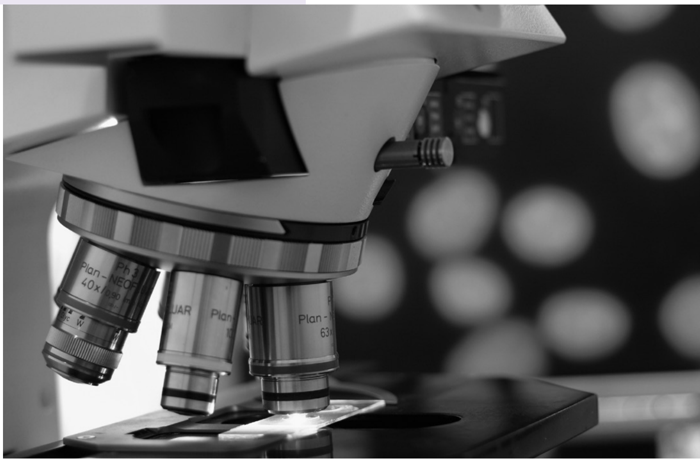

2016
Annual Report

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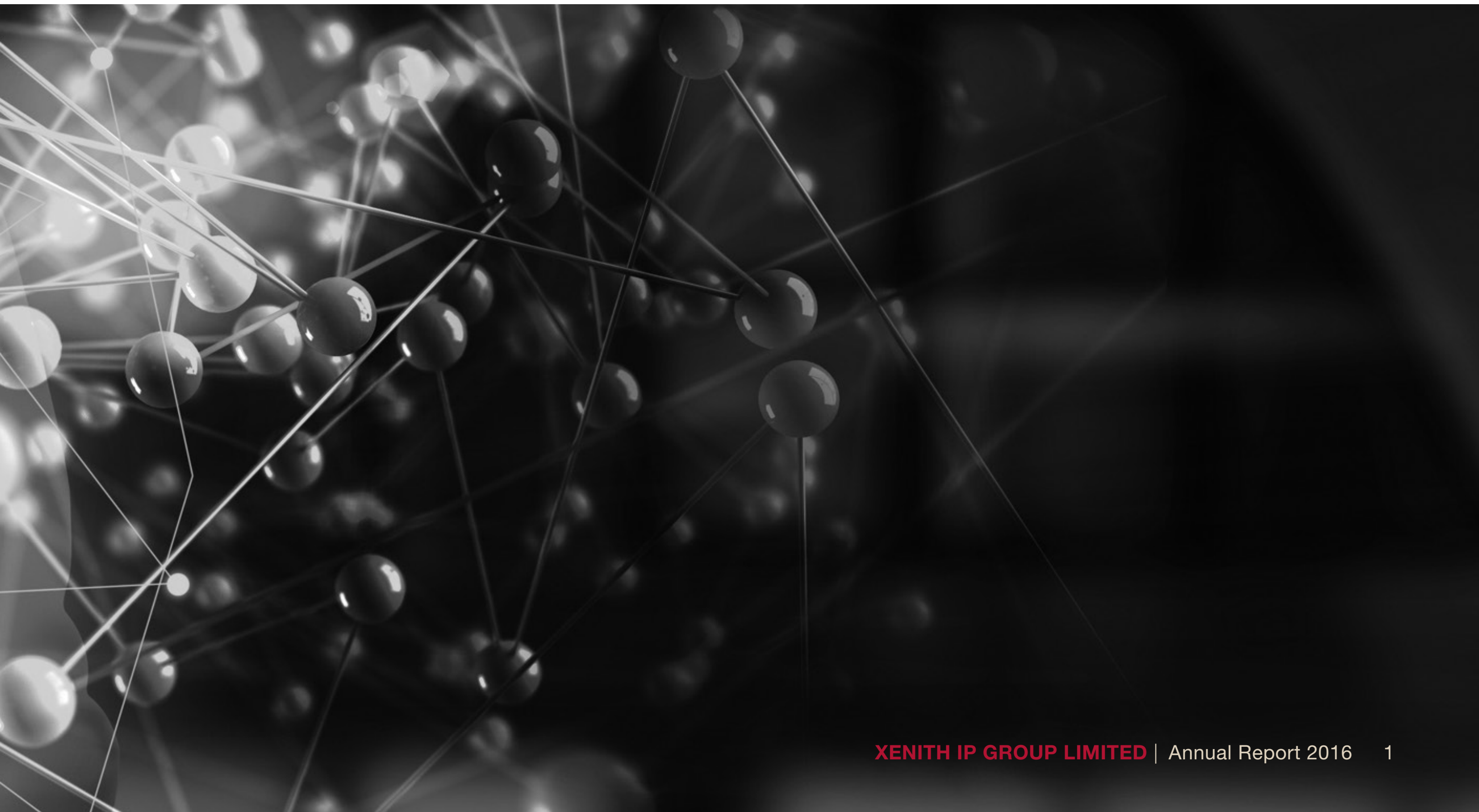


From the Chair

30 September 2016

Dear Investor,

I am pleased to present my first report as Chair of Xenith IP Group Limited ('Xenith') since its ASX listing on 20 November 2015.

The business was restructured and corporatised as Xenith after a long history of 157 years. The well respected partnerships of patent and trade mark attorneys and specialist IP lawyers which became Xenith were the longest established intellectual property service providers in Australia, having been founded in 1859.

Xenith is only the second intellectual property group to list on the ASX. Its initial public offering was heavily over-subscribed, with keen interest from both retail and institutional investors.

Xenith shares were issued at $2.72 and, on completion of the listing, the Company had a market capitalisation of $89.3m. Even though its first financial year post IPO was short, by 30 June 2016 Xenith's share price had increased by 46% to $3.97 and the market capitalisation stood at $130.2m.

During FY16 Xenith achieved solid organic growth through a combination of revenue growth and operational efficiencies. Since the time of listing, Xenith has out-performed its prospectus forecasts across all key financial metrics and has delivered strong earnings growth together with strong cash conversion. As a result, the Board has been able to declare dividends for FY16 which amount to approximately 82% of Xenith's statutory net profit after tax post restructure. The dividend of 7 cents per share will be payable on 30 September 2016.

In addition to delivering a very good financial result, Xenith has made solid progress in relation to a number of its strategic initiatives and has strengthened its management capability in finance and IT with a view to continuous improvement in operating efficiencies.

Further, Xenith has invested time and due diligence expenses in the consideration of several possible acquisition targets with a view to increasing market share, improving scale and diversification, and strengthening operating leverage. On 23 August 2016 Xenith entered into a binding agreement to acquire the business and brands of the Watermark Group for a purchase consideration of $19.5m subject to a number of adjustments on completion. The purchase consideration will comprise $9.5m in cash and $10m of shares in Xenith (to be subject to escrow arrangements for two years). The cash component will be partly funded by a placement of 2,064,634 Xenith shares issued at $3.35 successfully completed on 23 August, and will be partly debt funded from existing bank facilities. The Watermark Group is a well-established and well-regarded IP service group.

The acquisition is expected to be EPS accretive on an underlying basis and is expected to complete by November 2016. The Watermark Group has a market share of approximately 4% and, post-completion, Xenith expects to have a total market share of approximately 10%, based on Australian patent applications.

With a conservatively geared balance sheet and continued investor interest, Xenith is well positioned to take further advantage of consolidation in the intellectual property and ancillary services sectors in Australia and to expand its operations overseas. Xenith will continue to focus on business development in China to build on current momentum.

The Board and management are committed to excellence in client service delivery and corporate governance, and to delivering strong shareholder returns. The Board would like to express its thanks to the management and staff for their focus and hard work in making the first year of Xenith a success.

The Board would also like to thank Xenith shareholders for their support and commitment to the Company and its future.

Yours sincerely,

Sibylle Krieger

Chair
Xenith IP Group Limited

From the Managing Director

30 September 2016

Dear Investor,

I am pleased to report on Xenith IP Group Limited ('Xenith') following our first year as a publicly listed company. The corporate restructure of the Shelston IP partnerships followed by the successful ASX listing of the holding company, Xenith, in November 2015 was a watershed event in the firm's 157-year history and a long way from its humble beginnings in 1859. While there is a sense of pride in the firm's historical achievements, from where we stand today we are far more excited about the future possibilities. The new corporate structure in the listed environment positions the company ideally for the next stages of growth and development.

Xenith delivered a strong financial performance for FY16 in terms of growth on the prior year, improved margins and outperformance against our prospectus forecast. More specifically, the Company's pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) for FY16 was $9.2m, which represents an increase of 67% over the prior year and 23% above the prospectus forecast. Pro forma net profit after tax (NPAT) was $6.0m, representing increases of 71% over the prior year and 27% over the prospectus forecast. Net cash from operating activities was $6.6m, representing 101% of statutory NPAT and reflecting the characteristically strong cash flow conversion in the business.

The revenue growth was seen across all practice areas, driven by a combination of strength in underlying business activities, favourable movements in the AUD/USD exchange rate following the transition to USD invoicing for a majority of foreign clients in FY15, and an increase in patent examination intensity flowing from the "raising the bar" legislative changes in 2013. The exceptional increases in EBITDA and NPAT resulting from strong revenue growth, in conjunction with strong EBITDA margin improvements, reflect the significant operational leverage in the business.

Net cash at 30 June 2016 was $0.9m, as compared with net debt of $0.6m at 30 June 2015, reflecting the typically high cash conversion rate, low capital expenditure requirements and strengthening balance sheet of the Company. Working capital continued to be carefully managed throughout the year, with WIP (work in progress) at 30 June 2016 of only $0.3m, approximately the same level as at the end of the prior year, notwithstanding substantial revenue growth over the period.

Against this backdrop of strong financial performance, a key focus for the year was on establishing solid foundations for Xenith operating in the listed environment based on best practice in corporate governance, in conjunction with an emphasis on building shareholder value through a combination of organic growth, improvements in operational efficiencies, and strategic inorganic growth initiatives.

One significant outcome of these efforts was the announcement on 23 August 2016 of the acquisition of Watermark Group, which is one of the longest established national IP practices in Australia, with over 90 staff across three offices in Melbourne, Perth and Sydney. This acquisition will bring substantial increases in market share and earnings to the group, along with substantial economies of scale. It will also bring a number of longer term strategic benefits. These include a broader national footprint in Australia, the opportunity to build on strategically important and highly complementary adjacent service lines already established within the Watermark business, a broader base of personnel and other resources with which to pursue growth initiatives including expansion into Southeast Asia, and opportunities for improved operational efficiency through integration of back-office functions and leveraging other infrastructure across the group.

Looking forward, the organisational restructure and exceptionally strong financial performance in FY16 represent an excellent start to the next stage of our journey as a listed company. That performance coupled with the subsequent acquisition of Watermark provides a strong platform from which to continue our plans for growth and development into FY17 and beyond. In the coming year, key priorities will include the initial phase of integration of the Watermark business, expansion of a number of complementary adjacent service lines, pursuit of further opportunities for consolidation in the Australian IP market, and continued development of the Company's core technology platform to drive further improvements in operational efficiency. We also aim to build on the current strong momentum of our successful business development initiatives in China, while actively exploring other growth opportunities across Southeast Asia.

It is perhaps stating the obvious to say that the continued success of these various strategic growth and development initiatives is dependent upon the outstanding teams of people at the heart of each area of the business. I would like to thank them for their commitment, dedication and support, while emphasising our commitment to them and to the strong supportive culture that I believe is key to our past and future success. Finally, I would like to express my sincere thanks and appreciation to my fellow directors of the Xenith Board for their dedication, insight and tireless support. Finally, I would like to thank our many valued clients for their ongoing support. At every level of the business, we recognise that our success is entirely dependent upon our ability to contribute to theirs.

Yours sincerely,

Stuart Smith
Managing Director
Xenith IP Group Limited

Business Overview

Introduction to Xenith

Xenith IP Group Limited ('Xenith' or the 'Company') is the holding company for the group of entities (the 'Group') that currently comprises the Shelston IP business, namely:

- Shelston IP Pty Ltd, a specialist intellectual property ("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.

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.

Through its ownership of Shelston IP, Xenith holds the oldest IP firm in Australia with a proud 157-year history, dating back to its inception in 1859.

On 23 August 2016 the Company announced its intention to acquire the businesses and brands of the Watermark Group with completion expected in November 2016. Watermark shares a common historical origin with Shelston IP, also dating back to 1859. It is the Company's intention to operate Watermark as a standalone operating business, maintaining its independent brand, and operating alongside the Shelston IP businesses under the Xenith umbrella.

Services overview

The Group provides a comprehensive range of IP services including identification, registration, management, commercialisation, IP strategy advice and enforcement of IP rights for local and international clients. The Group provides IP services directly in Australia, New Zealand and the Pacific Islands, and also works with clients to protect and enforce their IP throughout the world through an extensive international network of specialist associate IP firms. The Group has a focus on Chinese clients seeking IP protection in Australia and New Zealand, with a dedicated China business development team and plans to extend the provision of direct IP services for clients into other Asian countries.

The majority of the Group's professional fees revenue (approximately 90% in FY16) is derived from IP services relating to the procurement of patent, trade mark and design registrations in conjunction with related advisory services including strategic dimensions of IP portfolio creation and management. These services are supported by Shelston IP Lawyers, a dedicated IP legal 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.

Market position and clients overview

Xenith holds a leading position in the Australian IP market with a broad client base, including over 3,000 active clients globally. The Company's clients range from large national and multinational corporations, public sector research institutes and tertiary educational institutions, through to SMEs, innovative start-up companies and entrepreneurs. Clients are highly diversified by geography, industry and service line, with the top 50 clients spread across various countries, industry sectors and IP service segments.

Market Share – Patents

The Shelston IP business holds approximately 6.2%* of the market for Australian patent applications. The Watermark businesses hold approximately 4.6%* market share. Subject to completion of the Watermark acquisition, Xenith will hold a market share for patents in Australia of approximately 10.8%*.

*(*Figures based on Australian PCT national phase and complete patent applications filed in FY16)*

Market Share – Trade marks

The Shelston IP business holds approximately 3.9%* of the market for Australian trade mark applications. The Watermark business hold approximately 3.2%* market share. Subject to completion of the Watermark acquisition, Xenith will hold a market share for trade marks in Australia of approximately 7.1%*.

(Figures based on Australian trade mark applications filed by the top 50 agents in FY16)*

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 45 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.

On completion of the Watermark acquisition, the Group will employ approximately 200 personnel, including approximately 75 IP professionals.

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, in technical disciplines.

The Group's professionals also hold a range of executive and committee roles across influential IP industry organisations and associations both nationally and internationally.

Purpose and business objectives

The Group's purpose is the protection, strategic management, commercialisation and enforcement of intellectual assets for its clients.

The Group's strategic objective is to consolidate and continue to grow its position as a leading provider of IP services in Australia, New Zealand and other secondary IP markets, representing many of the world's largest, fastest-growing, most innovative and most successful companies, research institutes and entrepreneurs.

Xenith is pursuing this objective through a combination of organic and carefully targeted inorganic growth strategies. Xenith's plans for domestic expansion are coupled with continuation and extension of the Group's successful business development initiatives in China and expansion into the emerging markets of Southeast Asia.

Xenith's purpose and business objectives are 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, innovation and corporate 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.

Services and sources of revenue

Patent and trade mark services

Xenith files, 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 eligible for extension term); and
- indefinitely for trade marks.

The nature and extent of these IP life cycles, including multiple client touch points across the pre-filing, filing, examination, registration and post-registration stages, are important factors contributing to the relatively consistent and transparent earnings profile for the Group.

The majority of Xenith's revenue derived from patent, trade mark and design applications is generated during the pre-filing, filing and examination or "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 ongoing revenue at lower intensity for the life of the IP rights.

In most jurisdictions, regular renewal fees must be paid to the respective national 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.

IP legal services

Once IP rights have been established, proprietors typically seek to exploit or commercialise and if necessary to defend those rights. This can involve optimal structuring, a wide variety of contractual arrangements such as license agreements, infringement or validity advice, defence or enforcement proceedings and a range of other services.

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;
- 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.

Key Numbers

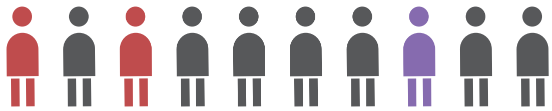
Xenith has over 3,000 clients including:

- Major multinational corporations
- Domestic and foreign corporations, research institutes, educational institutions and SMEs
- Domestic professional service firms
- Foreign associates including offshore IP and law firms.

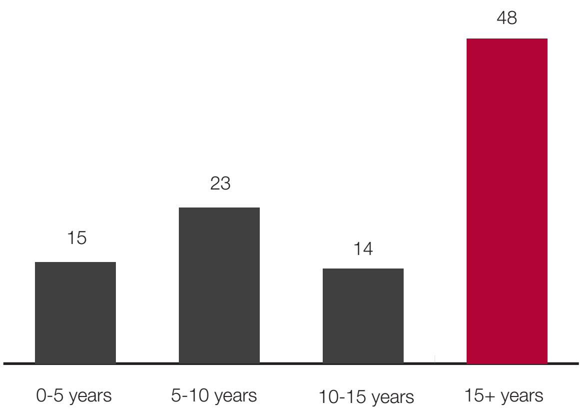
Xenith's clients are highly diversified by geography, service line and industry. Revenue is diversified across the client base, with the top 20 clients providing only 24% of revenue. Xenith has long-term relationships with many of its largest clients:

- 62 of the top 100 clients have been with the firm for more than 10 years
- 48 of the top 100 clients have been with the firm for more than 15 years.

3,000 Active clients



Tenure of top 100 clients

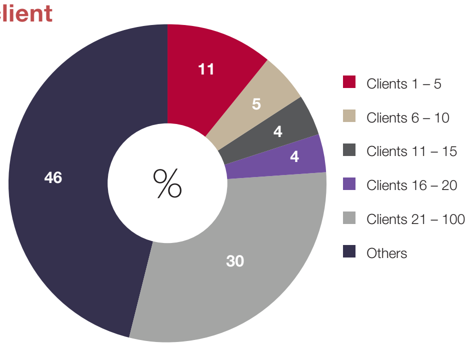


48%

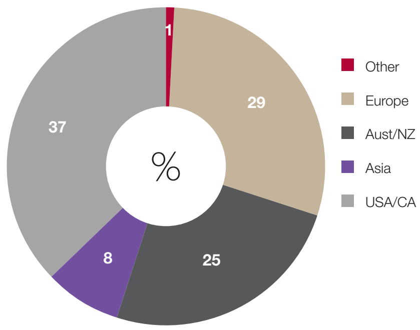
of clients have 15+ years tenure with Xenith IP

FY16 revenue by client size and geography

By client



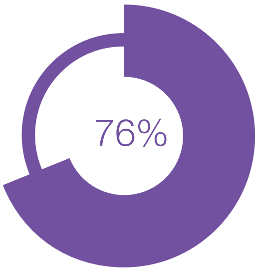
By geography



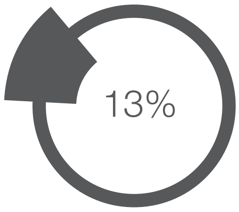
Highly diversified quality revenue base by service line and industry

By service line

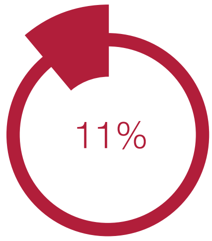
Patents and Designs



Trade Marks

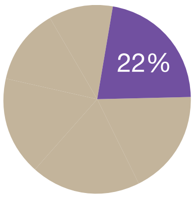


Transactions and Disputes

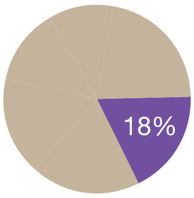


By industry

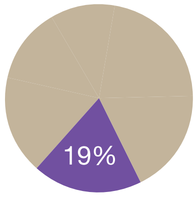
Mechanical



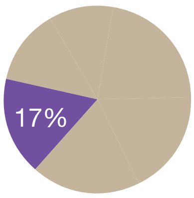
Chem/Pharma



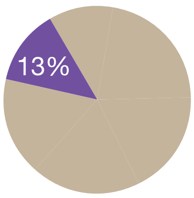
Biotech/ Pharma



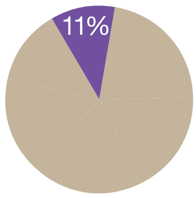
Electrical ICT



Trade Marks

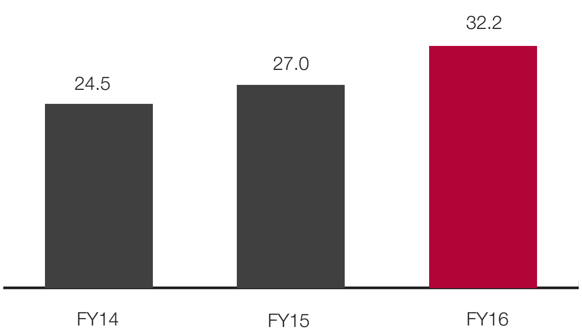


Transactions and Disputes

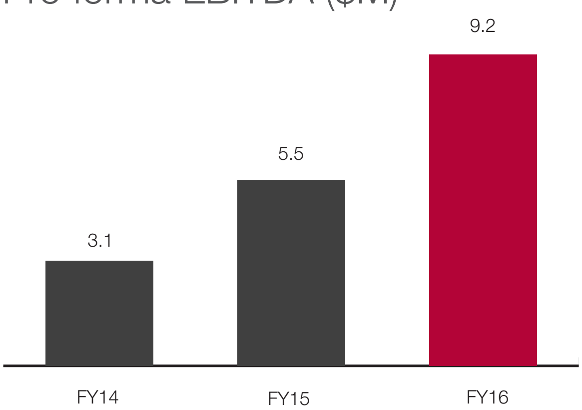


Xenith continues to grow revenue and profit

Revenue ($M)



Pro forma EBITDA ($M)



Industry Overview

The IP industry

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 particularly 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. The majority of Xenith's revenue is derived from services in relation to these registrable IP rights.

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.

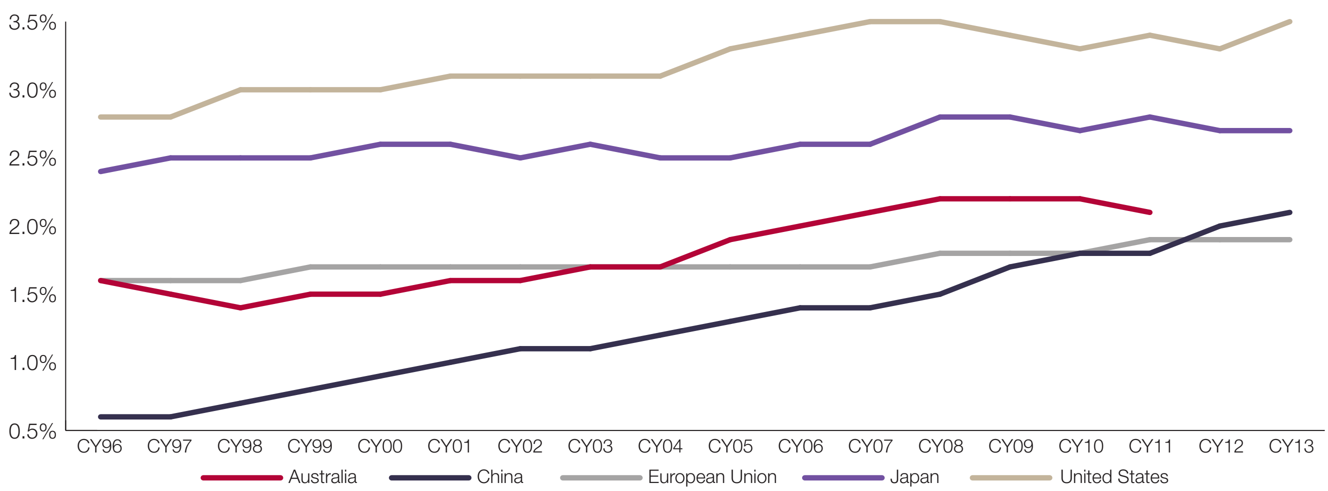
Why is IP important?

IP protection enables companies to capture and more effectively exploit the benefits of substantial investments in innovation and research and development (R&D). The systematic creation and protection of IP is often a crucial factor in the growth and development of innovative enterprises and the economies in which they operate.

Global trends

Over the last 20 years from a global and regional perspective, there have been substantial increases in R&D expenditure, both in absolute terms and as a percentage of GDP. As R&D expenditure continues to increase, investment in protection of the resulting IP also tends to increase.

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



1. Australian data is only provided every second year and has been interpolated for alternate years

The IP life cycles

Patents

The process from patent application, through substantive examination, to acceptance and grant extends over a number of years, as indicated below. Xenith generates revenue by assisting clients at each stage, and subsequently in relation to annual renewals, typically through a combination of time based charges and scheduled fees relating to specific process steps.

Pre-Filing

- Prior art searching
- Patentability analysis
- Competitor IP analysis
- Freedom to operate searching and advice
- Patent strategy formulation

Typically 3 – 6 months

Filing

- Drafting patent specifications
- Filing patent applications (locally and internationally)
- Monitoring deadlines
- Case management, verification and reporting

Up to 3 years

Examination and Prosecution

- Initiating examination
- Reporting, analysing and responding to official examination reports
- Acceptance & grant procedures
- Post-acceptance oppositions and re-examinations

Typically 2 – 5 years

Post-grant

- Patent portfolio management
- Validity & infringement advice
- Commercialisation advice
- Enforcement & defence
- Watching services
- Renewals

Up to 20 years

Trade marks

The process from trade mark preparation and application, through substantive examination, to acceptance and registration in Australia generally takes around 12 months, as indicated below. This period can be extended significantly if the application encounters objections from IP Australia or oppositions by third parties. Xenith generates 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.

Pre-Filing

- Availability searching
- Registrability advice
- Competitor IP analysis
- Freedom to operate searching and advice
- Brand strategy formulation

Typically 3 – 6 months

Filing

- Drafting specifications
- Filing applications (locally and internationally)
- Monitoring deadlines
- Case management, verification and reporting

Up to 6 months

Examination and Prosecution

- Reporting, analysing and responding to official examination reports
- Acceptance and registration procedures
- Post-acceptance oppositions and re-examinations

Up to 12 months

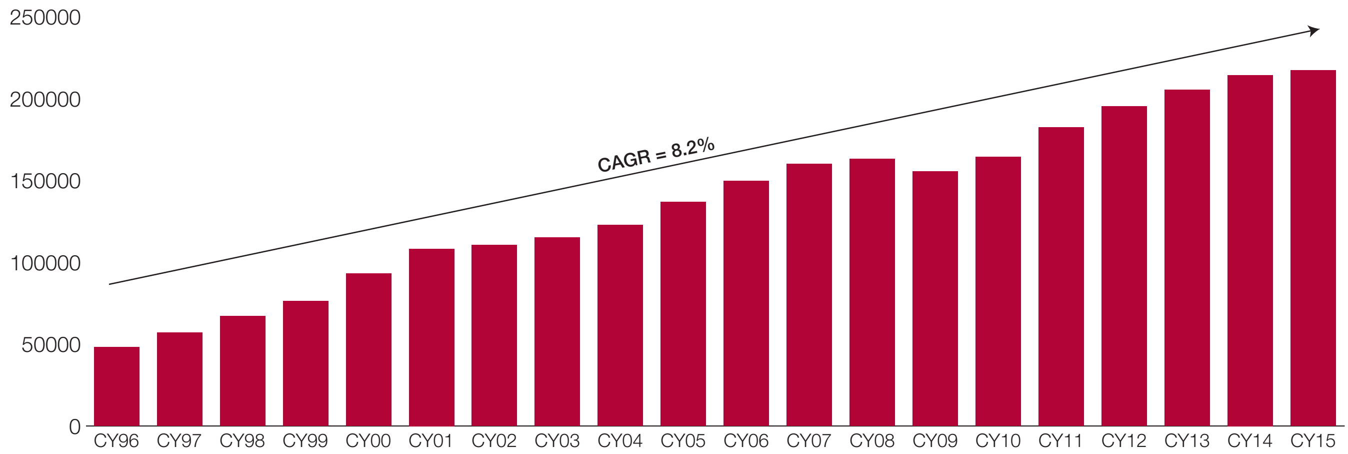
Post-grant

- Trade mark portfolio management
- Validity and infringement advice
- Commercialisation advice
- Enforcement and defence
- Watching services
- Renewals

Potentially indefinite

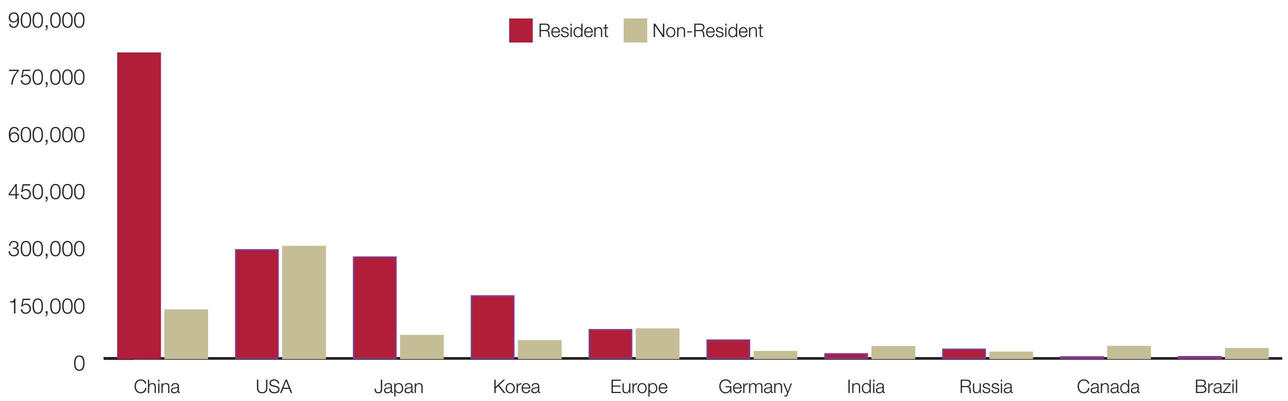
Industry Overview

Figure 2: Total PCT patent applications filed globally



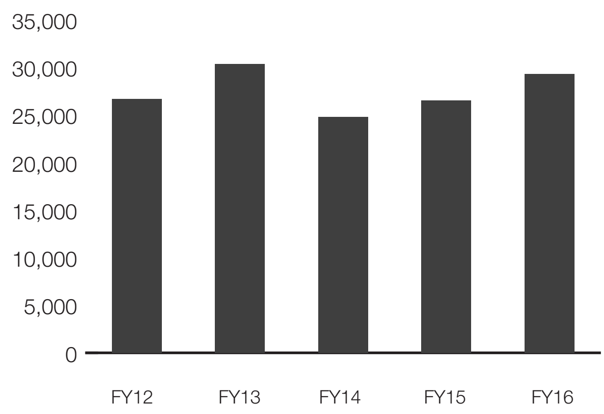
The rate of filing of patent applications under the Patent Cooperation Treaty ("PCT") serves as an indication of the extent of technological innovation and resultant IP creation.

Figure 3: Patent applications filed at the top 10 patent offices in 2014



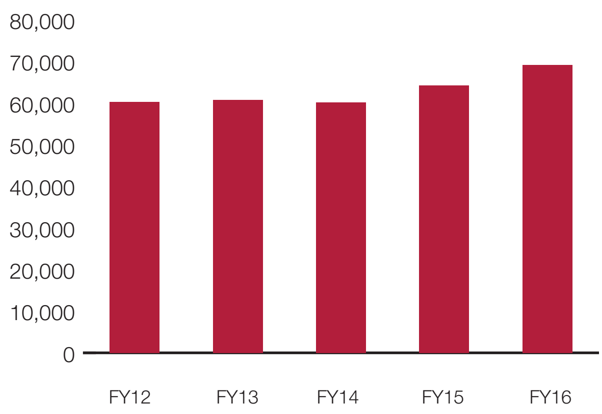
As part of a structural transition in its economy, China is emerging as an important market for the creation of IP.

Figure 4: Total Australian patent filings



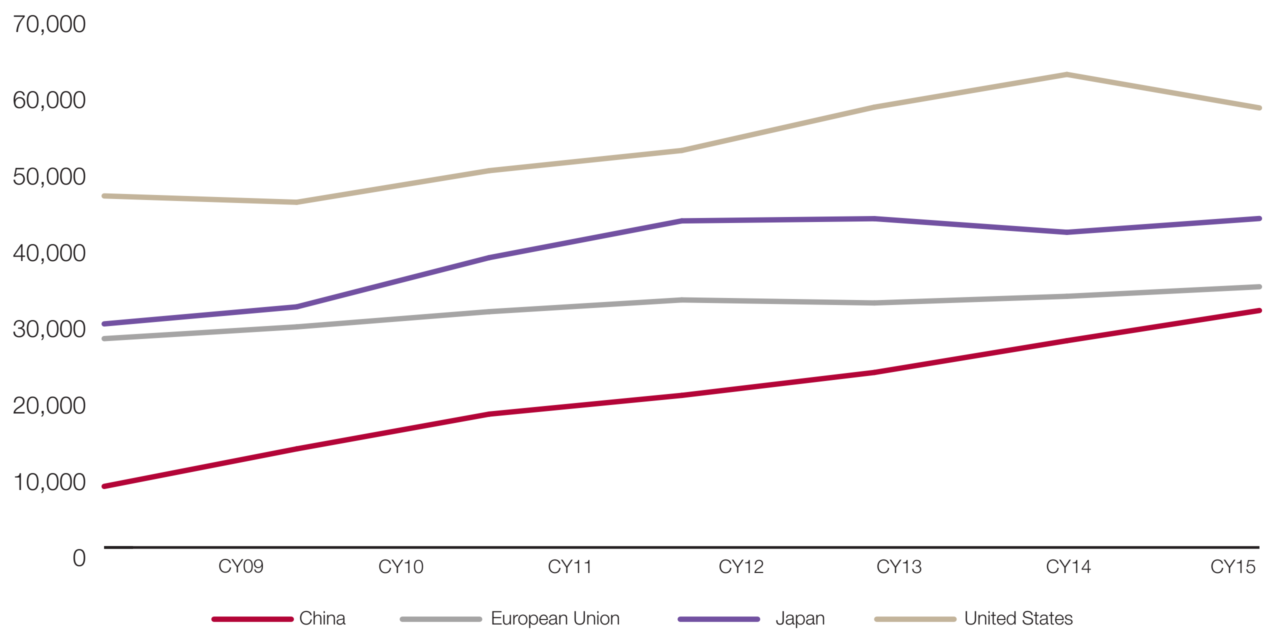
Australian patent filings show muted growth over the last five financial years, albeit with some momentum building over the last three years.

Figure 5: Total Australian Trademark filings



The chart above of total Australian trademark filings shows modest growth over the last five financial years, albeit again with some growth momentum building over the last three years.

Figure 6: PCT international applications filed in CN, JP, US and EP offices by resident applicants



PCT applications in primary IP markets continue to grow, providing an indirect lead indicator to subsequent national phase filings in secondary IP markets, including Australia.

Directors' Report

The Director's of Xenith IP Group Limited ('Xenith' or the 'Company') submit herewith the annual financial report, inclusive of Directors' report, Remuneration Report and financial statements of the Company and its controlled entities (the "Group") for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

Sibylle Krieger, Non-Executive Director and Chair

Stuart Smith, Managing Director

Russell Davies, Executive Director

Susan Forrester, Non-Executive Director

Andrew Harrison, Non-Executive Director

Christopher Bevitt, Executive Director[1]

Incorporation

Xenith IP Group Limited was incorporated on 26 August 2015 as a holding company. The Company was admitted to the official list of the Australian Securities Exchange ('ASX') on 19 November 2015.

Results and review of operations

The Group reported a consolidated net profit after tax of $6.5 million (2015: $8.2 million) for the year.

Further details of the Group's operating and financial performance can be found in the Operating and Financial Review report on page 19.

Principal activities

The Group's principal activities in the course of the financial year were the protection, management, commercialisation and enforcement of intellectual property rights on behalf of its clients, with the aim of contributing to their success.

Significant changes in the state of affairs

Corporate/group restructure

Prior to the restructure, the business comprised two separate partnerships being Shelston IP and Shelston IP Lawyers. Additionally Shelford Services Pty Limited, as trustee for Shelford Services Trust, provided administrative and support services to the partnerships. These entities are collectively referred to as the 'existing merged group'.

Xenith IP Group Limited ('Company') was incorporated as a public company on 26 August 2015. On 1 October 2015 an internal restructure took place in preparation for the Initial Public Offering ('IPO') of the Company's shares on the ASX on 19 November 2015. Under the restructure:

- The business assets and liabilities of Shelston IP and Shelston IP Lawyers were transferred to Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited respectively;
- The partners of Shelston IP exchanged their partnership interests for shares in Shelston IP Pty Limited;
- The partners of Shelston IP Lawyers exchanged their partnership interests for shares in Shelston IP Lawyers Pty Limited;
- Shelford Services Pty Limited transferred the assets of the Shelford Services Trust to Xenith IP Services Pty Limited, a wholly owned subsidiary of the Xenith IP Group Limited, for $1; and
- The shareholders of Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited transferred their shares in Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited to the Company in consideration for the issue of shares in the Company.

The resulting parent and subsidiaries are collectively referred to as the 'reconstructed consolidated group'.

This group reorganisation did not represent a business combination in accordance with AASB 3 'Business Combinations' but instead was recognised as a capital reconstruction related to existing businesses. The current year results represent the financial position of the 'reconstructed consolidated group' as at 30 June 2016 and the financial performance of the 'existing merged group' from 1 July 2015 to the date of restructure and the 'reconstructed consolidated group' from the date of restructure to 30 June 2016. The comparative information presented represents the financial position of the 'existing merged group' as at 30 June 2015 and the financial performance of the 'existing merged group' for the year ended 30 June 2015.

Subsequent events

Acquisition of Watermark and capital raising

On 23 August 2016 the Company entered into a binding agreement to acquire the businesses and brands of the Watermark Group for a purchase consideration of $19.5 million subject to finalisation of working capital and other adjustments. The purchase consideration will be met through the issue of 2,856,821 shares in Xenith and approximately $9.5 million in cash. The shares will be held under an escrow agreement which prevents the shares from being traded for a period of two years from the completion date.

The Company also announced on 23 August 2016 that it had successfully completed a placement of 2,064,634 shares at $3.35 per share raising a total amount of $6,916,524 (before costs associated with the issue) in share capital. The proceeds from this issue will be used to partially fund the cash component of the purchase consideration relating to the Watermark acquisition. The Company will draw down on available bank loan facilities to meet the remaining cash component of the purchase consideration. The Watermark business is expected to contribute future maintainable earnings before interest, taxation, depreciation and amortisation of approximately $2.5 million per annum. The acquisition is expected to complete in November 2016.

1 Christopher Bevitt resigned as Executive Director on 1 October 2015.

Directors' Report

Contingent liability

The Company has agreed to contribute up to $500,000 towards the cost of the fit out at Watemark's new Melbourne premises expected to be completed in October 2016.

Announcement of Share Purchase Plan

On 23 August 2016 the Company announced its intention to offer eligible shareholders in Australia the opportunity to participate in a Share Purchase Plan (SPP). Under the SPP, holders of existing shares in the Company on the record date of 22 August 2016 were invited to subscribe for up to $15,000 of shares at $3.35 per share. $1,239,014 was raised under the Share Purchase Plan.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Environmental regulations

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Dividends – Xenith IP Group Limited

There were no dividends paid in the current period. A final dividend in respect of the year ended 30 June 2016 was declared by the Directors of the Company on 30 August 2016, to be paid on 30 September 2016. This is an ordinary dividend of 7 cents per share, fully franked. As the dividend was not declared until 30 August 2016, a provision has not been recognised as at 30 June 2016.

Shares which may be issued on vesting of performance rights

Details of shares which may be issued on vesting of performance rights as at the date of this report are:

Issuing Entity	Number of shares under Performance Rights	Class of shares	Vesting date
Xenith IP Group Limited	45,680	Ordinary	30-Jun-18

Shares which may be issued on the vesting of retention rights

Details of shares which may be issued on vesting of retention rights as at the date of this report are:

Issuing Entity	Number of shares under Share Rights Plan	Class of shares	Vesting date
Xenith IP Group Limited	150,736	Ordinary	20-Nov-16
Xenith IP Group Limited	220,588	Ordinary	20-Nov-17
Xenith IP Group Limited	382,352	Ordinary	20-Nov-18
	753,676		

Indemnification of officers and auditors

Xenith maintains a Directors' and Officers' liability insurance policy that, subject to the policy terms and conditions and to the extent permitted by law, indemnifies the Company's current, past and future directors and officers (including directors and officers of the Company's subsidiaries). The Company pays the insurance premium for the Directors' and Officers' insurance policy.

The Company has not provided an indemnity in favour of its external auditors.

Information about the directors

Set out on the next page is information relating to the Company's Directors during the reporting period and up to the date of this report.

Directors' Report

Sibylle Krieger

LLB (Hons), LLM, FAICD, MBA

Independent
Non-Executive Chair

Sibylle was appointed to the Xenith Board on 1 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.

She is currently a non-executive director of Australian Energy Market Operator Limited, Tasmanian Water & Sewerage Corporation and Sydney Grammar School.

Sibylle is a member of the Board's Audit and Risk Committee and the Board's People and Culture Committee.

Stuart Smith

BE (Mech), PEng, FIPTA, MAICD

Managing Director

Stuart was appointed to the Xenith Board on 26 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 more than 20 years, and a member of the executive management team for more than 15 years. For 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.

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).

Russell Davies

BE (Mech)(Hons), FIPTA

Executive Director

Russell was appointed to the Xenith Board on 26 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 11 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.

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 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).

Russell is a member of the Board's People and Culture Committee.

Directors' Report

Susan Forrester

BA, LLB (Hons), EMBA, FAICD
Independent
Non-Executive Director

Susan was appointed to the Xenith Board on 1 October 2015.

Susan is an experienced 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 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 currently holds the position of chair for National Veterinary Care Ltd (ASX: NVL), is a non-executive director for G8 Education Limited (ASX: GEM) and Over the Wire Ltd (ASX: OTW). She has previously held a directorship for Shine Corporate Ltd (ASX: SHJ).

Susan is Chair of the Board's People and Culture Committee and is a member of the Board's Audit and Risk Committee.

Andrew Harrison

BEc, MBA, CA, MAICD

Independent
Non-Executive Director

Andrew was appointed to the Xenith Board on 1 October 2015.

Andrew is an experienced company director and former ASX100 CFO. In particular Andrew has significant experience in the M&A field having completed numerous mergers, trade sales and capital raisings. 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), IVE Group Limited (ASX: IGL) and WiseTech Global Limited (ASX: WTC).

Andrew is Chair of the Board's Audit and Risk Committee.

Previous Director

Christopher Bevitt – appointed 26 August 2015, resigned 1 October 2015

Company Secretary

Lesley Kennedy

BAcc (Hons), CA, GAICD

Lesley joined Xenith as Chief Financial Officer and Company Secretary on 18 May 2016. Lesley has over 20 years' experience in corporate finance and professional services, including approximately 10 years as CFO and Company Secretary in ASX listed companies. Lesley's recent experience includes the role of CFO and Company Secretary for Prime Media Group Limited (ASX: PRT) and, prior to that, the then listed Independent Practitioner Network Ltd, now wholly owned by Sonic Healthcare Ltd (ASX: SHL). Prior to this Lesley spent eight years advising multinational organisations as Senior Manager with Ernst & Young's Audit Assurance Services.

During the reporting period, the following person also held the position of Company Secretary of Xenith.

Nicholas Carson

BBus, MEc, MBA, CA

Nicholas joined Xenith 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 a member of Chartered Accountants Australia and New Zealand, CPA Australia and member and former secretary of the Professional Administrators' Group. Nicholas resigned as Company Secretary and Chief Financial Officer on 14 April 2016.

Directors' Report

Directors' shareholdings

The following table sets out each Directors' relevant interest in shares of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares (number)
Sibylle Krieger	22,877
Stuart Smith	1,208,803
Russell Davies	1,208,803
Susan Forrester	85,380
Andrew Harrison	36,800
Christopher Bevitt	1,057,703

Remuneration of key management personnel

Information about the remuneration of key management personnel, is set out in the Remuneration Report of this Director's Report, on page 24 to 29.

Share options granted to key management personnel

During and since the end of the financial year no share options were issued.

Meetings of Directors

The following table sets out the number of meetings of the Board of Directors and each of the established Board Committees held during the reporting period, as well as attendance at those meetings of each of the Directors.

	Board of Director Meetings		Audit and Risk Committee		People and Culture Committee	
Director	Held	Attended	Held	Attended	Held	Attended
Sibylle Krieger	12	12	3	3	2	2
Stuart Smith	13	13	-	-	-	-
Russell Davies	13	13	-	-	2	2
Susan Forrester	12	12	3	3	2	2
Andrew Harrison	12	12	3	3	-	-
Christopher Bevitt	1	1	-	-	-	-

Held: represents the number of meetings held during the time the Director held office.

Directors' Report

Legal Matters

During the reporting period, the members of the Group were not party to legal proceedings of a material nature. The Company is not aware of actual or threatened claims against the Group.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Operating and Financial Review

Group restructure

For details of the restructure that took place during the financial year, refer to "Significant changes in the state of affairs" section of this Directors' Report.

Operational overview

Xenith IP Group Limited is the holding company for the group entities comprising:

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

The Group currently employs over 100 personnel, including approximately 40 patent and trade mark attorneys and IP lawyers. The Principals (ex partners) have an average of 22 years' experience in the IP industry.

The majority of the Group's revenue is derived from IP services relating to the identification, registration, management, commercialisation and enforcement of IP rights from a broad spectrum of clients in Australia, New Zealand and the rest of the world.

Shelston IP Lawyers Pty Limited, a dedicated transactions and disputes team, focuses on IP commercial transactions, oppositions, litigation and alternative dispute resolution.

The nature of the IP life cycle means that each matter can continue to generate revenue up to:

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

Xenith has a broad client and revenue base, with over 3,000 active clients globally. The top 20 clients account for only 24% of revenue. The Company does not have any dependencies on key customers. Xenith has long term relationships with many of its largest clients with 62 of the top 100 clients with the firm for more than 10 years. The Company's clients range from large national and multinational corporations, public sector research institutes and tertiary educational institutions, through to SMEs, innovative start-up companies and entrepreneurs. Clients are diversified by geography, industry and service line.

Operating performance (Statutory)

The net profit after tax for the Group for the year ended 30 June 2016 of $6.5 million was $1.7 million or 21% below the prior year.

Revenue from ordinary activities of $32.2 million was $5.2 million or 19% above the prior year and has been supported by the following:

- In April 2015 the company transitioned to USD denominated billings for the majority of its overseas clients. This transition, combined with favourable movements in the USD: AUD exchange rate, contributed to revenue growth in the current year. The Company's exposure to foreign exchange movements during the year was largely unhedged with a hedging strategy adopted in April 2016; and
- The introduction of "Raising the Bar" legislation in 2013 resulted in an increase in the number of examinations and a more rigorous examination of Australian Patent applications.

Movements in expense items include:

- An increase in agent fees and disbursements of $0.7 million or 18%. Agent fees and disbursements predominately comprise foreign agent fees, foreign patent office fees and barrister's fees. The increased expense reflects an increase in outbound IP work for local clients and is offset by a corresponding increase in agents fees and recoverable disbursements disclosed within Revenue.

- An increase in employee benefits expense of $3.4 million or 37%. The current year includes the remuneration expense of Principals (ex partners) from the date of restructure whereas the prior year includes no Principal remuneration expense on the basis that the Principals participated in a profit share arrangement under the prior partnership structure. Additionally the current year expense includes a share based payments expense of $0.5 million relating to the one-off issue of retention rights as part of the IPO.
- A reduction in occupancy expense of $0.4 million or 17% on the prior year. On 31 August 2015 the Company surrendered part of the office space under lease. The current year includes a non-recurring expense of $0.6 million relating to this lease surrender transaction.
- An increase in the one-off costs associated with the restructure and IPO transaction to $1.6 million in the current year (2015: $0.4 million).
- An increase in consultancy costs of $0.1 million or 16%. The current year expense includes $0.3 million of consultants costs associated with the acquisition of the Watermark business.
- An increase in 'other expenses' of $0.75 million or 51% due to the additional costs associated with operating a publicly listed company, including the cost of assembling and operating a board of independent directors and recruitment of an appropriately skilled executive team.
- An increase in tax expense of $0.3 million (2015: nil). The effective tax rate of 4.3% reflects the following:
  - The inclusion of $3.5 million of tax exempt income in the current year relating to the partnership profit before the date of restructure;
  - The impact of the initial recognition of deferred tax balances relating to the opening provision balances on entry to the tax consolidated group upon restructure which was recognised through the current year profit and loss account; and
  - Non-allowable expenses relating to the IPO transaction.

Operating performance (Pro forma basis)

The current and prior year earnings of the group have been disclosed on a pro forma basis by adjusting the statutory earnings in the current and prior year for the following items:

1. Notional cost adjustments that arise on the assumption that the restructure took effect from the beginning of the financial years. These include:
   - Incremental notional cost of being a listed entity;
   - Incremental notional salary costs, including leave entitlements and on costs, of the Principals of the business. Prior to the restructure the Principals were not paid a salary but instead participated in a profit share arrangement; and
   - Incremental notional cost of the debt/equity structure of the business post the restructure of the group.
2. Adjustments for non-recurring items:
   - Share based payments expense relating to the one-off issue of Share Rights at the date of IPO;
   - One-off transaction costs, including stamp duty, associated with the business restructure and IPO;
   - One-off adjustments arising from the surrender of floor space under lease; and
   - One-off costs associated with the acquisition of the Watermark business as announced to the ASX by the Company on 23 August 2016. Refer to Note 39 'Events after the reporting period' for more information.

The table below provides a reconciliation of the statutory earnings to the pro forma earnings for the current and prior year.

	Consolidated 2016 $'000	Consolidated 2015 $'000
Statutory net profit after tax	**6,535**	8,229
add: tax	**295**	-
add: interest	**194**	137
add: depreciation and amortisation	**377**	324
Statutory earnings before interest, taxation, depreciation and amortisation (EBITDA)	7,401	8,690
Non-recurring costs:		
add: IPO transaction costs	**1,630**	393
add: share based payments expense – Share Rights	**525**	-
add: net lease surrender cost	**466**	804
add: acquisition costs	**321**	-
Notional adjustments		
less: STI and LTI Plan (1)	**(8)**	(200)
less: notional Principal remuneration	**(853)**	(3,193)
less: notional public company cost	**(300)**	(1,000)
Pro forma earnings before interest, taxation, deprecation and amortisation	**9,182**	5,494
less: pro forma depreciation and amortisation	**(377)**	(263)
less: pro forma net interest expense	**(257)**	(241)
less: pro forma tax expense	**(2,564)**	(1,497)
Pro forma net profit after tax	5,984	3,493

(1) Short term incentive plan ('STI') and long term incentive plan ('LTI')

Pro forma EBITDA of $9.2 million is $3.7 million or 67% above the prior year. This reflects an increase in the current year revenue of $5.2 million or 19% (as outlined in the 'operating performance (statutory)' section), and an increase of $1.5 million or 6.7% in pro forma expenses over the prior year. The result is an improved pro forma EBITDA margin (as a % of Professional Fees) of 34% in the current year (FY15: 24%) demonstrating the significant operating leverage of the business.

Current year pro forma expenses include:

- An increase in agent fees and disbursements of $0.7 million or 18%. Agent fees and disbursements predominately comprise foreign agent fees, foreign patent office fees and barristers' fees. The increased expense reflects an increase in outbound IP work for local clients and is offset by a corresponding increase in agents fees and recoverable disbursements disclosed within Revenue.
- Unfavourable movement in foreign exchange. In the current year the Company reported a foreign exchange loss of $0.1 million (FY15: gain of $0.4 million). This loss predominantly arises as a result of movement in foreign currency rates between the date of invoice and the date of payment which can be up to 90 days on foreign currency denominated customer invoices.

Operating performance (Pro forma) against Prospectus forecast

The FY16 pro forma EBITDA of $9.2 million exceeded the Prospectus forecast EBITDA of $7.5 million by $1.7 million or 23% and was largely driven by revenue exceeding forecast by $2.3 million or 8%. The prospectus forecast was prepared on the assumption that the USD: AUD exchange rate was 0.76. The average exchange rate during the current year was a more favourable 0.73.

Directors' Report

Financial Position

The Company has strengthened its financial position during the current year with a closing net cash position of $0.9 million against a prior year net debt position of $0.6 million.

The company's receivables and cash flow management continue to support overall strength in working capital. The 19% increase in revenue in the current year has been achieved with no increase in trade receivables (net of provision) demonstrating effective receivables management in the current year. Work in progress continues to be tightly managed with a year-end balance of only $0.3 million.

The prior year balance sheet represents the consolidated balance sheet of the Shelston IP Partnership and associated entities prior to the restructure. As such there are no tax related balances recorded in the prior year. The current year tax payable reflects income tax payable in relation to the current year post the restructure of the business. The Company will register to pay instalment taxation on lodgement of its first income tax return in December 2016. As such no income tax was paid in the current year, further supporting the strong cash position.

Other payables and accruals of $1.7 million were $0.7 million or 73% above the prior year. The current year includes one off accruals relating to advisors fees on the Watermark acquisition. Additionally the current year includes a bonus provision relating to the first year of operation of the formal short term incentive scheme.

During the year the Company surrendered part of its office space under lease. As a consequence of this, the provision balance at 30 June 2016 reflects the write back of the lease incentive and make good provisions previously held in relation to the surrendered leased space.

In April 2016, as part of the Company's foreign exchange hedging strategy, the Company entered into non speculative foreign exchange collar instruments to mitigate the risk of potential earnings volatility associated with the USD: AUD foreign exchange movements. The balance at 30 June 2016 reflects the fair value of these instruments.

Current employee benefits provision has increased by $0.5 million to a balance of $1.95 million at 30 June 2016. At the time of the restructure of the business on 1 October 2015, the ex partners of the business transitioned from a profit share arrangement to a salaried employee arrangement whereby the terms of their employment contracts permitted accrued long service leave entitlements to be carried forward but not annual leave entitlements. The initial recognition of the accrued long service leave entitlements arising from this transition occurred on 30 June 2015, ahead of the restructure. The increase during the year in the current employee benefits provision relates to the increased annual leave provision arising in relation to the ex partners of the business.

Business Strategy and Outlook

The Group's vision is to be the leading IP practice in Asia Pacific by representing many of the world's largest, fastest-growing, most innovative, and most successful companies, research institutes, SMEs and entrepreneurs.

The Group intends to pursue this vision through a combination of organic growth and carefully targeted strategic acquisitions. The Group's plans for further domestic expansion will be coupled with continuation of the Group's successful business development initiatives in China and expansion into the emerging markets of Southeast Asia, as outlined in more detail below.

Xenith believes the fragmentation of the Australian IP market provides significant opportunities for further consolidation. These opportunities will be pursued with an emphasis on factors in potential targets seen as core to continued growth and shareholder value creation. Such factors include alignment of vision and values, compatibility of cultures, calibre of personnel, quality of systems and compatibility of clients.

In alignment with this strategy, on 23 August 2016 the Company announced the acquisition of the Watermark business in Australia. This acquisition has a number of strategic benefits including:

- Geographical reach: an expanded geographical footprint in Australia;
- Scale: a broader base of personnel and other resources to pursue growth initiatives, together with an expanded referral network for the Company's Southeast Asian strategy.
- Complementary service lines: the opportunity to build on strategically important adjacent service lines already established within the Watermark business (including R&D tax incentives, IP valuation and competitive IP analytics)
- Operational efficiencies: opportunities for improved utilisation, operational efficiency and profitability through leveraging corporate services, IT systems, management resources and other infrastructure across the Group.

The purchase consideration of approximately $19.5 million will be met through the issue of $10 million in shares (2,856,821 shares issued at $3.50 per share) and $9.5 million in cash. The cash component will be funded through a private placement to institutional investors raising $6.9 million (before costs associated with the issue) and a Share Purchase Plan offered to shareholders raising a further $1.24 million with the remaining cash consideration met through a draw-down of existing debt facilities. The acquisition is expected to complete at the beginning of November 2016.

The Watermark business is expected to contribute additional revenue to the group of approximately $12-$13 million per annum and annual EBITDA of approximately $2.5 million. The acquisition is expected to be accretive on an earnings per share basis, before taking into consideration any of the cost or revenue synergies noted above.

Refinement and staged execution of integration plans for Watermark will be a key priority in the current and future years. This will include a focus on appropriate resourcing of the Xenith management team to ensure maximum value is derived from both revenue and cost synergies. A key element of the integration plan will be to transition the Watermark business on to Xenith's core IT system platform and drive efficiencies through further automation of work flows. This is expected to have a positive impact on the operating margins of the Watermark group in the future.

In relation to the growth strategy for Southeast Asia, the Company believes there is strong potential for geographical expansion into the secondary IP markets of Southeast Asia and the initial implementation phases of this strategic growth initiative will be a key focus in the coming year. The aim is to provide a comprehensive "one-stop" IP filing and advisory service solution across the region, to existing and new clients of the Group, delivered through a regional hub and spoke model, with the hub preferably established through a carefully targeted strategic acquisition in a key Southeast Asian jurisdiction.

Coupled with this will be a continued focus on the Company's successful business development initiatives in China, to build on the substantial momentum already established in this significant emerging market.

Business Risks

The material business risks that are likely to have an effect on the financial prospects of the Company together with indications as to how the Company intends to manage these risks are set out below:

- Foreign exchange risk: Gven that approximately 65% of the company's sales are invoiced in USD, any appreciation in the AUD/USD currency exchange rate will have an unfavourable impact on the Group's reported revenue. This has been mitigated to an extent by the adoption of a hedging strategy in April 2016. Under this hedging strategy approximately 80% of the Group's exposure to USD is hedged for a period of time through the use of collars whereby the Company is protected from adverse movements in the exchange rate up to a certain point, and to offset the cost of this protection, the Company forfeits any benefit from favourable movements in the exchange rate below a certain point. Management has performed sensitivity analysis on the impact of currency movements on the EBITDA of the business noting that a 1 cent movement in the USD/AUD exchange rate results in approximately $250,000 impact on revenue and EBITDA.
- Acquisition risk: Activities of other IP firms seeking to acquire competitors may render achievement of consolidation activity more difficult, expensive and/or time consuming. The inability to achieve substantial acquisitions may limit the growth potential of the Group. Moreover, acquisitions that 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. To address these risks, the Company has specifically recruited Directors and Management with appropriate experience in mergers and acquisitions. The Company also uses experienced and reputable advisors to assist with the execution of appropriate analysis, due diligence, negotiation and documentation of acquisition agreements.
- Market risk: A key element of the Group's growth strategy is expansion into Southeast Asia, preferably through one or more acquisitions as a basis for establishment of a regional hub and spoke network. There are inherent risks associated with entering any new geographical market with its own particular regulatory frameworks and cultural dynamics. The Company manages this risk through the use of long-standing established relationships, rigorous due diligence processes and independent advisors with appropriate geographical experience.
- Extension of ePCT to the national phase: A proposal is currently under consideration to extend the ePCT system for filing international patent applications to facilitate the subsequent "national phase" entry stage. It is currently not known when or if the ePCT system will be extended in this way, or if IP Australia would participate in any such extension. However, if implemented, this proposal may have a significant adverse impact on the Group's revenue currently derived from the national phase entry process step. To mitigate this risk, key strategies of the Group include continual system and process improvements to drive EBITDA margin performance and continuing development of adjacent and complementary service lines to provide a more comprehensive service offering to clients while diversifying revenue streams.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30 and forms part of this report.

Directors' Report

Remuneration Report (audited)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Xenith IP Group Limited's key management personnel for the financial year ended 30 June 2016. The term "key management personnel" refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

(a) Key Management Personnel
(b) Remuneration Policy
(c) Remuneration of Key Management Personnel
(d) Key terms of employment contracts; and
(e) Other information

(A) KEY MANAGEMENT PERSONNEL

The Directors and other Key Management Personnel ("KMP") of the consolidated entity during or since the end of the financial year were:

Non-Executive Director	*Position*
Sibylle Krieger (appointed 1 Oct 2015)	Chair Non-Executive Director
Andrew Harrison (appointed 1 Oct 2015)	Non-Executive Director
Susan Forrester (appointed 1 Oct 2015)	Non-Executive Director
Executive Director	
Stuart Smith (appointed 26 Aug 2015)	Managing Director
Russell Davies (appointed 26 Aug 2015)	Executive Director – Support Services
Chris Bevitt (appointed 26 Aug 2015 and resigned 1 Oct 2015)	Executive Director
Executive Officers	*Position*
Jacinta Flattery-O'Brien (appointed 1 Oct 2015)	Head of Practice Development
Lesley Kennedy (appointed 18 May 2016)	Chief Financial Officer & Company Secretary
Nicholas Carson (resigned 14 Apr 2016)	Chief Financial Officer & Company Secretary

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

(B) REMUNERATION POLICY

The Group's remuneration policy and incentive plans are designed to attract, motivate and retain high calibre directors, management and employees and to align their interests with the creation of shareholder value.

The Board has established a People and Culture Committee (previously known as Nomination and Remuneration Committee) which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and Senior Executives.

The People and Culture Committee assess the appropriateness of the nature and amount of remuneration of Non Executive Directors and Executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of high performing people.

Non-Executive Directors

Non-Executive Directors' fees and payments are reviewed periodically by the People and Culture Committee. The People and Culture Committee may, from time to time, receive advice from independent remuneration consultants to ensure these fees and payments are appropriate and in accordance with market rates.

The Chair's fees are determined independently of the other Non-Executive Directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of her own remuneration.

Non-Executive Directors do not receive any performance related incentive payments or equity instruments as part of their remuneration.

ASX listing rules require the aggregate Non-Executive Directors' remuneration to be determined periodically by a general meeting. Under the Company's Constitution and as set out in the IPO Prospectus, total aggregate remuneration available to Non-Executive Directors is currently set at $600,000 per annum.

Non-Executive Director fees (inclusive of committee fees) (inclusive of superannuation) for the current year are summarised below.

Name	Position	Annual Fees
Sibylle Krieger	Chair	$150,000
Susan Forrester		$90,000
Andrew Harrison		$90,000

Remuneration Report (audited)

Executive Directors and other KMP

The Company's remuneration framework in place during the current financial year for Executive Directors and other KMP was developed in the context of the Company's listing on the ASX in November 2015. Many of its features reflect the particular circumstances of the Company's transition from a private partnership to a publicly listed Company, including:

(1) The continuing equity ownership held by the Principals (former Partners). 11 Principals held collectively 12,541,333 shares representing 38.2% of the share capital of the Company at the financial year end. 4 of these Principals are KMP. These shares are held under escrow arrangements which do not permit the shares to be traded until 19 November 2017; and

(2) The Principals (including 4 KMP) entered into 3-year fixed term service agreements with the Company expiring on 30 September 2018.

Consequently the Company's remuneration strategy for KMP was designed around the above 2 points and based on the following principles:

- The KMP shareholders are aligned with shareholder interests through their significant equity interest held under escrow arrangements terminating on 19 November 2017;
- The KMP shareholders have effective retention schemes in place through their 3-year service agreements expiring on 30 September 2018; and
- A separate remuneration strategy was adopted for KMP who were not Principals in the Company.

The People and Culture Committee is currently reviewing the Group's Remuneration Strategy in relation to all of its KMP with a view to providing a direct relationship between the remuneration policy for KMP and the Company's performance. Subsequent to the year end the People and Culture Committee engaged the services of an independent remuneration consultant to review the Company's remuneration strategy including a review of the short term and long term incentive remuneration arrangements. Any recommendations arising from this review will be considered by the Board and disclosed in the FY17 Remuneration Report.

In May 2015 independent remuneration consultants were engaged (refer to the disclosure below) to provide advice on the establishment of a short term incentive plan (STI Plan) and a long term incentive plan (LTI Plan) to assist with the retention and motivation of senior professional staff whilst also aligning their interests with shareholders.

Currently, the remuneration structure adopted by the Company for senior professional staff (other than KMP) consists of the following components:

- Fixed Remuneration being annual salary;
- Short Term Incentives; and
- Long Term Incentives.

Short Term Incentive Plan (STI)

The STI plan is currently available to Senior Associates and awards a cash bonus subject to the attainment of clearly defined Group and Individual targets set at the beginning of the year. These targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. 50% of an individual's maximum STI entitlement is awarded on achievement of forecast Group Net Profit After Tax for the financial year.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each participant's pre agreed KPIs.

Long Term Incentive Plan (LTI)

The LTI plan is currently available to Senior Associates and aims to align remuneration with the creation of shareholder value over the long term. The LTI plan awards Performance Rights to individuals with vesting subject to achievement of both performance and service conditions. The performance condition is a predetermined growth in earnings per share target over a 3-year performance period.

As noted above, these plans do not currently relate to the KMP.

Use of Remuneration Consultants

Prior to incorporation, in May 2015 the Partnership employed the services of Mercer Consulting (Australia) Pty Limited ('Mercer') to provide detailed design services for short term incentive and long term incentive plans.

Under the terms of the engagement, Mercer provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $42,000 for these services.

Mercer has confirmed that the above recommendations have been made free from undue influence by members of the Group's Key Management Personnel.

Mercer was engaged by, and reported directly to, the Executive Director - Support Services. The Board is satisfied that the remuneration recommendations made are free from undue influence as the terms of the Executive Director's employment contract does not provide for participation in any STI or LTI plans of the Company during his 3-year contract term.

Directors' Report

Remuneration Report (audited)

(C) REMUNERATION OF KEY MANAGEMENT PERSONNEL

Historically the Company operated as a Partnership. Compensation paid to certain KMP was in the form of a share in Partnership profits. As such, information for the prior year is unable to be presented on a comparable basis and has therefore not been included.

	Short term employee benefits				Post employment benefits	Long term employee benefits	Share based payments	
	Salary & Fees	**Cash Bonus**	**Non-Monetary**	**Other**	**Super annuation**	**Long Service Leave**	**Options & Rights (ii)**	**TOTAL**
2016	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors								
Sibylle Krieger (i)	103,267	-	-	-	8,504	-	-	111,771
Susan Forrester (i)	61,960	-	-	-	5,886	-	-	67,846
Andrew Harrison (i)	61,960	-	-	-	5,886	-	-	67,846
Executive Directors								
Stuart Smith (i)	173,906	-	-	-	14,782	2,836	-	191,524
Russell Davies (i)	168,746	-	-	-	14,527	2,750	-	186,023
Christopher Bevitt (iii)	-	-	-	-	-	-	-	-
Executive Officers								
Jacinta Flattery-O'Brien (i)	169,470	-	-	-	14,782	2,836	-	187,088
Nicholas Carson	195,279	50,000	1,000	-	15,288	3,091	-	264,658
Lesley Kennedy	32,921	-	-	-	2,253	-	-	35,174
Total	**967,509**	**50,000**	**1,000**	**-**	**81,908**	**11,513**	**-**	**1,111,930**

(i) Includes remuneration from 1 October 2015.

(ii) The value of the Share Rights granted to KMP as part of their remuneration is calculated as at the grant date using the share price on this date. No value has been assigned to the Share Rights issued to Nicholas Carson as the rights were forfeited on his resignation from the Company during the year.

(iii) Christopher Bevitt did not receive any remuneration for his Directorship during the period from 26 August 2015 – 1 October 2015. The above table does not reflect his remuneration as an employee from 1 October 2015 as he was no longer KMP.

Remuneration Report (audited)

The relative proportions of those elements of Remuneration of Key Management Personnel that are linked to performance:

2016	Fixed Remuneration	Remuneration linked to performance
Non Executive Directors		
Sibylle Krieger	100%	-
Susan Forrester	100%	-
Andrew Harrison	100%	-
Executive Directors		
Stuart Smith	100%	-
Russell Davies	100%	-
Christopher Bevitt	100%	
Executive Officers		
Jacinta Flattery-O'Brien	100%	-
Nicholas Carson	100%	-
Lesley Kennedy	100%	-

No KMP appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Cash Bonus

Nicholas Carson received a cash bonus of $50,000 on achievement of the Company's successful listing on the ASX.

Share Rights Plan

Under the Company's Long Term Incentive Plan the Company made a one-off issue of Share Rights to certain key staff (including one member of the KMP) as part of the IPO process. Each Share Right converts to one ordinary share in Xenith IP Group Limited on exercise. The Exercise price is nil and no amounts are paid or payable by the recipient on receipt of the Share Right. The Rights carry neither right to dividends nor voting rights. Rights vest on achievement of service conditions only, set at one, two and three years. No performance conditions are attached to these Rights. Refer Note 7 and Note 38 for details.

Terms and conditions of share based payment arrangement affecting remuneration of KMP in the current financial year:

Share Rights	Grant Date	Grant Date Fair Value	Exercise Price	Vesting Date
IPO	20-Nov-15	$2.72	nil	19-Nov-17

There has been no amendment to the terms and conditions of the above share based payment arrangement since the grant date.

Details of share based payments granted as compensation to key management personnel during the current financial year:

		During the Financial Year				
Name	Share Rights	No. Granted	Value at Grant Date	No. Vested	% of Grant Vested	% of Grant Foreited
Nicholas Carson	IPO	18,382	$50,000	N/A	N/A	100%

100% of Share Rights issued to Nicholas Carson were forfeited on his departure from the Company during the current financial year.

No Share Rights were exercised by KMP during the year in which they were granted to them as part of their remuneration.

The Company has reviewed its long term incentive plans and considers the Performance Rights Plan it established during the current year as a more appropriate plan.

Directors' Report

Remuneration Report (audited)

(D) KEY TERMS OF EMPLOYMENT CONTRACTS

Remuneration and other terms of employment for the Executive Directors and other KMP are formalised in an Employment contract. The major provisions of the agreements relating to remuneration are set out below:

	Base Salary	Term of Agreement	Notice Period
Executive Directors			
Stuart Smith (i)	$250,000	3 years (20 Nov 15 - 19 Oct 18)	6 months (ii)
Russell Davies (i)	$250,000	3 years (20 Nov 15 - 19 Oct 18)	6 months (ii)
Christopher Bevitt (i)	$250,000	3 years (20 Nov 15 - 19 Oct 18)	6 months (ii)
Executive Officers			
Jacinta Flattery-O'Brien (i)	$250,000	3 years (20 Nov 15 - 19 Oct 18)	6 months (ii)
Nicholas Carson	$250,000	Unspecified	1 month
Lesley Kennedy (iii)	$325,000	Unspecified	3 months

(i) The terms of these agreements provide for a fixed base salary of $250,000 per annum over the 3 year fixed term period.
(ii) Subject to completing the minimum 3 year fixed term. The Company can terminate with 6 months notice at any time.
(iii) Terms of the Employment Contract provide for participation in an STI and LTI plan with effect from 1 July 2016.

(E) OTHER INFORMATION

FULLY PAID ORDINARY SHARES OF XENITH IP GROUP LIMITED

	Balance at 1 July No.	On Restructure of Business No. (i)	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
Non-Executive Directors						
Sibylle Krieger	-	-	-	-	18,400	18,400
Susan Forrester	-	-	-	-	80,903	80,903
Andrew Harrison	-	-	-	-	36,800	36,800
Executive Directors						
Stuart Smith	-	3,022,008	-	-	(1,813,205)	1,208,803
Russell Davies	-	3,022,008	-	-	(1,813,205)	1,208,803
Christopher Bevitt	-	2,644,257	-	-	(1,586,554)	1,057,703
Executive Officers						
Jacinta Flattery-O'Brien	-	3,022,008	-	-	(1,813,205)	1,208,803
Nicholas Carson	-	-	-	-	-	-
Lesley Kennedy	-	-	-	-	-	-

(i) The business operated as a partnership up until the date of restructure effective from 1 October 2015. Following the restructure of the business, certain KMP received shares in the Company in consideration for their share in the Partnership. The shares held by KMP at 30 June 2016 are subject to escrow conditions which prevent the shares from being traded until 19 November 2017.

Directors' Report

Remuneration Report (audited)

(F) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Profit distributions of $1,484,796 were paid to KMP in relation to profits earned in the former partnership up to the date of reorganisation on 1 October 2015.

END OF AUDITED REMUNERATION REPORT

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Stuart Smith
Managing Director
Sydney, 30 September 2016

Auditor's independence declaration

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Auditor's Independence Declaration
To the Directors of Xenith IP Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Xenith IP Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 30 September 2016

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue	5	**32,171,360**	27,006,025
Other income	6	**141,287**	283,714
Expenses			
Agent fees and disbursements		**(4,320,704)**	(3,650,571)
Employee benefits expense	7	**(12,505,456)**	(9,131,684)
Depreciation and amortisation expense	7	**(376,564)**	(324,404)
Advertising and marketing expense		**(615,110)**	(650,096)
Computer expense		**(388,198)**	(372,357)
Consultancy fees		**(930,609)**	(797,734)
Occupancy expense		**(2,070,158)**	(2,480,201)
Travel expense		**(107,441)**	(69,658)
Restructure and IPO costs	7	**(1,629,960)**	(392,745)
Finance costs		**(194,421)**	(136,526)
Net foreign exchange (loss)/gain	7	**(142,922)**	400,802
Other expenses		**(2,200,998)**	(1,455,317)
Profit before income tax expense		**6,830,106**	8,229,248
Income tax expense	8	**(294,662)**	-
Profit after income tax expense for the year attributable to the owners of Xenith IP Group Limited	24	**6,535,444**	8,229,248
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year attributable to the owners of Xenith IP Group Limited		**6,535,444**	8,229,248

		Cents	Cents
Basic earnings per share	37	**21.01**	28.54
Diluted earnings per share	37	**20.59**	28.54

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

Consolidated statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Current assets			
Cash and cash equivalents	9	**4,911,308**	1,402,700
Trade and other receivables	10	**8,339,705**	7,552,259
Work in progress	11	**289,616**	278,898
Other current assets	12	**278,226**	311,071
Total current assets		**13,818,855**	9,544,928
Non-current assets			
Property, plant and equipment	13	**911,357**	970,938
Intangible assets		**7,793**	7,793
Deferred tax asset	8	**1,355,304**	-
Other non-current assets		**26,473**	44,084
Total non-current assets		**2,300,927**	1,022,815
Total assets		**16,119,782**	10,567,743
Current liabilities			
Trade and other payables	14	**2,437,811**	1,716,541
Borrowings	15	**-**	2,000,000
Derivative financial instruments	16	**76,695**	-
Income tax payable	8	**1,318,101**	-
Employee benefits	17	**1,951,204**	1,418,424
Other current liabilities	18	**236,293**	252,940
Total current liabilities		**6,020,104**	5,387,905
Non-current liabilities			
Borrowings	15	**4,000,000**	-
Deferred tax liability	8	**331,865**	-
Employee benefits	19	**301,139**	473,586
Provisions	20	**981,464**	2,116,823
Total non-current liabilities		**5,614,468**	2,590,409
Total liabilities		**11,634,572**	7,978,314
Net assets		**4,485,210**	2,589,429
Equity			
Issued capital	21	**3,882,969**	970
Partner loans	22	**-**	4,583,020
Reserves	23	**(2,495,623)**	(3,027,117)
Retained earnings	24	**3,097,864**	1,032,556
Total equity		**4,485,210**	2,589,429

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

Consolidated statement of changes in equity

For the year ended 30 June 2016

Consolidated	Capital account $	Partner loans $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2014	970	4,583,020	(3,169,921)	1,030,820	2,444,889
Profit after income tax expense for the year	-	-	-	8,229,248	8,229,248
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	8,229,248	8,229,248
Transactions with owners in their capacity as owners:					
Distributions paid to former partners (note 25)	-	-	-	(8,084,708)	(8,084,708)
Transfer between reserves	-	-	142,804	(142,804)	-
Balance at 30 June 2015	970	4,583,020	(3,027,117)	1,032,556	2,589,429

Consolidated	Capital account/ issued capital $	Partner loans $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2015	**970**	**4,583,020**	**(3,027,117)**	**1,032,556**	**2,589,429**
Profit after income tax expense for the year	**-**	**-**	**-**	**6,535,444**	**6,535,444**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**6,535,444**	**6,535,444**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 21)	**3,881,999**	**-**	**-**	**-**	**3,881,999**
Share-based payment expense	**-**	**-**	**531,494**	**-**	**531,494**
Repayment of Partner loans	**-**	**(4,583,020)**	**-**	**-**	**(4,583,020)**
Distributions paid to former partners (note 25)	**-**	**-**	**-**	**(4,470,136)**	**(4,470,136)**
Balance at 30 June 2016	**3,882,969**	**-**	**(2,495,623)**	**3,097,864**	**4,485,210**

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

Consolidated statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		**32,760,537**	26,056,746
Payments to suppliers and employees		**(25,953,984)**	(18,230,575)
		6,806,553	7,826,171
Interest received		**1,503**	7,700
Interest and other finance costs paid		**(194,421)**	(136,526)
Net cash from operating activities	36	**6,613,635**	7,697,345
Cash flows from investing activities			
Payments for property, plant and equipment		**(459,621)**	(338,007)
Net cash used in investing activities		**(459,621)**	(338,007)
Cash flows from financing activities			
Proceeds from issue of shares		**3,831,089**	-
Proceeds from borrowings		**4,000,000**	-
Repayment of borrowings		**(2,000,000)**	-
Distributions paid to former partners		**(4,470,136)**	(8,084,708)
Repayment of partnership loans		**(4,583,020)**	-
Net cash used in financing activities		**(3,222,067)**	(8,084,708)
Net increase/(decrease) in cash and cash equivalents		**2,931,947**	(725,370)
Cash and cash equivalents at the beginning of the financial year		**1,402,700**	2,128,070
Effects of exchange rate changes on cash and cash equivalents		**576,661**	-
Cash and cash equivalents at the end of the financial year	9	**4,911,308**	1,402,700

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

Notes to the consolidated financial statements

For year ended 30 June 2016

NOTE 1. GENERAL INFORMATION

The financial statements cover Xenith IP Group Limited as a Group consisting of Xenith IP Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Xenith IP Group Limited's functional and presentation currency.

Xenith IP Group Limited, a for profit company, is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 21
60 Margaret Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2016. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year ending 30 June 2016.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Group Restructure

On 1 October 2015 the business underwent a restructure. Prior to the restructure, the business comprised two separate partnerships being Shelston IP and Shelston IP Lawyers. Additionally Shelford Services Pty Limited, as trustee for Shelford Services Trust, provided administrative and support services to the partnerships. These entities are collectively referred to as the 'existing merged group'.

The Company was incorporated as a public company on 26 August 2015. On 1 October 2015 an internal restructure took place in preparation for the Initial Public Offering ('IPO') of the Company's shares on the ASX on 19 November 2015. Under the restructure:

- The business assets and liabilities of Shelston IP and Shelston IP Lawyers were transferred to Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited respectively;
- The partners of Shelston IP exchanged their partnership interests for shares in Shelston IP Pty Limited;
- The partners of Shelston IP Lawyers exchanged their partnership interests for shares in Shelston IP Lawyers Pty Limited;
- Shelford Services Pty Limited transferred the assets of the Shelford Services Trust to Xenith IP Services Pty Limited, a wholly owned subsidiary of the Xenith IP Group Limited, for $1; and
- The shareholders of Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited transferred their shares in Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited to the Company in consideration for the issue of shares in the Company.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

The resulting parent and subsidiaries are collectively referred to as the '*reconstructed consolidated group*'.

This group reorganisation did not represent a business combination in accordance with AASB 3 'Business Combinations' but instead was recognised as a capital reconstruction related to existing businesses. The current year results represent the financial position of the '*reconstructed consolidated group*' as at 30 June 2016 and the financial performance of the '*existing merged group*' from 1 July 2015 to the date of restructure and the '*reconstructed consolidated group*' from the date of restructure to 30 June 2016. The comparative information presented represents the financial position of the 'existing merged group' as at 30 June 2015 and the financial performance of the '*existing merged group*' for the year ended 30 June 2015.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 33.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair share value of the equity instruments at the date at which they are granted. In the current year the fair value at grant date is the offer price of $2.72 under the IPO Prospectus document. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities measured at fair value using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 19, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for make good obligation

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The directors have determined that there are no operating segments identified for the financial year which are considered separately reportable, and accordingly the information reported to the Board of Directors (being the Chief Operating Decision Makers ('CODM')), is the consolidated results as shown in the statement of profit or loss and other comprehensive income and statement of financial position.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 5. REVENUE

	Consolidated	
	2016 $	**2015 $**
Sales revenue		
Revenue from rendering of services	**31,639,284**	26,334,114
Other revenue		
Commission	**495,848**	649,654
Other revenue	**36,228**	22,257
	532,076	671,911
Revenue	**32,171,360**	27,006,025

Significant accounting policy

Revenue Recognition

Revenue represents the fair value of the consideration receivable in respect of professional services provided during the year. Where the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognised in the profit or loss 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.

NOTE 5. REVENUE (CONTINUED)

Significant accounting policy (Continued)

Revenue Recognition (Continued)

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".

With regard to reimbursable expenses, when the Group is considered to be acting as the principal in accordance with AASB 118 Revenue, an amount equivalent to reimbursable expenses is 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. Client reimbursable expenses 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. Reimbursable expenses older than 60 days are constantly being reviewed and any not thought to be recoverable are provided for.

Commission revenue is recognised once the service has been provided.

Other revenue is recognised when it is received or when the right to receive payment is established.

NOTE 6. OTHER INCOME

	Consolidated	
	2016 $	2015 $
Net gain on disposal of property, plant and equipment	88,116	-
Interest income	1,503	7,700
Rental income	17,729	243,684
Other	33,939	32,330
Other income	**141,287**	283,714

Significant accounting policy

Other income

Interest income is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income and rental income is recognised when it is received or when the right to receive payment is established.

Notes to the consolidated financial statements
For year ended 30 June 2016

NOTE 7. EXPENSES

	Consolidated 2016 $	Consolidated 2015 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	**224,677**	160,957
Furniture and fittings	**54,931**	37,236
Office equipment	**1,974**	1,591
Computer equipment	**75,128**	104,820
Total depreciation	**356,710**	304,604
Amortisation		
Deferred expenditure	**19,854**	19,800
Total depreciation and amortisation	**376,564**	324,404
Rental expense relating to operating leases		
Minimum lease payments	**1,913,799**	2,315,998
Net foreign exchange loss/(gain)		
Fair value loss on derivatives	**76,695**	-
Other foreign exchange loss/(gain)	**66,227**	(400,802)
Total net foreign exchange loss/(gain)	**142,922**	(400,802)
Restructure and IPO costs		
Accounting fees	**-**	185,000
ASX/registry costs	**169,688**	-
Consulting and legal fees	**152,163**	192,387
Bank loan establishment fee	**50,000**	-
Employee benefits expense	**179,377**	-
Stamp duty	**1,031,257**	-
Other costs	**47,475**	15,358
Total restructure and IPO costs	**1,629,960**	392,745
Employee benefits expense		
Defined contribution superannuation expense	**878,636**	681,640
Share-based payments expense	**531,494**	-
Other employee benefits	**11,095,326**	8,450,044
Total employee benefits expense	**12,505,456**	9,131,684

On 1 October 2015 the Principals of the business transitioned from a profit share arrangement to a salaried employment arrangement.

The share-based payment expense includes $525,000 of expense relating to the one off issue of share rights to certain employees at the time of the IPO and as disclosed in the prospectus document.

Significant accounting policy

Depreciation and amortisation
Refer Note 13 for details on depreciation.

Net foreign exchange loss/(gain)
Refer Note 26 for details on foreign exchange loss/gain.

Employee benefits expense
Refer Note 17 and Note 19 for details on employee provisions and Note 38 for details on share based payments.

Notes to the consolidated financial statements
For year ended 30 June 2016

NOTE 8. INCOME TAX

	Consolidated 2016 $	Consolidated 2015 $
Income tax expense		
Current tax	1,318,101	-
Deferred tax - origination and reversal of temporary differences	(1,023,439)	-
Aggregate income tax expense	294,662	-
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(1,355,304)	-
Increase in deferred tax liabilities	331,865	-
Deferred tax - origination and reversal of temporary differences	(1,023,439)	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	6,830,106	8,229,248
Tax at the statutory tax rate of 30%	2,049,032	2,468,774
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of income that is exempt from tax	(1,059,520)	(2,468,774)
Effect of first time recognition of deferred tax*	(1,117,679)	-
Effect of expenses that are not deductible in determining taxable profit	422,829	-
Income tax expense	294,662	-
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Provisions	1,355,304	-
Deferred tax asset	1,355,304	-
Movements:		
Credited to profit or loss	1,355,304	-
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	55,591	-
Work in progress	86,885	-
Foreign exchange gain - unrealised	189,389	-
Deferred tax liability	331,865	-
Movements:		
Charged to profit or loss	331,865	-

* Deferred taxes have been recognised for the first time on the corporatisation of the Group arising from the restructure (see note 2).

NOTE 8. INCOME TAX (CONTINUED)

	Consolidated	
	2016 $	2015 $
Provision for income tax		
Provision for income tax	1,318,101	-

Significant accounting policy

Income tax in the consolidated statement of profit and loss for the period presented comprises current and deferred tax.

Current tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidation

During the year Xenith IP Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

As part of the restructure to facilitate listing, the Shelston IP partnership and associates transferred its business to Shelston IP Pty Limited. This change in legal structure caused a change in the tax status of the operations. This change in tax status has been included in the profit and loss for the period.

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 $	2015 $
Cash at bank and on hand	4,911,308	1,402,700

Significant accounting policy

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 $	2015 $
Trade receivables	7,605,664	7,704,689
Less: Provision for impairment of receivables	(159,892)	(255,914)
	7,445,772	7,448,775
Amounts due from previous Partners	809,855	-
Other receivables	84,078	103,484
	893,933	103,484
	8,339,705	7,552,259

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised a provision for impairment of receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment of receivables

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2016 $	2015 $
90 to 120 days overdue	300	-
Over 120 days over due	159,592	255,914
	159,892	255,914

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2016 $	2015 $
Opening balance	255,914	183,644
Additional provisions recognised	59,001	72,270
Receivables written off during the year as uncollectable	(56,447)	-
Unused amounts reversed	(98,576)	-
Closing balance	159,892	255,914

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)

Past due but not impaired

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2016 $	Consolidated 2015 $
45 to 60 days overdue	**431,416**	426,297
61 to 90 days overdue	**362,633**	193,675
91 to 120 days overdue	**142,774**	147,289
Over 120 days overdue	**355,411**	334,952
	1,292,234	1,102,213

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Significant accounting policy

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The average credit period on sales of services is 30 days for local customers and 60 days for foreign customers.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

NOTE 11. CURRENT ASSETS - WORK IN PROGRESS

	Consolidated 2016 $	Consolidated 2015 $
Work in progress - at cost	**384,478**	355,764
Less: Provision for impairment	**(94,862)**	(76,866)
	289,616	278,898

Significant accounting policy

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 the reporting date after providing for specific amounts which are not considered to be recoverable.

NOTE 12. CURRENT ASSETS - OTHER CURRENT ASSETS

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	**247,161**	207,360
Deferred expenses	**19,801**	22,041
Security deposits	**11,264**	11,264
Other current assets	**-**	70,406
	278,226	311,071

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2016 $	Consolidated 2015 $
Leasehold improvements - at cost	**1,725,037**	2,163,904
Less: Accumulated depreciation	**(1,116,030)**	(1,486,315)
	609,007	677,589
Furniture and fittings - at cost	**718,584**	670,195
Less: Accumulated depreciation	**(534,507)**	(479,576)
	184,077	190,619
Computer equipment - at cost	**816,267**	724,457
Less: Accumulated depreciation	**(703,398)**	(628,270)
	112,869	96,187
Office equipment - at cost	**36,263**	35,428
Less: Accumulated depreciation	**(30,859)**	(28,885)
	5,404	6,543
	911,357	970,938

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $	Furniture and fittings $	Computer equipment $	Office equipment $	Total $
Balance at 1 July 2014	541,088	222,533	186,504	7,210	957,335
Additions	304,853	5,322	14,503	924	325,602
Disposals	(7,395)	-	-	-	(7,395)
Depreciation expense	(160,957)	(37,236)	(104,820)	(1,591)	(304,604)
Balance at 30 June 2015	**677,589**	**190,619**	**96,187**	**6,543**	**970,938**
Additions	**322,052**	**48,389**	**91,810**	**835**	**463,086**
Disposals	**(165,957)**	**-**	**-**	**-**	**(165,957)**
Depreciation expense	**(224,677)**	**(54,931)**	**(75,128)**	**(1,974)**	**(356,710)**
Balance at 30 June 2016	**609,007**	**184,077**	**112,869**	**5,404**	**911,357**

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant accounting policy

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives at the depreciation rate as follows:

Leasehold improvements	Lease term
Furniture and fittings	5% to 15%
Computer equipment	15% to 20%
Office equipment	10% to 30%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTE 14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2016 $	2015 $
Trade payables	788,061	733,375
Goods and services tax payable	27,599	43,166
Other payables and accruals	1,622,151	940,000
	2,437,811	1,716,541

Significant accounting policy

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The average credit period on purchases of goods and services is 30 days for local vendors and 60 days for foreign vendors. The Group seeks to ensure that all payables are paid within the credit time frame.

NOTE 15. BORROWINGS

	Consolidated	
	2016 $	2015 $
Current		
Bank loan	-	2,000,000
Non-current		
Bank loan	4,000,000	-

NOTE 15. BORROWINGS (CONTINUED)

On 12 October 2015, the Group entered into a three year facility agreement ('Agreement') with Australia and New Zealand Banking Group Limited ('ANZ'). The facilities under the Agreement comprise:

- A cash advance facility with a limit of $6m; and
- An interchangeable facility allowing for cash advances and/or bank guarantees with a limit of $4m.

The Agreement is subject to specific financial covenants.

The facilities made available by ANZ are secured under a General Security Deed over the assets of Xenith IP Group Limited and each of its wholly owned subsidiaries. A cross guarantee exists between all Group entities.

Upon executing the new Agreement, borrowings under a previous 'Existing Working Capital Facilities Agreement' were extinguished. As at 30 June 2016 the interest rate was 3.60%.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2016 $	2015 $
Total facilities		
Bank overdraft	-	500,000
Cash advance facility	6,000,000	3,000,000
Interchangeable facility (including bank guarantee)	4,000,000	1,107,031
	10,000,000	4,607,031
Used at the reporting date		
Bank overdraft	-	-
Cash advance facility	4,000,000	2,000,000
Interchangeable facility (including bank guarantee)	931,675	1,107,031
	4,931,675	3,107,031
Unused at the reporting date		
Bank overdraft	-	500,000
Cash advance facility	2,000,000	1,000,000
Interchangeable facility (including bank guarantee)	3,068,325	-
	5,068,325	1,500,000

Significant accounting policy

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Refer to Note 26 for further information on financial instruments.

NOTE 16. CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated 2016 $	2015 $
Derivative financial instruments	76,695	-

During the year the Group entered into non-speculative foreign exchange collars to mitigate the risk of potential earnings volatility associated with AUD/USD foreign exchange rate movements.

Significant accounting policy

Derivative financial instruments

Refer to Note 26 and Note 27 for further information on financial instruments.

NOTE 17. CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated 2016 $	2015 $
Annual leave	1,054,692	788,920
Long service leave	896,512	629,504
	1,951,204	1,418,424

The provision represents annual leave and vested long service leave entitlements accrued for employees.

Significant accounting policy

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

NOTE 18. CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

	Consolidated 2016 $	2015 $
Revenue received in advance	236,293	252,940

NOTE 19. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated 2016 $	2015 $
Long service leave	301,139	473,586

The provision represents unvested long service leave entitlements accrued for employees.

NOTE 19. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS (CONTINUED)

Significant accounting policy

Long-term employee benefits

The liability for employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 20. NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2016 $	2015 $
Provision for make good obligation	360,632	611,240
Provision for lease incentive liability	620,832	1,505,583
	981,464	2,116,823

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2016	Provision for make good obligation $	Provision for lease Incentive liability $
Carrying amount at the start of the year	611,240	1,505,583
Reductions resulting from lease surrender	(250,608)	(586,425)
Unwinding of discount	-	(298,326)
Carrying amount at the end of the year	360,632	620,832

Significant accounting policy

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Provision for make good obligation

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Provision for lease incentive liability

The provision represents the straight lining of the lease incentive received over the respective lease terms.

During the year the Group surrendered part of the floor space under lease. The lease expires in November 2018.

NOTE 21. EQUITY - ISSUED CAPITAL

	2016 Shares	2015 Points	2016 $	2015 $
Ordinary shares - fully paid	32,816,368	-	3,882,969	-
Ordinary points - fully paid	-	1,145	-	970
	32,816,368	1,145	3,882,969	970

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2014	-	-
Balance	30 June 2015	-	-
Conversion of points*	1 October 2015	31,353,333	970
Shares issued at IPO	19 November 2015	1,444,318	3,831,089
Shares issued to employees at IPO	19 November 2015	18,717	50,910
Balance	**30 June 2016**	32,816,368	3,882,969

Movements in points

Details	As at	Points	$
Balance	1 July 2014	1,219	970
Net movement		(74)	-
Balance	30 June 2015	1,145	970
Net movement		100	-
Points converted on reorganisation*		(1,245)	(970)
Balance	**30 June 2016**	-	-

* The previous Partners of Shelston IP and its associated entities received 25,183.40 Xenith IP Group Limited shares for each point (share of partnership equity) held in the partnership.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Significant accounting policy

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

NOTE 22. EQUITY - PARTNER LOANS

	Consolidated 2016 $	Consolidated 2015 $
Partner loans	-	4,583,020

The partner loans were repaid on the restructure of the group.

NOTE 23. EQUITY - RESERVES

	Consolidated 2016 $	Consolidated 2015 $
Share-based payments reserve	531,494	-
Partnership reorganisation reserve	(3,027,117)	(3,027,117)
	(2,495,623)	(3,027,117)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration. Specifically, the reserve relates to performance rights and share rights issued by the Company to its employees under its Long Term Incentive Plan. The performance rights vest over 3 years on achievement of service conditions and non-market performance conditions. The share rights vest over 1 - 3 years and reflect the one off issue at the time of the IPO. There are no performance conditions attached to the share rights.

Partnership reorganisation reserve

The reserve is a pre-existing negative reserve of Shelston IP and its associate entities that has been carried forward on the basis that the consolidated financial statements have been prepared as a continuation of the financial statements of the existing merged Group (refer to Note 2: Group Restructure). The reserve recognises the cumulative impact of the existing merged Group's first adoption of Australian Accounting Standards.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payment reserve $	Partnership reorganisation reserve $	Total $
Balance at 1 July 2014	-	(3,169,921)	(3,169,921)
Transfer to retained earnings	-	142,804	142,804
Balance at 30 June 2015	-	(3,027,117)	(3,027,117)
Share-based payment expense	531,494	-	531,494
Balance at 30 June 2016	531,494	(3,027,117)	(2,495,623)

NOTE 24. EQUITY - RETAINED EARNINGS

	Consolidated 2016 $	Consolidated 2015 $
Retained earnings at the beginning of the financial year	1,032,556	1,030,820
Profit after income tax expense for the year	6,535,444	8,229,248
Distributions paid to former partners (note 25)	(4,470,136)	(8,084,708)
Transfer from partnership reorganisation reserve	-	(142,804)
Retained earnings at the end of the financial year	3,097,864	1,032,556

Notes to the consolidated financial statements

For year ended 30 June 2016

NOTE 25. EQUITY - DIVIDENDS/DISTRIBUTIONS TO FORMER PARTNERS

There were no dividends paid by the Company during the year (2015: $nil). A final dividend in respect of the year ended 30 June 2016 was declared by the directors of the Company on 30 August 2016, to be paid on 30 September 2016. This is an ordinary dividend of 7 cents per share, fully franked. As the dividend was not declared until 30 August 2016, a provision has not been recognised as at 30 June 2016.

Profit distributions of $4,470,136 (2015: $8,084,708) were paid to the former Partners of Shelston IP and its associate entities in respect of profits earned up to the date of reorganisation on 1 October 2015.

Significant accounting policy

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

NOTE 26. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Categories of financial instruments within the group are as follows:

	Consolidated	
	2016 $	**2015 $**
Financial assets		
Cash and cash equivalents	**4,911,308**	1,402,700
Loans and receivables	**8,339,705**	7,552,259
	13,251,013	8,954,959
Financial liabilities		
Derivative financial instruments	**76,695**	-
Trade and other payables	**2,345,143**	1,632,968
Borrowings	**4,000,000**	2,000,000
	6,421,838	3,632,968

Market risk

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign currency risk management (continued)

The Group has managed its exposure to foreign currency risk by entering into derivative instruments during the financial year. The following derivative financial instruments are outstanding at 30 June 2016:

	US dollars 2016	Protected average exchange rate 2016	Cap average exchange rate 2016
Collars			
Maturity:			
0 - 3 months*	3,300,000	0.7850	0.7300
3 - 6 months**	2,200,000	0.7775	0.7273

* The foreign exchange collar has a fair value of $40,790 (liability) at 30 June 2016

** The foreign exchange collar has a fair value of $35,905 (liability) at 30 June 2016

There were no derivative instruments outstanding at 30 June 2015.

The Group's foreign exchange risk management policy is to hedge up to a six month period. The forward exchange contracts taken up by the Group are regularly reassessed. The derivative instruments used for hedging foreign exchange exposures are forward exchange contracts/collars.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2016 $	2015 $	2016 $	2015 $
US dollars	8,063,364	4,398,033	(430,975)	(413,205)
Euros	26,384	2,097	(93,178)	(67,925)
New Zealand dollars	53,494	70,343	-	(19,248)
Pound Sterling	16,802	15,464	(51,096)	(16,936)
Japanese yen	-	-	(52,505)	(32,470)
Canadian dollars	-	-	(28,342)	(41,120)
	8,160,044	4,485,937	(656,096)	(590,904)

The following table details the Group's sensitivity to a 1 cent increase and decrease in the Australian dollar against US dollar. 1 cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1 cent change in foreign currency rates. A positive number below indicates an increase in profit or loss where the Australian dollar strengthens 1 cent against the relevant currency. For a 1 cent weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or loss and the balances below would be negative.

	AUD strengthened			AUD weakened		
Consolidated - 2016	Change	Effect on profit before tax	Effect on equity	Change	Effect on profit before tax	Effect on equity
US dollar	1 cent	(101,414)	-	1 cent	104,182	-

	AUD strengthened			AUD weakened		
Consolidated - 2015	Change	Effect on profit before tax	Effect on equity	Change	Effect on profit before tax	Effect on equity
US Dollar	1 cent	(47,828)	-	1 cent	49,004	-

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign currency risk management (continued)

The above is based upon the Group's net foreign currency balances carried on the balance sheet as at 30 June 2016 and 2015 only. This is mainly attributable to the exposure on the USD currency cash, receivables, and payables at the end of the reporting period.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2016		2015	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Bank loans	3.69%	4,000,000	3.94%	2,000,000
Net exposure to cash flow interest rate risk		4,000,000		2,000,000

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

The bank loans outstanding, totalling $4,000,000 (30 June 2015: $2,000,000), are principal and interest payment loans. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of $40,000 (30 June 2015: $20,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Group may obtain payment in advance or restrict the services offered where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and the notes to the financial statements. The Group does not have any material credit risk exposure to any single debtor or group of debtors and does not hold any collateral.

Liquidity risk

Prudent liquidity risk management requires the Group to maintain sufficient cash reserves and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows, and by matching the maturity profiles of financial assets and liabilities.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated 2016 $	Consolidated 2015 $
Bank overdraft	-	500,000
Cash advance facility	2,000,000	1,000,000
Interchangeable facility (including bank guarantee)	3,068,325	-
	5,068,325	1,500,000

Subject to the continuance of satisfactory credit ratings, both the cash advance facility and the interchangeable facility may be drawn at any time and have an average maturity of 2.33 years.

Remaining contractual maturities

The following tables detail the Group's remaining contractual liabilities for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Consolidated - 2016	Weighted average interest rate %	6 months or less $	Between 6 and 12 months $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,437,811	-	-	-	2,437,811
Interest-bearing - variable						
Bank loan	3.69%	74,407	73,193	4,189,252	-	4,336,852
Total non-derivatives		2,512,218	73,193	4,189,252	-	6,774,663
Derivatives						
Foreign currency US collars	-	76,695	-	-	-	76,695
Total derivatives		76,695	-	-	-	76,695

Consolidated - 2015	Weighted average interest rate %	6 months or less $	Between 6 and 12 months $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,716,541	-	-	-	1,716,541
Interest-bearing - variable						
Bank loan	3.94%	2,052,537	-	-	-	2,052,537
Total non-derivatives		3,769,078	-	-	-	3,769,078

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 27. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Derivative financial instruments	-	76,695	-	76,695
Total liabilities	-	76,695	-	76,695

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Significant accounting policy

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Notes to the consolidated financial statements
For year ended 30 June 2016

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	1,018,509	-
Post-employment benefits	81,908	-
Long-term benefits	11,513	-
	1,111,930	-

NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company:

	Consolidated	
	2016 $	2015 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	105,000	39,500
Other services - Grant Thornton Audit Pty Ltd		
Tax compliance services	42,370	-
Transaction due diligence and restructure	111,100	185,000
	153,470	185,000
	258,470	224,500

NOTE 30. CONTINGENT LIABILITIES

The Group has given bank guarantees as at 30 June 2016 of $931,675 (2015: $1,107,031).

NOTE 31. COMMITMENTS

	Consolidated	
	2016 $	2015 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,752,104	1,913,799
One to five years	2,470,247	4,222,351
	4,222,351	6,136,150

Notes to the consolidated financial statements

For year ended 30 June 2016

NOTE 32. RELATED PARTY TRANSACTIONS

Parent entity

Xenith IP Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2016 $	2015 $
Other transactions:		
Distributions to previous partners	4,470,136	8,084,708

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2016 $	2015 $
Current receivables:		
Amounts due from previous partners	809,855	-

During the current year the Company paid expenses relating to the IPO transaction on behalf of Xenith IP (Sale Co) Limited. The shareholders of Xenith IP (Sale Co) Limited are the ex partners of the business. This receivable has been settled post year end.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2016 $	2015 $
Equity:		
Partner loans	-	4,583,020

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 33. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2016 $	2015 $
Loss after income tax	(2,975,820)	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(2,975,820)	-

Statement of financial position

	Parent	
	2016 $	2015 $
Total current assets	7,566,760	-
Total non-current assets	7,455,420	-
Total assets	15,022,180	-
Total current liabilities	4,244,049	-
Total non-current liabilities	4,000,000	-
Total liabilities	8,244,049	-
Net assets	6,778,131	-
Equity		
Issued capital	3,882,969	-
Share-based payments reserve	531,494	-
Partnership reorganisation reserve	5,339,488	-
Accumulated losses	(2,975,820)	-
Total equity	6,778,131	-

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Xenith IP Group Limited and its 100% owned subsidiaries (the 'Closed Group') entered into a Deed of Cross Guarantee on 24 June 2016. The effect of the deed is that Xenith IP Group Limited has guaranteed to pay any deficiency in the event that a controlled group entity within the Closed Group is wound up. The controlled entities within the Closed Group have also given a similar guarantee in the event that Xenith IP Group Limited is wound up.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015, other than those disclosed in Note 30.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policy

Parent entity

The accounting policies of the parent entity are consistent with those of the Group except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 34. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	2016 %	2015 %
Shelston IP Pty Ltd	Australia	100%	-
Shelston IP Lawyer Pty Ltd	Australia	100%	-
Xenith IP Services Pty Ltd	Australia	100%	-

NOTE 35. DEED OF CROSS GUARANTEE

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Xenith IP Group Limited
Shelston IP Pty Ltd
Shelston IP Lawyer Pty Ltd
Xenith IP Services Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Xenith IP Group Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Notes to the consolidated financial statements
For year ended 30 June 2016

NOTE 36. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated	
	2016 $	2015 $
Profit after income tax expense for the year	6,535,444	8,229,248
Adjustments for:		
Depreciation and amortisation expense	376,564	324,404
Fair value loss on derivatives	76,695	-
Net foreign exchange gain - unrealised	(707,992)	(128,627)
Share based payments expense	531,494	-
Bad and doubtful debts	86,998	173,994
Issue of shares to employees at IPO	50,910	-
Net gain on disposal of property, plant and equipment	(88,116)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(787,282)	(1,748,050)
Decrease/(increase) in work in progress	(10,718)	155,726
Increase in deferred tax assets	(1,355,304)	-
Decrease/(increase) in other assets	30,602	(148,639)
Increase in trade and other payables	765,439	286,421
Increase in provision for income tax	1,318,101	-
Increase in deferred tax liabilities	331,865	-
Increase in employee benefits	360,333	-
(Decrease)/increase in provisions	(884,751)	552,868
Decrease in other liabilities	(16,647)	-
Net cash from operating activities	6,613,635	7,697,345

NOTE 37. EARNINGS PER SHARE

	Consolidated	
	2016 $	2015 $
Profit after income tax attributable to the owners of Xenith IP Group Limited	6,535,444	8,229,248

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	31,113,294	28,834,993
Adjustments for calculation of diluted earnings per share:		
– performance rights	22,840	-
– share rights	602,941	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	31,739,075	28,834,993

	Cents	Cents
Basic earnings per share	21.01	28.54
Diluted earnings per share	20.59	28.54

For the purpose of providing a comparative earnings per share, the weighted average number of ordinary shares are calculated based on the number of ordinary shares that would have been in existence had the corporate/group reorganisation occurred as at 1 July 2014 (1,145 partnership points converted at the rate of 25,183.4 shares per point).

NOTE 37. EARNINGS PER SHARE (CONTINUED)

Significant accounting policy

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Xenith IP Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 38. SHARE-BASED PAYMENTS

Performance rights

The Performance Rights Plan ("Plan") was adopted by the Board of Directors ("Board") in the financial year ended 30 June 2016. The Plan was established to attract, motivate and retain key staff.

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 is determined by the Board. Performance rights awarded under the plan are awarded for no monetary consideration unless determined otherwise by the Board. Performance rights do not carry any voting rights.

Each performance right issued under the Plan converts into one ordinary share of Xenith IP Group Limited on exercise. No amounts are paid or payable by the recipient of the performance right unless determined otherwise by the Board. The performance rights do not carry any voting rights.

Performance rights will vest to the extent that the applicable performance, service or other vesting conditions specified at the time of the grant are satisfied (collectively, the "performance conditions"). Performance conditions may include conditions relating to continuous employment or service, the individual performance of the participant and/or Group performance. Performance conditions must be satisfied within a predetermined performance period. Both the performance conditions and the performance period are set by the Board at its absolute discretion.

The Board has set the following performance conditions for the performance rights granted to employees on 4 December 2015:

- performance rights granted will vest subject to the Company's compound annual growth rate ("CAGR") in Earnings Per Share ("EPS") performance over the performance period relative to the EPS CAGR hurdles; and
- a participant must be in continued employment with the Group at the relevant vesting date.

The performance period is from 1 July 2015 to 30 June 2018.

EPS CAGR performance hurdles and award rates are as follows:

EPS CAGR	Award
< 10%	0%
10-15%	50%
>15%	100%

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.

NOTE 38. SHARE-BASED PAYMENTS (CONTINUED)

Performance rights (continued)

Set out below are summaries of performance rights granted under the plan:

Performance rights series	Grant date	Grant date fair value	Exercise price	Vesting date	Expiry date
Issued 4 December 2015	04/12/2015	$2.72	nil	30/06/2018	30/06/2020

Grant date	Expiry date	Weighted average exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
04/12/2015	30/06/2020	$0.00	-	51,980	-	(6,300)	45,680
			-	51,980	-	(6,300)	45,680

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2 years (2015: N/A years).

Share Rights

At the date of IPO the Company made a one off issue of share rights to assist with the retention of senior associates of Xenith IP Group Limited.

The Share rights are capable of conversion into fully paid ordinary in the capital of the Company over a one - three year vesting period. Vesting is not conditional on any performance conditions, only time and continued service.

Set out below are summaries of share rights granted under the plan:

Share rights series	Grant date	Grant date fair value	Exercise price	Vesting date
Issued 5 February 2016	05/02/2016	$2.72	nil	20/11/2016
Issued 5 February 2016	05/02/2016	$2.72	nil	20/11/2017
Issued 5 February 2016	05/02/2016	$2.72	nil	20/11/2018

Grant date	Vesting date	Weighted average Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
05/02/2016	20/11/2016	$0.00	-	158,088	-	(7,352)	150,736
05/02/2016	20/11/2017	$0.00	-	250,000	-	(29,412)	220,588
05/02/2016	20/11/2018	$0.00	-	397,059	-	(14,707)	382,352
			-	805,147	-	(51,471)	753,676

The weighted average remaining contractual life of share rights outstanding at the end of the financial year was 1.7 years (2015: N/A).

The weighted average fair value of performance rights and share rights during the year is $2.72 (2015: $nil). The performance rights and share rights were valued using the offer price per share of $2.72 as disclosed in the prospectus at the time of IPO.

NOTE 38. SHARE-BASED PAYMENTS (CONTINUED)

Significant accounting policy

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value. In the current year the fair value at grant date is the share offer price of $2.72 per the prospectus. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTE 39. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Watermark and capital raising

On 23 August 2016 the Company entered into a binding agreement to acquire the businesses and brands of the Watermark Group for a purchase consideration of $19.5 million subject to finalisation of working capital and other adjustments. The purchase consideration will be met through the issue of 2,856,821 shares in Xenith IP Group Limited and approximately $9.5 million in cash. The shares will be held under an escrow agreement which prevents the shares from being traded for a period of 2 years from the completion date.

The Company also announced on 23 August 2016 that it had successfully completed a placement of 2,064,634 shares at $3.35 per share raising a total amount of $6.8 million in share capital (net of share issue costs). The proceeds from this issue will be used to partially fund the cash component of the purchase consideration relating to the Watermark acquisition. The Company will draw down on available bank loan facilities to meet the remaining cash component of the purchase consideration.

The Watermark business is expected to contribute future maintainable earnings before interest, taxation, depreciation and amortisation of approximately $2.5 million per annum. The acquisition is expected to complete in November 2016.

Contingent liability

The Company has agreed to contribute up to $500,000 towards the cost of the fit out at Watermark's new Melbourne premises expected to be completed in October 2016.

Announcement of Share Purchase Plan

On 23 August 2016 the Company announced its intention to offer eligible shareholders in Australia the opportunity to participate in a Share Purchase Plan (SPP). Under the SPP, holders of existing shares in the Company on the record date of 22 August 2016 were invited to subscribe for up to $15,000 of shares at $3.35 per share. $1,239,014 was raised under the Share Purchase Plan.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 40. OTHER ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Xenith IP Group Limited ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Xenith IP Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of common control subsidiaries is accounted for at book value. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

NOTE 40. OTHER ACCOUNTING POLICIES (CONTINUED)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018. Based on a preliminary assessment there will be no material impact on the adoption of this standard.

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 July 2016 will not have a material impact on the Group.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018. Based on a preliminary assessment there will be no material impact on the adoption of this standard.

NOTE 40. OTHER ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. Based on a preliminary assessment there will be an increase in lease assets and financial liabilities recognised in the statement of financial position.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Stuart Smith
Managing Director
Sydney, 30 September 2016

Independent auditor's report to the members of Xenith IP Group Limited

GrantThornton

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Sydney NSW 2000

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Independent Auditor's Report
To the Members of Xenith IP Group Limited

Report on the financial report

We have audited the accompanying financial report of Xenith IP Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

GrantThornton

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Xenith IP Group Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 24 to 29 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Xenith IP Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 30 September 2016

Shareholder information

The shareholder information set out below was applicable as at 20 September 2016.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	191	84,399
1,001 to 5,000	333	980,945
5,001 to 10,000	156	1,162,027
10,001 to 100,000	113	2,616,039
100,001 and over	27	30,407,447
	820	35,250,857
Holding less than a marketable parcel	-	-

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Limited	3,794,467	10.76
BNP Paribas Noms Pty Ltd (DRP)	3,408,314	9.67
National Nominees Limited	1,668,193	4.73
RBC Investor Services Australia Nominees Pty Ltd (PICREDIT)	1,452,285	4.12
UBS Nominees Pty Ltd	1,362,590	3.87
Mr Russell James Davies	1,208,803	3.43
Mr Paul Gerard Harrison	1,208,803	3.43
Ms Jacinta Flattery-O'Brien	1,208,803	3.43
Mr John Bernard Redfern	1,208,803	3.43
Mr Stuart Murray Smith	1,208,803	3.43
Mr Charles William Tansey	1,208,803	3.43
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	1,128,511	3.20
Mr Christopher James Bevitt	1,057,703	3.00
Ms Caroline Maria Bommer	1,057,703	3.00
Mr Andrew Scott Lockhart	1,057,703	3.00
Mr Sean Francis McManis	1,057,703	3.00
Mr Peter John Treloar	1,057,703	3.00
RBC Investor Services Australia Nominees Pty Limited (BKCUST A/C)	1,015,682	2.88
HSBC Custody Nominees (Australia) Limited	934,394	2.65
J P Morgan Nominees Australia Limited	746,263	2.12
	28,052,032	79.58

Shareholder information

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	45,680	8
Share rights	753,677	19

SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Limited	3,794,467	10.76
BNP Paribas Noms Pty Ltd (DRP)	3,408,314	9.67

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Performance Rights and Share Rights

Performance Rights and Share Rights carry no voting rights.

There are no other classes of equity securities.

SECURITIES SUBJECT TO VOLUNTARY ESCROW

Class	Expiry date	Number of shares
Ordinary	19 November 2018*	12,541,333

* being second anniversary of the listing date

Corporate directory
30 June 2016

DIRECTORS

Sibylle Krieger - Chair
Stuart Smith
Russell Davies
Andrew Harrison
Susan Forrester

COMPANY SECRETARY

Lesley Kennedy

NOTICE OF ANNUAL GENERAL MEETING

The details of the annual general meeting of Xenith IP Group Limited are:
2pm on 18 November 2016 at Dexus Place
Level 5
1 Margaret Street
Sydney NSW 2000

REGISTERED OFFICE

Level 21
60 Margaret Street
Sydney NSW 2000
Tel: +61 2 9777 1122

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
Tel: 1300 787 272

AUDITOR

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

SOLICITORS

HWL Ebsworth Lawyers
Level 14
Australia Square
264-278 George Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

Xenith IP Group Limited shares are listed on the Australian Securities Exchange (ASX code: XIP)

WEBSITE

www.xenithip.com

BUSINESS OBJECTIVES

Xenith IP Group Limited has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement was approved by the Board of Directors on 30 September 2016 and can be found on the Investor Relations page at www.xenithip.com

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www.xenithip.com