, in their absolute discretion pay the Lead Manager an incentive fee of 0.30% of the "Offer Proceeds" (as defined in the Underwriting Agreement), having regard to the Lead Manager's performance in connection with the Offer.

The Company and SaleCo will also pay or reimburse the Lead Manager for:

- all reasonable third party costs, charges and expenses incurred by the Lead Manager in respect of the Offer, including legal fees of the Lead Manager and travel, accommodation and printing; and
- all reasonable third party costs in respect of any inquiry, investigation or review of this Prospectus undertaken by ASIC, the ASX or any other regulatory body.

9. Additional Information (continued)

9.6.2 Representations and warranties

Under the Underwriting Agreement, customary and usual representations and warranties are given by the parties in relation to matters such as the power to enter into the Underwriting Agreement, corporate authority and approvals and the Company's compliance with the Corporations Act and Listing Rules in relation to making the Offer.

Pursuant to the Underwriting Agreement, the Company gives a number of further representations and warranties, including that this Prospectus will not contain any misleading or deceptive statements and will not omit information required by the Corporations Act.

Except as disclosed in this Prospectus, the Company must:

- not without the prior written consent of the Lead Manager, at any time after 28 October 2015 and before the expiration of 180 days after the date when all of the New Shares have been issued by the Company in accordance with this Prospectus, allot or agree to allot, or indicate in any way that it may or will allot or agree to allot, any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any member of the Group other than under the Offer, this agreement, an employee share plan, a dividend reinvestment or a bonus share plan, or director fees as described in this Prospectus or as otherwise disclosed in this Prospectus; and
- until the expiration of 180 days after the date when all of the New Shares have been issued by the Company in accordance with this Prospectus, conduct its business and procure that each other member of the Group conducts its business, in the ordinary course and not dispose (or permit any other member of the Group to dispose) of any material part of its (or their) business or property except in the ordinary course or as disclosed in this Prospectus.

9.6.3 Termination

If any one or more of the following events, among others, occurs at any time in the period from (and including) the date of the Underwriting Agreement to the date when all of the New Shares have been issued by the Company in accordance with this Prospectus, the Lead Manager may terminate any of its obligations under the Underwriting Agreement which have not been performed at that time (without cost or liability to itself) by notice in writing to the Company specifying the relevant event:

- a statement contained in this Prospectus is misleading or deceptive or a matter is omitted from this Prospectus or this Prospectus otherwise fails to comply in a material respect with the Corporations Act, the ASX Listing Rules, relevant New Zealand laws or other applicable laws;
- a supplementary prospectus must, in the reasonable opinion of the Lead Manager, be lodged with ASIC under section 719 of the Corporations Act and the Company fails to lodge a supplementary prospectus, within a reasonable period of time from the Lead Manager notifying the Company of it forming such opinion;
- ASIC gives notice of an intention to hold a hearing under section 739(2) of the Corporations Act or issues an order under section 739(1A) of the Corporations Act or an interim order under section 739(3) of the Corporations Act;
- ASIC applies for an order under sections 1324B or 1325 of the Corporations Act in relation to the Offer or this Prospectus;
- ASIC gives notice of an intention to prosecute the Company or SaleCo or any of their directors;
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or this Prospectus;
- ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or this Prospectus;
- any person (other than the Lead Manager) withdraws its consent to the issue of this Prospectus;
- any person gives a notice under section 730 of the Corporations Act;
- the Company withdraws this Prospectus, the Offer or any part of the Offer, or the Company or SaleCo indicates that it does not intend to proceed with the Offer or any part of the Offer;
- ASX approval is refused or not granted for the Company's admission to the official list of the ASX and the official quotation of all of the New Shares on the ASX on or before 13 November 2015;
- an insolvency event occurs in relation to SaleCo or a member of the Group or there is an act or omission which is likely to result in an insolvency event occurring in relation to SaleCo or a member of the Group;

a director of the Company:

- is charged with an indictable offence or any regulatory body commences any public action against the director in his or her capacity as a director of the Company or announces that it intends to take any such action; or
- is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act;

9. Additional Information (continued)

the S&P/ASX 200 Index closes on any business day at a level that is 12.5% or more below the level of that index at the close of normal trading on ASX on the business day immediately preceding the date of the Underwriting Agreement and closes at or below that level:

- for at least three consecutive business days; or
- on the business day before 13 November 2015.

any of the following occurs:

- a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange or NASDAQ is suspended or limited in a material respect

the effect of which is such as to make it, in the reasonable judgment of the Lead Manager, impractical to promote the Offer or to enforce contracts to issue and allot the New Shares or is reasonably likely to materially and adversely affect the success of the Offer;

- the Company is or becomes unable, for any reason, to issue or allot the Offer Shares or SaleCo is or becomes unable, for any reason, to transfer the Offer Shares;
- the statutory forecast earnings before interest, tax, depreciation and amortisation and statutory forecast net profit after tax contained in this Prospectus becomes, in the reasonable opinion of the Lead Manager, incapable of being met; and
- there is an event or occurrence, including any statute, order, rule or regulation, official directive or request (including on compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Lead Manager to satisfy an obligation under this agreement, or to market, promote or settle the Offer in accordance with this agreement.

The Lead Manager has similar rights in relation to the following events, among others, if in the reasonable opinion of the Lead Manager the event is likely to have a material adverse effect on the success or settlement of the Offer; or is likely to lead to a contravention of law by the Lead Manager or a liability under applicable law for the Lead Manager:

- A representation or warranty given by the Company or SaleCo under the Underwriting Agreement is untrue or incorrect;
- The Company or SaleCo fail to perform any of its obligations under the Underwriting Agreement;
- There is a change in the Board or a Current Owner's employment is terminated for cause;
- There is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a government agency adopts a policy or there is any official announcement that such a law or regulation will be introduced or policy adopted;
- Hostilities not existing at the date of the Underwriting Agreement commence or an escalation in existing hostilities occurs involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, Japan, Russia or the People's Republic of China or a major terrorist act is perpetrated anywhere in the world; or
- There is an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group.

9.6.4 Indemnity

Subject to certain exclusions relating to fraud, recklessness, wilful misconduct, gross negligence, breach of law or breach of contract, the Company and SaleCo agree jointly and severally, unconditionally and irrevocably to indemnify and held harmless, and keep indemnified and hold harmless the Lead Manager, its affiliates and related bodies corporate and the directors, officers, employees, of the Lead Manager (each an **Indemnified Party**), from and against all losses, claims, actions, damages, liabilities, costs or expenses (including any reasonable legal costs) directly or indirectly suffered by, or claims made against, an Indemnified Party arising out of or in connection with the appointment of the Lead Manager pursuant to the Underwriting Agreement.

9.6.5 Governing law

The governing law of the Underwriting Agreement is New South Wales, Australia.

9. Additional Information (continued)

9.7 Debt facility

The Company and each other Group company entered into a Senior Facility Agreement with Australia and New Zealand Banking Group Limited ACN 005 357 522 (**ANZ**) dated 12 October 2015 (**Facility Agreement**) pursuant to which ANZ makes available to each Group company the following facilities:

- a term cash advance loan facility with a limit of \$6 million for the period beginning on the date of the Facility Agreement and ending on the third anniversary of the Facility Agreement (**Facility A**);
- an interchangeable facility (cash advance and/or issue of bank guarantees) with a limit of \$4 million beginning on the date of the Facility Agreement and ending on the third anniversary of the Facility Agreement (**Facility B**); and
- transactional facilities (electronic payaway facility, bills negotiated and credit card facility) with a total limit of \$1.5 million for the period beginning on the date of the Facility Agreement and ending on the anniversary of the Facility Agreement unless extended following annual review by ANZ (**Transactional Facilities**).

Each Group Company must apply all utilisations under:

- Facility A towards general corporate purposes of the Group including funding the repayment of existing partner capital facilities; and
- Facility B towards working capital requirements of the Group and for its general corporate purposes.

9.7.1 Cross Guarantee and Indemnity

Each Group Company has provided a cross guarantee and indemnity of each other Group Company in favour of ANZ under the Facility Agreement. The principal terms of the Facility Agreement are as follows:

9.7.2 Conditions of utilisation

Use of the facilities is subject to ANZ being satisfied that a number of conditions precedent are met, including that the following:

- each Group Company has given security over all its present and future assets in favour of ANZ under a General Security Deed (GSD);
- each Group Company has in place all corporate authorisations necessary to enter into and comply with the Facility Agreement and the GSD given by it in favour of ANZ;
- execution of the Restructure agreements and transfer of the business, assets and liabilities under the Restructure;
- provision of the Prospectus and executed Underwriting Agreement;
- evidence that the initial public offering of the Company's shares on the ASX (IPO) will occur on the date of the first utilisation under the Facility Agreement; and
- all amounts outstanding under the existing partnership working capital facilities and partner capital facilities have been (or on utilisation of the facility will be) repaid in full and all existing facilities cancelled;

and in the case of Facility A:

- the IPO has occurred, and the minimum subscription of \$3,000,000 has been satisfied; and
- the corporate restructure has been completed.

9.7.3 Representations and Warranties

Each Group Company has given a number of representations and warranties in favour of ANZ including as to the following:

- its incorporation, power and authority;
- its execution of the Facility Agreement and GSD;
- information provided to ANZ by it or on this behalf;
- no litigation;
- ownership of Group assets;
- its debt;
- no insolvency event relating to it; and
- disclosure of all material facts.

Undertakings

Each Group Company has given a number of undertakings in favour of ANZ including as to the following: its execution of the Facility Agreement and GSD;

- provision of financial statements and other information;
- compliance with specified financial covenants and ratios;
- compliance with laws;
- maintaining corporate existence;
- no change of business or acquisitions;

9. Additional Information (continued)

- insurance;
- no disposal of assets (subject to permitted exceptions);
- not give or allow any security over its assets (subject to permitted exceptions); and
- no dividends or distributions (subject to permitted exceptions).

9.7.4 Interest Rates

The rate of interest on each loan under each of Facility A and Facility B for each interest period is the percentage rate per annum calculated as:

- a base rate by reference to the applicable average bid rate displayed at or about 10.30am (Sydney time) on the first day of the relevant period on the Reuters screen BBSY page for a term equivalent to the relevant period; plus
- a specified margin.

Default interest (of an additional 2% per annum) is also payable on amounts not paid when due.

Fees and charges are payable to ANZ under each Transactional Facility in accordance with ANZ's standard terms for each such facility.

9.7.5 Guarantee Fee

Each Group Company must pay to ANZ a specified bank guarantee fee in respect of each bank guarantee requested by it and issued by ANZ under Facility B. The amount of the fee is a percentage of the maximum amount payable under each bank guarantee issued from time to time, and is payable in advance on the first day of each six month period from the date of issue of the bank guarantee.

9.7.6 Company Indemnities

The Facility Agreement provides various indemnities in favour of ANZ, including:

- limited tax indemnities;
- an indemnity in respect of any cost, loss or liability arising out of or as a result of foreign exchange conversion; and
- an indemnity against any cost, loss or liability incurred by ANZ (otherwise than by reason of ANZ's fraud, gross negligence or wilful misconduct) in providing any bank guarantee or letter of credit requested by a Group Company.

9.7.7 Events of Default

The Facility Agreement is subject to a number of market-standard events of default for a facility of this type, including:

- failure to pay any amount due and payable to ANZ on the due date;
- breach of any financial covenant or ratio specified in the Facility Agreement;
- breach of other covenants; and
- insolvency related defaults.

9.7.8 Review Events

In the event that:

- the Company's Shares cease to be quoted on the Official List of the ASX;
- the Company's Shares are suspended from the Official List of the ASX for more than 5 business days; or
- a defined change of control events occurs; or
- the financial statements of the Group are subsequently qualified which results in a compliance certificate given to ANZ under the Facility Agreement ceasing to accurately reflect the financial position of the Company or the Group in a manner which has or would have a material adverse effect,

the Company must notify ANZ of this occurrence immediately, and the Company and ANZ must negotiate in good faith for 30 days for the purpose of determining the effect of the event on the Group Companies, and on the continuation of the facilities. After 30 days, if the parties have not agreed the basis on which the Facilities will continue, ANZ may give written notice to the Company that it intends to cancel the Facilities and declare all outstanding loans and utilisations due and payable and require payment of all such amounts in full within 60 days.

9.7.9 Governing law

The governing law of the Facility Agreement is New South Wales.

9. Additional Information (continued)

9.8 Dividend Reinvestment Plan

The Xenith IP Group Limited Dividend Reinvestment Plan (**DRP**), if and when the Directors determine it is available from time to time, enables Shareholders to receive all or part of their dividend payments as additional issued ordinary shares in the Company, rather than receiving cash, and provides a platform for Shareholders to increase their investment in the Company.

Participation in the DRP is entirely optional.

Shareholders may opt to participate for all or part of their holding in Shares.

The Directors, in their complete discretion, may have the DRP underwritten in respect of one or more dividends.

9.8.1 Eligibility

All Shareholders with a registered address in Australia and New Zealand are eligible to participate in the DRP (**DRP Participant**), subject to any applicable law.

Shareholders in Australia and New Zealand may not participate if an offer or issue of Shares pursuant to the DRP would be contrary to law or if the Company determines in accordance with the rules of the DRP that a Shareholder may not participate.

9.8.2 Level of participation

A DRP Participant must specify the degree to which he or she would like to participate in the DRP in respect of his or her holding. The Directors, in their complete discretion, may limit participation in the DRP to a maximum dollar amount per DRP Participant or a maximum number of Shares per DRP Participant.

9.8.3 Price of Shares issued

The price of Shares issued under the DRP in relation to a dividend is calculated using the arithmetic average of the Volume Weighted Average Price of the Shares sold on the ASX during the ten trading days commencing on the second trading day following the date nominated by the Directors for the purpose of identifying the Shareholders who are entitled to receive a particular dividend, for that dividend (subject to any adjustments as permitted by the DRP), less any discount that the Board may determine. If, at the absolute discretion of the Directors, the market price of Shares as calculated above is not considered by the Directors to represent the then fair market value of Shares, the Directors may determine the fair market value of Shares in their absolute discretion.

The amount of dividend otherwise payable to a DRP Participant in respect of the DRP Participant's Shares will be applied to subscribing for Shares under the DRP, unless the Company is entitled or required to deduct an amount (e.g. withholding tax for non-resident Shareholders).

9.8.4 Terms of Shares

The Shares issued under the DRP are fully paid and rank equally with other issued ordinary shares in the Company.

The Company will apply to the ASX for Official Quotation of any Shares under the DRP, if other Shares are quoted at that time.

9.8.5 Costs

Shareholders will not be charged brokerage or related costs under the DRP, and will be liable for any costs incurred in obtaining external advice concerning their participation in the DRP (such as the taxation consequences of participation).

9.8.6 Modification of Plan

The Directors may amend, suspend, recommence or terminate the DRP at any time by giving notice to Shareholders or DRP Participants and will notify the ASX of any amendment to the DRP.

9.9 Contract summaries

Summaries of contracts set out in this Prospectus (including the summaries of the Underwriting Agreement in Section 9.6 and the New Banking Facilities in Section 9.7), are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

9. Additional Information (continued)

9.10 ASX and ASIC

9.10.1 ASX waivers and confirmations

On 11 September 2015 the Company received from the ASX the following in-principle Listing Rule waivers and confirmations:

- confirmation that none of the Shares will be classified as restricted securities by the ASX and accordingly they will not be subject to mandatory escrow;
- a waiver from the requirement in Listing Rule 10.11 to obtain Shareholder approval to permit Shares to be issued to the three (3) Non-Executive Directors named in this Prospectus in lieu of part or all of their accrued Director's fees for the first two years after Listing.

If any of Sibylle Krieger, Andrew Harrison and Susan Forrester elect to receive Shares in lieu of their accrued Directors' fees, they will be issued, at the time for payment of those fees, with a number of Shares based on the volume weighted average price for Shares calculated over an applicable reference period (to be determined by the Board) prior to the date for payment of the accrued fees.

For the purposes of satisfying the conditions in the ASX waiver from the requirement in Listing Rule 10.11, the following additional information is provided:

- the number of Shares that may be issued to any of Sibylle Krieger, Andrew Harrison and Susan Forrester is referable to the amount of their accrued Director's fees divided by the volume weighted average price for Shares calculated over an applicable reference period (to be determined by the Board) prior to the date for payment of the accrued fees;
- for example, Andrew Harrison receives \$90,000 per annum (excluding for the purposes of this example, superannuation and any further amounts payable to Andrew Harrison for additional services performed for the Board) and the volume weighted average price for Shares is \$3.00, then Andrew Harrison who elects to receive Shares in lieu of Non-Executive Director's fees would receive 30,000 Shares. If the price per Share is lower, then Andrew Harrison would receive more Shares, and if the price per Share is higher, he would receive less Shares.
- Shares will be issued to a Non-Executive Director who elects to receive Shares in lieu of their Non-Executive Director's fees on the date for payment of those fees. No Shares will be issued to a Non-Executive Director under this arrangement and without Shareholder approval after two (2) years from the date of Listing.
- The price per Share will be determined by calculating the volume weighted average price for Shares over an applicable reference period (to be determined by the Board) prior to the date for payment of the accrued fees.
- All Shares to be issued will be fully paid ordinary shares in the Company which will rank equally with all other Shares then in existence, including in respect of any dividend or other entitlements.

The Company's Executive Directors (Stuart Smith and Russell Davies) are not entitled to receive Shares under this arrangement.

9.10.2 ASIC relief

ASIC has granted the Company relief so that the takeovers and substantial holdings provisions of the Corporations Act will not apply to the relevant interests that the Company would otherwise acquire in the Current Owners' escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares described in Section 7.4.

9.11 Litigation and claims

As at the Prospectus Date, so far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or government prosecutions of a material nature in which Xenith IP Group is directly or indirectly concerned, which is likely to have a material adverse impact on the business or financial position of Xenith IP Group.

9. Additional Information (continued)

9.12 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a “Consenting Party”), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- Investec (Australia) Limited;
- CBA Equities Limited;
- Shaw and Partners Limited;
- HWL Ebsworth Lawyers;
- Grant Thornton Corporate Finance Pty Limited;
- Grant Thornton Audit Pty Limited;
- Mercer Consulting (Australia) Pty Ltd.; and
- Computershare Investor Services.

Grant Thornton Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Investigating Accountant’s Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

9.13 Description of the syndicate

The Lead Manager to the Offer is CBA Equities and the Co-Manager to the Offer is Shaw and Partners.

9.14 Taxation considerations

9.14.1 General

The comments below provide a general summary of Australian tax issues for Australian tax resident individual shareholders who acquire Shares under this Prospectus and hold their Shares on capital account for Australian income tax purposes.

These comments do not apply to shareholders that hold their Shares on revenue account or as trading stock, or to non Australian tax resident shareholders. They also do not apply to shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares. These shareholders should seek their own professional advice.

Tax laws are complex. The comments below are based on the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997, the A New Tax System (Goods and Services Tax) Act 1999, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. They do not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The Company and its advisers disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provisions of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

Shareholders should seek professional advice on the taxation implications of holding the Shares, taking into account their specific circumstances.

9.14.2 Dividends on a Share for Australian tax resident Shareholders

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders should include in their assessable income the dividend actually received, together with any franking credit attached to that dividend.

Where the franking credit is included in the Shareholder’s assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable by the Shareholder. To be eligible for the franking credit tax offset, a Shareholder must satisfy the ‘holding period’ rule and ‘related payments’ rule. This requires that a Shareholder hold the Shares “at risk” for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is

9. Additional Information (continued)

not passed on within 45 days. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed A\$5,000.

Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

Where a Shareholder is a company, the Shareholder will generally be entitled to claim a carry forward loss calculated by reference to any excess of the franking credit attached to the Shareholder's dividends over the Shareholder's tax liability for the income year. Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation of carry forward tax losses arising from excess tax offsets.

Franked dividends received by a corporate Shareholder will generally give rise to a franking credit in the Shareholder's franking account (subject to the Shareholder satisfying the rules outlined above for claiming a tax offset). Special rules apply to Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships. These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

9.14.3 Disposal of Shares by Australian tax resident Shareholders

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event where the Shareholder holds their Share on capital account. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal).

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder will be entitled to a "CGT discount" for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gains arising may be reduced by 50% in the case of individuals and trusts, and by one third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months or more before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains after offering current year or prior year capital losses.

9.14.4 Tax file numbers

A Shareholder is not required to quote their tax file number (TFN) to the Company. However, if a TFN or exemption details are not provided, the Company may be required to deduct Australian tax from certain distributions (other than fully franked dividends) at the maximum marginal tax rate plus the Medicare levy. A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN.

9.14.5 Goods and Services Tax

Investors should not be liable for Goods and Services Tax (GST) in respect of their acquisition or disposal of Shares. No GST should be payable by Shareholders on receiving dividends distributed by the Company.

9.14.6 Stamp Duty

No Australian stamp duty should be payable by Shareholders in respect of their acquisition or disposal of their Shares. However, Shareholders should obtain their own independent advice depending on their individual circumstances.

9.15 International Offer Restrictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

9.15.1 Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the "SFO"). No action has

9. Additional Information (continued)

been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Offer Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Offer Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside of Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.15.2 New Zealand

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law and New Zealand law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. New Zealand tax laws are complex, and the tax laws and their interpretation may change. The precise implications of ownership and disposal of the Shares will depend upon each Shareholder’s specific circumstances. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser including tax advice on the New Zealand implications of acquiring, holding or disposing of the Shares, taking into account your own specific circumstances.

The Offer may involve a currency exchange risk. The currency for the financial products is Australian dollars and not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

9.16 Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Xenith IP Group. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

9.17 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in New South Wales and each applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales.

9.18 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus and issue of this Prospectus and has not withdrawn that consent.

9. Additional Information (continued)

Signed for and on behalf of Xenith IP Group Limited.

Sibylle Krieger FAICD

Chair



Ten

Significant Accounting Policies

10. Significant Accounting Policies

10.1 Significant accounting policies

10.1.1 Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars unless otherwise noted.

10.1.2 Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 30 June 2015, and provide a reconciliation between the pro forma and statutory financial statements, given that the Group was not incorporated until after this date. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

10.1.2.1 Revenue

Revenue represents the fair value of the consideration receivable in respect of professional services provided during the year. With regard to reimbursable expenses, when the Group is considered to be acting as the principal in accordance with AASB 118 Revenue, reimbursable expenses are recognised as Revenue. If the Group is considered to be acting solely as an agent, amounts billed to customers are offset against the relevant costs. Where the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognised in the income statement by reference to the stage of completion at the year end, provided that a right to consideration has been obtained through performance. Consideration accrues as contract activity progresses by reference to the value of work performed. Hence revenue in respect of service contracts represents the cost appropriate to the stage of completion of each contract plus attributable profits, less amounts recognised in previous years where relevant.

Where the outcome of a transaction cannot be estimated reliably, revenue is recognised only to the extent that the costs of providing the service are recoverable. No revenue is recognised where there are significant uncertainties regarding recovery of the consideration due or where the right to receive payment is contingent on events outside the control of the group. Expected losses are recognised as soon as they become probable based on the latest estimates of revenue and costs. Unbilled revenue is included in "Work in progress".

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of Goods and Services Tax (GST).

10.1.2.2 Work in progress

Work in progress is carried at its recoverable amount. Recoverable amount is determined after applying the average recovery rate for the preceding 12 months to time accumulated at applicable charge out rates, on matters which are incomplete and unbilled at balance date after providing for specific amounts which are not considered to be recoverable.

10.1.2.3 Disbursements recoverable

Client disbursements recoverable are recognised when invoiced. The amount recognised is net of any GST payable. Internally generated disbursements are credited directly to the profit or loss in the month they are charged to a client matter. Disbursements older than 60 days are constantly being reviewed and any not thought to be recoverable are provided for.

10.1.2.4 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (**ATO**) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

10. Significant Accounting Policies (continued)

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

10.1.2.5 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured at cost less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

10.1.3 Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets and leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

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

Class of Fixed Asset	Depreciation Rate
Furniture and fittings	5% - 15%
Leasehold improvements	7%
Plant and equipment	10% - 30%
Computer equipment	15% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period 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 on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

10.1.4 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

10. Significant Accounting Policies (continued)

10.1.5 Impairment of non financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

10.1.6 Employee Benefits

10.1.6.1 Short term employee benefits

Short term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of benefits accruing to employees, in respect of wages and salaries, are annual leave and long service leave when it is probable that settlement will be required. Short term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

10.1.6.2 Other long term employee benefits

The Group's liabilities for long service leave are included in other long term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if it does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

10.1.6.3 Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

10.1.6.4 Principals long term benefits

From 1 July 2014 the Group has established a long service leave scheme for the Principals, and has recorded a provision to reflect their cumulative entitlement, based on length of service, at 30 June 2015. Principals benefit obligations are presented as current liabilities in the statement of financial position if it does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

10.1.7 Provisions

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

Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

10.1.8 Share based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous

10. Significant Accounting Policies (continued)

estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

10.1.9 Foreign Currency Transactions

Foreign currency transactions between entities are translated into the local currency of that entity at the exchange rate ruling at the date of the transaction.

Exchange differences relating to the movements in exchange rates between the date of a transaction and settlement of that transaction are taken directly to the Statement of Profit or Loss and Other Comprehensive Income as foreign exchange gains/(losses).

Amounts receivable and payable in foreign currencies in each entity at balance date are translated at the exchange rates ruling at balance date.

Exchange differences relating to amounts payable and receivable are taken directly to the Statement of Profit or Loss and Other Comprehensive Income as foreign exchange gains/(losses).

10.1.10 Borrowing Costs

Borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

10.1.11 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.



Eleven

Defined Terms

11. Defined Terms

Term	Meaning
\$ or A\$ or AUD	Australian dollars
1H	First half
2H	Second half
ABN	Australian Business Number
AEDT	Australian Eastern Daylight Time
Applicant(s)	A person who submits an Application
Application(s)	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form)
Application Monies or Application Amount	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires
ASX Listing Rules	The listing rules of ASX as amended from time to time
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition)
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Ltd (ABN 49 008 504 532)
ATO	Australian Taxation Office
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Board or Board of Directors	The board of directors of Xenith IP Group
Broker	Any ASX participating organisation selected by the Lead Manager and Xenith IP Group to act as Broker to the Offer
Broker Firm Offer	The Offer of Shares under this Prospectus to Australian and New Zealand resident investors who are not Institutional Investors and who have received a firm allocation from their Broker, as described in Section 7.8
B2G	Business to government
CAGR	Compound annual growth rate
CBA Equities	CBA Equities Limited (ABN 76 003 485 952)
CFO	Chief Financial Officer
Chair	Chair of the Board of Directors
CHESS	Clearing House Electronic Subregister System, operated in accordance with the Corporations Act
Closing Date	The date by which Applications must be lodged for the Offer, being Wednesday, 11 November 2015 This date may be varied by Xenith IP Group and the Lead Manager without prior notice
Co-Manager	Shaw and Partners Limited (ABN 24 003 221 583)
Company or Xenith IP Group	Xenith IP Group Limited (ACN 607 873 209)
Completion of the Offer	The completion of the Offer, being the date on which Shares are transferred to successful Applicants in accordance with the terms of the Offer
Conditional Admission Letter	A letter from ASX to the Company informing the Company that the ASX has admitted the Company to the Official List of the ASX on a conditional basis
Constitution	The constitution of the Company
Corporate Directory	The Corporate Directory at the back of this Prospectus
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Current Owners	The equity partners of the Shelston Entities immediately prior to the Restructure

11. Defined Terms (continued)

Term	Meaning
CY	Calendar year or year ended 31 December. For example, CY14 would be the year ended 31 December 2014
Director	A member of the Board
DPS	Dividends per Share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible Employees	All permanent full-time and permanent part-time employees of the Group in Australia who have been employed by the Group for at least 12 months as at 5.00pm Sydney time on Wednesday, 28 October 2015 (provided that they remain so employed at the date of issue and allotment of Shares under the Offer) that are not eligible to participate in the LTI Plan or the retention arrangements described in Section 6.4
Eligible Employee Offer	The invitation to Eligible Employees to apply for 367 Shares each for no monetary consideration, as described in Section 7.11
EPS	Earnings per Share
EV	Enterprise value
Expiry Date	The date which is 13 months after the date of this Prospectus, after which no Shares can be issued under this Prospectus
Forecast Financial Information	Has the same meaning given to that term in Section 5
FY	Financial year or year ended 30 June. For example FY15 would be the financial year ended 30 June 2015
Grant Thornton	Grant Thornton Corporate Finance Pty Limited (ABN 41 127 556 389)
Group or Xenith	The corporate group comprising the Company, Shelston IP, Shelston IP Lawyers and Xenith IP Services
GST	Goods and services tax or similar tax imposed in Australia
HWL Ebsworth	HWL Ebsworth Lawyers
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a prospectus (or other formality, other than a formality which Xenith IP Group is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (other than sections 708(1)) and in New Zealand, persons to whom offers and invitations can be made without the need for a registered prospectus under section 3(2)(a) of the Securities Act 1978 NZ
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.9
Investec or Financial Adviser	Investec Australia Limited (ACN 140 381 184)
Investigating Accountant	Grant Thornton Corporate Finance Pty Limited
IP	Statutory and other proprietary rights in respect of copyright and similar rights; all rights in relation to inventions, patents, plant varieties, registered and unregistered trade marks, registered and unregistered designs, circuit layouts and confidential information; trade secrets; business names; domain names; and similar industrial, commercial and intellectual property (including formulae, recipes and know how) anywhere in the world
IP Australia	IP Australia, the government agency responsible for the regulation and administration of IP in Australia
IPO	Initial public offering
IT	Information technology
Lead Manager	CBA Equities
Listing	Admission of Xenith IP Group to the official list of the ASX and quotation of the Shares on the ASX
Listing Date	The date on which the Company is admitted to the official list of the ASX
LTI Plan	Xenith's long term incentive plan described in Section 6.4.5

11. Defined Terms (continued)

Term	Meaning
m	Millions
Management	The Managing Director, CFO and senior management team of Xenith IP Group
Market Capitalisation	Total market value of Xenith IP Group on the ASX based on the Offer Price on the Listing Date
New Banking Facilities	The new banking facilities described in Section 5.11
New Shares	The new Shares to be issued by Xenith IP Group under the Offer
NPAT	Net profit after tax
Offer	The invitation under this Prospectus to subscribe for or acquire Shares
Offer Period	The period from the date on which the Offer opens on Wednesday, 4 November 2015 until the Closing Date
Offer Price	\$2.72 per Share
Offer Shares	The 20.3 million Shares being offered under this Prospectus
PCT	Patent Cooperation Treaty
Performance Rights	means the performance rights granted under the LTI Plan
PF	Pro forma
Principals	The principals of the Shelston IP Entities comprising the Current Owners and the Salary Partners listed in Section 6.3.
Priority Offer	The invitation to certain Australian and New Zealand resident investors nominated by Xenith IP Group under this Prospectus to acquire Shares, as described in Section 7.10
Pro Forma Financial Information	Has the same meaning given to that term in Section 5
Pro Forma Historical Financial Information	The financial information described as Pro Forma Historical Information in Section 5
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being Wednesday, 28 October 2015
R&D	Research and development
Raising the Bar Amendments	<i>The Intellectual Property Laws Amendment (Raising the Bar) Act 2012</i>
Restructure	The corporate restructure which will occur before Listing with an effective date of 1 October 2015 pursuant to which the assets and business of Shelston IP, Shelston IP Lawyers and Shelford Services Pty Limited were transferred to Shelston IP Pty Ltd, Shelston IP Lawyers Pty Ltd and Xenith IP Services Pty Ltd respectively.
Retail Offer	The Broker Firm Offer, the Priority Offer and the Eligible Employee Offer
Salary Partner	The former non-equity partners of the Shelston Entities
SaleCo	Xenith IP (SaleCo) Limited ACN 607 851 883
Share	A fully paid ordinary share in the Company
Shareholder	A holder of Shares
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Shelford Services Pty Limited	Shelford Services Pty Limited ACN 001 373 780 as trustee for the Shelford Services Trust, the entity which provided IT, accounting and human resources services to Shelston IP and Shelston IP Lawyers before the Restructure
Shelston IP	Before the Restructure, the partnership known as Shelston IP and after the Restructure, Shelston IP Pty Ltd.
Shelston IP Pty Ltd	Shelston IP Pty Ltd ACN 608 104 070
Shelston IP Entities	Shelston IP, Shelston IP Lawyers and Xenith IP Services
Shelston IP Lawyers	Before the Restructure, the partnership known as Shelston IP Lawyers and after the Restructure, Shelston IP Lawyers Pty Ltd.
Shelston IP Lawyers Pty Ltd	Shelston IP Lawyers Pty Ltd ACN 607 899 758.

11. Defined Terms (continued)

Term	Meaning
STI Plan	Xenith's short term incentive plan described in Section 6.4.4
US\$ or USD	United States Dollars
US	United States of America
WIP	Work in progress
WIPO	World Intellectual Property Organisation
Xenith or Group	The corporate group comprising the Company, Shelston IP, Shelston IP Lawyers and Xenith IP Services
Xenith IP Group or Company	Xenith IP Group Limited (ACN 607 873 209)
Xenith IP Services	Before the Restructure, Shelford Services Pty Limited and after the Restructure, Xenith IP Services Pty Ltd ACN 607 878 571
Y/E	Year ending



A.1

Corporate Directory

Xenith IP Group Registered Office

Xenith IP Group Limited (Head Office)
21/60 Margaret Street
Sydney NSW 2000

Lead Manager and Underwriter to the Offer

CBA Equities Limited
Ground Level Tower 1
201 Sussex Street
Sydney NSW 2000

Co-Manager to the Offer

Shaw and Partners Limited
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Financial Adviser

Investec Australia Limited
Level 23, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Australian Legal Adviser to the Offer

HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
Sydney NSW 2000

Investigating Accountant

Grant Thornton Corporate Finance Pty Limited
Level 17, 383 Kent Street
Sydney NSW 2000

Auditor

Grant Thornton Audit Pty Limited
Level 17, 383 Kent Street
Sydney NSW 2000

Share Registry

Computershare Investor Services
Level 4, 60 Carrington Street
Sydney NSW 2000

Xenith IP Group Offer Information Line

1300 781 123 (within Australia)
+61 3 9415 4656 (outside Australia)

Xenith IP Group Offer Website

www.xenithipoffer.com.au

This page is left intentionally blank.

XENITH IP GROUP LIMITED

ABN 88 607 873 209

Please complete all relevant sections of the Application Form in **BLOCK LETTERS**, using black or blue ink. These instructions are cross-referenced to each section of the form.

Need assistance?

Contact your Broker or call the Offer Information Line on 1300 781 123 (within Australia) or +61 3 9415 4656 (outside Australia) (Monday to Friday 9.00am - 5.00pm, AEDT) during the Offer Period.

Broker Firm Offer Application Form

Please return your completed form to your Broker

Broker Firm Offer closes 5.00pm (AEDT) on Wednesday, 11 November 2015

Broker Firm Applicants must contact their Broker for information on how to submit this Broker Firm Offer Application Form and Application Monies.

This Application Form relates to an invitation to obtain fully paid ordinary shares (**Shares**) in Xenith IP Group Limited (ABN 88 607 873 209) (the **Company**), made under this Prospectus lodged with ASIC on 28 October 2015 (or any supplementary or replacement Prospectus). This Prospectus will expire 13 months after 28 October 2015.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. This Prospectus has been prepared for publication in Australia. The Shares to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a U.S. Person. This Application Form is important. If you are in doubt as to how to deal with it, please contact your financial or other professional adviser. You should read this entire Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, this Prospectus. Capitalised terms have the same meaning given to them in this Prospectus.

STEP 1 Amount applied for

Enter the number of Shares you wish to apply for and the Application Amount. To calculate this amount, multiply the number of Shares applied for by the Offer Price which is A\$2.72.

STEP 2 Applicant name(s) and postal address

Enter the full name you wish to appear on the confirmation statement. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table overleaf for the correct forms of registrable title(s). Applications using the wrong form of names may be rejected. CHESS participants should complete their name identically to that presently registered in CHESS. Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered. Enter your contact name and telephone number. This information may be used to communicate other matters to you subject to the Company's privacy statement. This is not compulsory but will assist us if we need to contact you.

STEP 3 CHESS holdings only

The Company will apply to the ASX for Shares to participate in CHESS, operated by the ASX Settlement Pty Limited, a wholly owned subsidiary of the ASX. In CHESS, the Company will operate an electronic CHESS subregister of shareholdings and an electronic issuer sponsored subregister of shareholdings.

Together, the two subregisters will make up the Company's principal register of Shares. The Company will not be issuing certificates to applicants in respect of Shares allotted.

If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN.

Otherwise, leave the section blank and on allotment you will be sponsored by the Company and an SRN will be allocated to you.

Please note that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued will be held on the issuer sponsored subregister.

STEP 4 Application payment

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not return this Application Form or Application Monies to the Share Registry.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation. The total amount of your cheque or bank draft should equal the amount shown in Step 1.

Lodgement instructions

There is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Lead Manager, in consultation with the Company, may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Broker Firm Offer opens at 9.00am (AEDT) on Wednesday 4 November 2015 and is expected to close at 5.00pm (AEDT) on Wednesday 11 November 2015. The Company and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

Broker Firm Offer Application Form

STEP 1

Enter the number of Shares you wish to apply for and amount of Application Payment

I/we apply for:

Price per Share

Application Payment

STEP 2

Applicant names(s) and postal address

Individual / joint Applications - refer to naming standards (below) for correct form of registrable title(s)

Title or company name

Given name(s)

Surname

Joint Applicant 2 or account designation

Joint Applicant 3 or account designation

Postal address

Unit

Street number

Street name or PO box

Street name or PO box (continued)

City/Suburb/Town

State

Postcode

Contact details

Contact name

Telephone number where you can be contacted during business hours

Email Address

STEP 3

CHESSE Holdings Only - supply your Holder Identification Number

STEP 4

Cheque(s) must be crossed 'Not Negotiable' and made payable in accordance with the directions of your Broker

Drawer

Cheque number

BSB number

Account number

Amount of payment

A\$.00

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuers administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable titles

Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act 2001 (Cth). At least one full given name and surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation or completed as described in the correct forms of registrable title(s) below.

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

