Xenith IP Group Limited

Appendix 4D
Half-year report

1. Company details

Name of entity:	Xenith IP Group Limited
ABN:	88 607 873 209
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

Statutory profits to 31 December 2015 were $3.7m (31 December 2014: $4.4m) down 16.8% and pro forma results were $3.2m and $1.8m for the respective periods up 75.7%. The difference between statutory and pro forma results primarily relates to one off cost associated with the restructure of business and the IPO.

Refer to the commentary in the attached half year Directors' Report for additional explanation of the results. This report should be read in conjunction with the half-yearly financial report.

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Revenues from ordinary activities	up	20.2%	to	16,151,121
Profit from ordinary activities after tax attributable to the owners of Xenith IP Group Limited	down	16.8%	to	3,699,688
Profit for the half-year attributable to the owners of Xenith IP Group Limited	down	16.8%	to	3,699,688

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.69	8.23

The net tangible assets per ordinary shares is calculated based on 32,816,368 ordinary shares on issue as at 31 December 2015 and 31,353,333 ordinary shares that would have been in existence had the corporate/group reorganisation occurred as at 30 June 2015.

4. Control gained over entities

On 1 October 2015 Xenith IP Group Limited acquired Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited. For accounting purposes the acquisition has been treated as a corporate/group reorganisation.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Xenith IP Group Limited Dividend Reinvestment Plan has been approved by the Board but has not yet been activated.

The last date(s) for receipt of election notices for the dividend or distribution plans: not applicable

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of Xenith IP Group Limited for the half-year ended 31 December 2015 is attached.

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12. Signed

Signed

Date: 19 February 2016

Stuart Smith
Managing Director
Sydney

Xenith IP Group Limited

ABN 88 607 873 209

Interim Report - 31 December 2015

Contents

Corporate directory
31 December 2015

Directors	Sibylle Krieger - Chair Stuart Smith Russell Davies Andrew Harrison Susan Forrester
Company secretary	Nicholas Carson
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

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Xenith IP Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

The following persons were directors of Xenith IP Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Sibylle Krieger - Chair	Appointed 1 October 2015
Stuart Smith - Managing Director	Appointed 26 August 2015
Andrew Harrison	Appointed 1 October 2015
Susan Forrester	Appointed 1 October 2015
Russell Davies - Executive Director	Appointed 26 August 2015
Christopher Bevitt - Executive Director	Appointed 26 August 2015 and resigned 1 October 2015

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.

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of the protection, management and commercialisation of intellectual property assets on behalf of its clients, with the aim of contributing to their success.

Dividends

There were no dividends paid by the Company (31 December 2014: $nil). Distributions of $4,470,136 were paid or payable to the former partners of Shelston IP and Shelston IP Lawyers in respect of profits earned from before 1 July 2015 and up to the date of reorganisation 1 October 2015 (31 December 2014: $3,409,508).

Review of operations

Xenith IP Group Limited's businesses comprise Shelston IP Pty Limited patent and trade mark attorneys, Shelston IP Lawyers Pty Limited and Xenith IP Services Pty Limited all based in Sydney, Australia. 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. IP for many companies is critical to their operations and underlying value.

The profit for the Group for the half year ended 31 December 2015 after providing for income tax amounted to $3.7m (31 December 2014: $4.4m). Revenue for the Group for the period amounted to $16.5m (31 December 2014: $13.6m). On a pro forma basis, revenue for the Group was $16.3m (31 December 2014: $13.5m) and the profit for the Group after providing for income tax was $3.2m (31 December 2014: $1.8m), an increase of 21% and 76% respectively over the prior comparable period. Pro forma EBITDA was $4.9m up 73% when compared to the previous corresponding period.

In the half year ending 31 December 2015, in addition to solid organic growth the Group's profitability was significantly enhanced by two key factors:

- as anticipated in the Company's Prospectus, the America Invents Act resulted in increased filings work for the Group in the first half of FY16. The Directors believe this has brought forward earnings into the reporting period that would have otherwise been booked in the latter half of the year; and
- favourable foreign exchange movements between the US and Australian dollars. The Company's exposure to foreign exchange was unhedged during the period.

A reconciliation between the statutory and pro forma results for the half years ended 31 December 2015 and 31 December 2014 is presented below:

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Statutory revenue	16,471	13,577
less: sub lease adjustment	(214)	(125)
Pro forma revenue	16,257	13,452
Statutory NPAT*	3,700	4,448
add: tax	(35)	-
add: interest	86	71
add: depreciation and amortisation	338	161
Statutory EBITDA**	4,089	4,680
add: IPO expense	1,434	-
add: retention rights, STI and LTI Plan***	218	(100)
add: net lease surrender	404	433
less: notional remuneration adjustment	(979)	(1,665)
less: notional public company cost adjustment	(250)	(500)
Pro forma EBITDA	4,916	2,848
less: pro forma depreciation	(230)	(161)
less: pro forma net interest expense	(122)	(120)
less: pro forma tax	(1,369)	(749)
Pro forma NPAT	3,195	1,818

* Net profit after tax ('NPAT')
** Earnings before interest, taxation, depreciation and amortisation ('EBITDA')
*** Short term incentive plan ('STI') and long term incentive plan ('LTI')

The above Statutory / Pro forma results table has been prepared to eliminate the effect of the IPO and reorganisation of the Group which took place during the half year ended 31 December 2015 and present the results on the basis of how the Group has been structured since the reorganisation.

The adjustments between statutory revenue and Pro forma revenue arise from the ceasing of a sub lease arrangement. The adjustments between the Statutory EBITDA and Pro forma EBITDA arise from a) adding back IPO expenses which include stamp duty, the issue of shares to employees, initial ASX listing fees; b) adding back adjustments relating to the employee long term incentive plan (LTIP); c) adding back adjustments relating to the partial surrender of a lease; d) deducting a notional amount for the effect of the former partners' remuneration following the reorganisation for the period before the reorganisation; and e) deducting a notional amount calculated to adjust for the effect of the change to a public listed company following the reorganisation for the periods before the reorganisation.

The difference between the statutory tax expense and Pro forma tax expense arises because of a) the tax effect of incorporation of the group as part of the reorganisation; and b) the tax effect of the adjustments between statutory EBITDA and Pro forma EBITDA.

Significant changes in the state of affairs

Corporate/group reorganisation - Xenith IP Group Limited with Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited.

On 1 October 2015 the shareholders of the Company undertook a corporate reorganisation. The partners of Shelston IP exchanged their partnership interest for shares in Shelston IP Pty Limited and the partners of Shelston IP Lawyers exchanged their partnership interest for shares in Shelston Lawyers IP Pty Limited. Xenith IP Group Limited then acquired Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited. The resulting parent and subsidiaries are collectively referred to as the 'existing Merged Group'. A subsidiary of Xenith IP Group Limited, Xenith IP Services Pty Limited, acquired the assets and liabilities of Shelford Services Pty Limited on 1 October 2015.

This group reorganisation did not represent a business combination in accordance with AASB 3 'Business Combination'. Instead the appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Accordingly, the financial statements represent a continuation of the existing Merged Group.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

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 6 and forms part of this report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Stuart Smith
Managing Director

19 February 2016
Sydney

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Sydney NSW 2000

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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 review of Xenith IP Group Limited for the half-year ended 31 December 2015, 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 review; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Partner - Audit & Assurance

Sydney, 19 February 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
Revenue	6	16,151,121	13,442,280
Net foreign exchange gain		320,274	134,915
Expenses	7		
Disbursements		(1,978,081)	(1,719,563)
Employee benefits expense		(6,014,626)	(4,418,434)
Depreciation and amortisation expense		(337,625)	(160,646)
Advertising and marketing expense		(293,292)	(321,624)
Computer expense		(209,931)	(178,812)
Consultancy fees		(116,589)	(382,934)
Occupancy expense		(1,286,382)	(1,103,806)
Travel expense		(49,234)	(33,871)
Stamp duty expense		(1,077,195)	-
Restructure costs		(346,256)	-
Other expenses		(1,010,714)	(738,165)
Finance costs		(86,479)	(71,048)
Profit before income tax benefit		3,664,991	4,448,292
Income tax benefit	8	34,697	-
Profit after income tax benefit for the half-year attributable to the owners of Xenith IP Group Limited	16	3,699,688	4,448,292
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Xenith IP Group Limited		3,699,688	4,448,292
		Cents	Cents
Basic earnings per share	20	21.55	14.19
Diluted earnings per share	20	21.33	14.19

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

Xenith IP Group Limited

Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 Dec 2015 $	Consolidated 30 Jun 2015 $
Assets			
Current assets			
Cash and cash equivalents		3,728,933	1,402,700
Trade and other receivables		7,921,331	7,552,259
Work in progress		653,384	278,898
Other current assets		408,743	311,071
Total current assets		12,712,391	9,544,928
Non-current assets			
Property, plant and equipment		906,878	970,938
Intangible assets		10,328	7,793
Deferred tax		554,298	-
Other non-current assets		-	44,084
Total non-current assets		1,471,504	1,022,815
Total assets		14,183,895	10,567,743
Liabilities			
Current liabilities			
Trade and other payables	9	3,862,130	1,716,541
Borrowings	10	5,000,000	2,000,000
Income tax		519,601	-
Employee benefits		1,930,561	1,418,424
Other current liabilities	11	214,091	252,940
Total current liabilities		11,526,383	5,387,905
Non-current liabilities			
Employee benefits		327,673	473,586
Provisions	12	1,108,847	2,116,823
Total non-current liabilities		1,436,520	2,590,409
Total liabilities		12,962,903	7,978,314
Net assets		1,220,992	2,589,429
Equity			
Issued capital	13	3,882,969	970
Partner loans	14	-	4,583,020
Reserves	15	(2,924,085)	(3,027,117)
Retained profits	16	262,108	1,032,556
Total equity		1,220,992	2,589,429

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

Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Capital account $	Partner loans $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2014	970	4,583,020	(3,169,921)	1,030,820	2,444,889
Profit after income tax benefit for the half-year	-	-	-	4,448,292	4,448,292
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	4,448,292	4,448,292
Transactions with owners in their capacity as owners:					
Partnership reorganisation reserve	-	-	(697,409)	-	(697,409)
Distributions paid (note 16)	-	-	-	(3,409,508)	(3,409,508)
Balance at 31 December 2014	970	4,583,020	(3,867,330)	2,069,604	2,786,264

Consolidated	Capital account/ issued capital $	Partner loans $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2015	970	4,583,020	(3,027,117)	1,032,556	2,589,429
Profit after income tax benefit for the half-year	-	-	-	3,699,688	3,699,688
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	3,699,688	3,699,688
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 13)	3,881,999	-	-	-	3,881,999
Share-based payment expense	-	-	103,032	-	103,032
Repayment of Partner loans	-	(4,583,020)	-	-	(4,583,020)
Distributions paid (note 16)	-	-	-	(4,470,136)	(4,470,136)
Balance at 31 December 2015	3,882,969	-	(2,924,085)	262,108	1,220,992

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

Statement of cash flows
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		16,062,942	13,866,247
Payments to suppliers and employees (inclusive of GST)		(11,552,044)	(10,865,201)
		4,510,898	3,001,046
Interest received		532	3,700
Interest and other finance costs paid		(86,479)	(71,048)
Net cash from operating activities		4,424,951	2,933,698
Cash flows from investing activities			
Payments for property, plant and equipment		(298,013)	(132,485)
Payments for intangible assets		(2,535)	-
Proceeds from disposal of investments		-	19,999
Net cash used in investing activities		(300,548)	(112,486)
Cash flows from financing activities			
Proceeds from issue of shares	13	3,881,999	-
Proceeds from borrowings		3,000,000	-
Dividends/ distributions paid		(4,097,149)	(3,409,508)
Repayment of partnership loans		(4,583,020)	-
Net cash used in financing activities		(1,798,170)	(3,409,508)
Net increase/(decrease) in cash and cash equivalents		2,326,233	(588,296)
Cash and cash equivalents at the beginning of the financial half-year		1,402,700	2,128,070
Cash and cash equivalents at the end of the financial half-year		3,728,933	1,539,774

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

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 half-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 19 February 2016.

Note 2. Group reorganisation

Xenith IP Group Limited was incorporated as a public company on 26 August 2015. On 1 October 2015, an internal restructure took place in preparation of the Initial Public Offering ('IPO') by the listing of the Group on the Australian Securities Exchange ('ASX'). This resulted in a newly incorporated company, Xenith IP Group Limited, becoming the legal parent of the Group.

The Company was admitted to the official list of the ASX on 19 November 2015.

As a result the consolidated financial statements have been prepared as a continuation of the financial statements of the existing Merged Group, consisting of Shelston IP Pty Limited, Shelston IP Lawyers Pty Limited and Xenith IP Services Pty Limited as such:

- The assets and liabilities recognised in the financial statements are at the carrying amount of Shelston IP Partnership rather than at fair value;
- The retained earnings and other equity balances recognised in the financial statement shall be the existing retained earnings and other equity balances of Shelston IP Partnership; and
- The amount stated as issued capital in the financial statements has been calculated by adding the additional equity issued by the Group to the capital recorded in the Shelston IP Partnership's financial statements immediately before reorganisation.

Therefore this financial report for the half year ended 31 December 2015 includes the financial results for the consolidated group under Xenith IP Group Limited from the date of reorganisation to 31 December 2015 and the consolidated group under the Shelston IP and associated entities for the period 1 July 2015 to the date of the reorganisation. The comparative information presented in the financial report represents the financial position of Shelston IP and associated entities as at 30 June 2015 and the financial performance of Shelston IP and its associated entities for the half year ended 31 December 2015.

Note 3. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Note 3. Significant accounting policies (continued)

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 half-year ended 31 December 2015 and are not expected to have any significant impact for the full 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.

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 31 December 2015 and the results of all subsidiaries for the half-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.

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.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Xenith IP Group Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial half-year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 3. Significant accounting policies (continued)

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

Where the outcome of a transaction cannot be estimated reliably, revenue is recognised only to the extent that the costs of providing the service are recoverable. No revenue is recognised where there are significant uncertainties regarding recovery of the consideration due or where the right to receive payment is contingent on events outside the control of the group. Expected losses are recognised as soon as they become probable based on the latest estimates of revenue and costs. Unbilled revenue is included in “Work in progress”.

Reimbursable expenses
When the Group is considered to be acting as the principal reimbursable expenses are recognised as revenue. If the Group is considered to be acting solely as an agent, amounts billed to customers are offset against the relevant costs.

Commission
Commission revenue is recognised once the service has been provided.

Interest
Interest revenue is recognised as interest accrues 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 revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Disbursements recoverable
Client disbursements recoverable are recognised when invoiced. The amount recognised is net of any GST payable. Internally generated disbursements are credited directly to the profit or loss in the month they are charged to a client matter. Disbursements older than 60 days are constantly being reviewed and any not thought to be recoverable are provided for.

Income 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 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.

Note 3. Significant accounting policies (continued)

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.

Xenith IP Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have agreed to form 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 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.

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 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 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.

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.

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. Trade receivables are generally due for settlement within 30 days.

Note 3. Significant accounting policies (continued)

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.

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.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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	7%
Furniture and fittings	5% to 15%
Computer equipment	15% to 20%
Office equipment	10% to 30%

Note 3. Significant accounting policies (continued)

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.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents
Costs associated with patent applications yet to be granted are not amortised.

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.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial half-year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

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.

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.

Note 3. Significant accounting policies (continued)

Employee benefits

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

Other 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.

Share-based payments
The Group operates equity-settled share-based remuneration plans for its employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

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.

Note 3. Significant accounting policies (continued)

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.

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, net of tax, from the proceeds.

Dividends

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Corporate/group reorganisation - Xenith IP Group Limited with Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited

Xenith IP Group Limited was incorporated on 26 August 2015. On 1 October 2015 the shareholders of the Company undertook a corporate reorganisation, in which Xenith IP Group Limited, acquired Shelston IP Pty Limited and Shelston IP Lawyers Pty Limited ('existing Merged Group').

Note 3. Significant accounting policies (continued)

This group reorganisation did not represent a business combination in accordance with AASB 3 'Business Combination'. Instead the appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Accordingly the financial statements are a continuation of the existing Merged Group and as such:

- The assets and liabilities recognised and measured are at carrying amounts of the existing Merged Group rather than at fair value;
- The retained earnings and other equity balances recognised are the existing retained earnings and other equity balances of the existing Merged Group;
- No 'new' goodwill has been recognised as a result of the combination; and
- The comparatives presented are those of the existing Merged Group.

Earnings per share

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 half-year, adjusted for bonus elements in ordinary shares issued during the financial half-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.

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.

Note 4. 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 value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. 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.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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.

Employee benefits provision
As discussed in note 3, 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.

Note 5. Operating segments

The directors have determined that there are no operating segments identified for the half-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.

Note 6. Revenue

	Consolidated	
	31 Dec 2015 $	31 Dec 2014 $
Sales revenue		
Revenue from rendering of services	15,612,472	13,027,645
Other revenue		
Commission	276,182	260,581
Interest	532	3,700
Rent	17,729	128,282
Other revenue	244,206	22,072
	538,649	414,635
Revenue	16,151,121	13,442,280

Note 7. Expenses

	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
Profit before income tax includes the following specific expenses:		
Rental expense relating to operating leases		
Minimum lease payments	1,198,130	1,103,806
Superannuation expense		
Defined contribution superannuation expense	497,875	420,638
Share-based payments expense		
Share-based payments expense	103,032	-

Note 8. Income tax benefit

	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit before income tax benefit	3,664,991	4,448,292
Tax at the statutory tax rate of 30%	1,099,497	1,334,488
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of income that is exempt from tax	(1,059,520)	(1,334,488)
Effect of first time recognition of deferred tax *	(490,251)	-
Non-deductible items	415,577	-
Income tax benefit	(34,697)	-

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

Note 9. Current liabilities - trade and other payables

	Consolidated 31 Dec 2015 $	Consolidated 30 Jun 2015 $
Trade payables	859,952	733,375
Goods and services tax payable	-	43,166
Other payables and accruals	3,002,178	940,000
	3,862,130	1,716,541

Note 10. Current liabilities - borrowings

	Consolidated	
	31 Dec 2015 $	30 Jun 2015 $
Commercial bills payable	5,000,000	2,000,000

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

- a term 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.

At 31 December 2015 the interest rate was 3.81%.

Note 11. Current liabilities - other current liabilities

	Consolidated	
	31 Dec 2015 $	30 Jun 2015 $
Revenue received in advance	214,091	252,940

Note 12. Non-current liabilities - provisions

	Consolidated	
	31 Dec 2015 $	30 Jun 2015 $
Lease make good	360,632	611,240
Straight-line lease provision	748,215	1,505,583
	1,108,847	2,116,823

Lease make good
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.

Straight-line lease
The provision represents the present value of the lease straight-lining of the premises leased by the Group to the end of the respective lease terms.

Note 13. Equity - issued capital

	Consolidated			
	31 Dec 2015 Shares	30 Jun 2015 Points	31 Dec 2015 $	30 Jun 2015 $
Ordinary shares - fully paid	32,816,368	-	3,882,969	-
Ordinary points - fully paid	-	1,115	-	970
	32,816,368	1,115	3,882,969	970

Note 13. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2015	-	-
Conversion of points *	1 October 2015	31,353,333	970
Shares issued at IPO	19 November 2015	1,444,318	3,881,999
Shares issued to employees	19 November 2015	18,717	-
Balance	31 December 2015	32,816,368	3,882,969

Movements in points

Details	Date	Points	$
Balance	1 July 2015	1,115	970
Cancellation	1 July 2015	(30)	-
Re-issue/cancellation	1 October 2015	160	-
Points converted on reorganisation	19 November 2015	(1,245)	(970)
Balance	31 December 2015	-	-

** Share issues during the period on corporate/group reorganisation*
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. On IPO, the previous partners sold approximately 60% of their shares via Xenith IP (SaleCo) Limited. Additional capital of $3,881,999 net of costs was raised and is reflected in the issued capital of Xenith IP Group Limited.

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.

Share buy-back
There is no current on-market share buy-back.

Note 14. Equity - partner loans

	Consolidated	
	31 Dec 2015 $	30 Jun 2015 $
Partner loans	-	4,583,020

Note 15. Equity - reserves

	Consolidated 31 Dec 2015 $	Consolidated 30 Jun 2015 $
Share-based payments reserve	103,032	-
Partnership reorganisation reserve	(3,027,117)	(3,027,117)
	(2,924,085)	(3,027,117)

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Partnership reorganisation reserve
The reserve is a pre-existing negative reserve of the Shelston IP partnership 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. The reserves recognises the cumulative impact of the existing Merged Group first adopting Australian Accounting Standards.

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share-based payment reserve $	Partnership reorganisation reserve $	Total $
Balance at 1 July 2015	-	(3,027,117)	(3,027,117)
Share-based payment expense	103,032	-	103,032
Balance at 31 December 2015	103,032	(3,027,117)	(2,924,085)

Note 16. Equity - retained profits

	Consolidated 31 Dec 2015 $	Consolidated 30 Jun 2015 $
Retained profits at the beginning of the financial half-year	1,032,556	1,030,820
Profit after income tax benefit for the half-year	3,699,688	8,229,248
Distributions paid (note 17)	(4,470,136)	(8,084,708)
Transfer from partnership reorganisation reserve	-	(142,804)
Retained profits at the end of the financial half-year	262,108	1,032,556

Note 17. Equity - dividends/distributions

There were no dividends paid by the Company (31 December 2014: $nil). Distributions of $4,470,136 were paid or payable to the former partners of Shelston IP and Shelston IP Lawyers in respect of profits earned from before 1 July 2015 and up to the date of reorganisation 1 October 2015 (31 December 2014: $3,409,508).

Note 18. Fair value measurement

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.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 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 20. Earnings per share

	Consolidated	
	31 Dec 2015 $	31 Dec 2014 $
Profit after income tax attributable to the owners of Xenith IP Group Limited	3,699,688	4,448,292
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	17,169,330	31,353,333
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	179,408	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	17,348,738	31,353,333
	Cents	**Cents**
Basic earnings per share	21.55	14.19
Diluted earnings per share	21.33	14.19

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.

Xenith IP Group Limited

Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and

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

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Stuart Smith
Managing Director

19 February 2016
Sydney

Grant Thornton

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

We have reviewed the accompanying half-year financial report of Xenith IP Group Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Xenith IP Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Xenith IP Group Limited consolidated entity's financial position as at

31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Xenith IP Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Xenith IP Group Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 19 February 2016