

SECTION 1: INVESTMENT OVERVIEW



1: Investment Overview

This information is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. Investors must read this entire Prospectus in order to make an informed investment decision, including the sensitivity analysis outlined in Section 6.4.5 and the risks described in Section 7.

1.1 Business Overview

SAI Global supplies products and services based on a collection of more than 6,500 Australian Standards® as well as International Standards, foreign standards and related publications.

On Listing, SAI Global will comprise three businesses:

1. SAI Global Business Publishing (**Business Publishing**) – distributes technical and business standards and related products developed by Standards Australia and other organisations in hard and electronic copy. Business Publishing holds the exclusive right to publish and distribute Australian Standards® in Australia. This business is to be acquired by the Company from Standards Australia before Listing under the Business Purchase Agreement and the Publishing Licence Agreement described in Section 10.5;
2. SAI Global Professional Services (**Professional Services**) – provides standards and business improvement related training and consulting services in Australia and, through its wholly owned subsidiary, Excel, in the United States; and
3. SAI Global Assurance Services (**Assurance Services**) – certifies that products and management systems conform with Australian Standards®, International Standards and other



codes of practice, using the "5-tick" StandardsMarks. It also provides certification services in over 60 countries from its offices in Australia, the United States, New Zealand, India, Mexico and Indonesia.

The Company, after completion of the Restructure, is referred to in this Prospectus as "SAI Global".

1.2 Investment Highlights

Access to key intellectual property

SAI Global has access to key intellectual property including:

- the exclusive right to publish and distribute Australian Standards® in Australia and the right to publish and distribute Australian Standards® globally;
- the right to distribute ISO and IEC standards in Australia;
- the right to distribute many other foreign standards;
- ownership of the "5-tick" StandardsMarks; and
- ownership of the Australian Business Excellence Framework.

SECTION 4: BUSINESS PROFILE



4: The Business (Continued)



4.6 Relationship between Standards Australia and SAI Global

On completion of the Offer and the Buy Back, Standards Australia will own 40% of the issued shares in SAI Global. Standards Australia's main revenue sources will include royalties payable under the Publishing Licence Agreement, rental income and investment income. These and other revenues are projected to provide sufficient funding to enable Standards Australia to meet its financial obligations and to maintain its current level of standards development. Standards Australia will have total net assets of approximately \$87.8 million (excluding the market value of Standards Australia's holding in SAI Global) on completion of the sale of SAI Global.

As part of the Restructure, the Company and Standards Australia will enter into a Publishing Licence Agreement, Shared Services Agreement

and a number of property leases. This Section provides an overview of those agreements and should be read in conjunction with Section 10.5.

4.6.1 Publishing Licence Agreement

Under this agreement, Standards Australia grants the Company an exclusive licence to publish and distribute Australian Standards® and other materials in Australia. These rights extend for a 15 year period, with an option to renew for a further five year term, subject to shareholder approval of SAI Global being obtained and certain other conditions being satisfied. The Company will pay Standards Australia a royalty of 10% of the net revenue received from the sale of the licensed material and an additional bonus royalty of up to 15% (decreasing over time) in relation to the licensing of significant new material. The agreement requires Standards Australia to regularly review and revise its collection of Australian Standards®, so that no more than 30% are over ten years old, and to use its best endeavours to produce new material each year that corresponds to at least 7% of Australian Standards® at the start of that year.

Under the agreement, the Company must not (without Standards Australia's approval) increase the selling price of the licensed material above the price determined in accordance with certain guidelines reflecting the existing pricing policies of Standards Australia. In particular, average price increases are generally to be based on CPI plus 2% per annum, capped at CPI plus 5% per annum (subject to cost increases).

A more detailed description of the Publishing Licence Agreement is set out in Section 10.5.

SECTION 10: ADDITIONAL INFORMATION



10: Additional Information (Continued)

warranties within the first 12 months after completion and provided the aggregate value of the claims exceeds \$500,000. Claims under the warranties are capped at the purchase price paid.

The BPA includes a non-compete provision prohibiting Standards Australia from carrying on a business or operation in Australia (and in relation to two of the businesses, worldwide), similar to or competitive with the businesses sold and the existing business of the Company. The period of restraint is:

- up to 15 years for certification services, conformity assessment services and publishing, marketing, distribution and sale of standards deliverables;
- up to 5 years for holding or organising seminars, workshops and training programs concerning standards and consulting or advisory services in relation to intellectual property which is owned by SAI Global; and
- up to 1 year for instituting a new fee for service, development for codes of practice and/or processes where copyright vests in a third party.

Under the BPA, the Company will enter into leases relating to freehold property owned by Standards Australia. The material terms of these leases are described below.

Publishing Licence Agreement (PLA)

Under the PLA, Standards Australia grants (to the extent of its rights) to the Company the following three rights:

- a worldwide licence to publish, distribute, market and sell "Australian Standards® and Standards Normative Documents and Products";

- an exclusive regional licence to distribute, market and sell certain "other licensed material"; and
- an exclusive licence to publish and distribute "The Global Standard".

"Australian Standards®" and "Standards Normative Documents and Products" broadly include all publications and associated products produced by Standards Australia using its consensus processes.

"Other Licensed Material" broadly includes standards and normative documents produced by other organisations, such as ISO, IEC, ITU, BSI, DIN, JSA, ETSI and ASTM, to which Standards Australia has rights for publication and sale in Australia.

"The Global Standard" means the magazine produced, published and distributed by Standards Australia.

These rights extend for a 15 year period with an option to renew for a further five year term subject to shareholder approval of SAI Global being obtained and certain other conditions being satisfied.

SAI Global will pay Standards Australia a royalty of 10% of the net revenue received from the sale of the licensed material and an additional bonus royalty of up to 15% (decreasing over time to zero) in relation to the licensing of significant new material. Different royalty arrangements may be applied for special or innovative arrangements by mutual agreement between the parties.

SAI Global must not (without Standards Australia's approval) increase the selling price of the licensed material above the price determined in accordance



10: Additional Information (Continued)

with certain guidelines, reflecting the existing pricing policies of Standards Australia. In particular, average price increases are generally to be based on CPI plus 2% per annum, capped at CPI plus 5% per annum (subject to cost increases).

Under the terms of the document, SAI Global is required to meet certain key performance measures and is prohibited from:

- amending, modifying or revising the licensed material without Standards Australia's consent;
- misrepresenting that intellectual property from other sources is from Standards Australia; or
- acting as if it owns the licensed material or is an agent of Standards Australia.

Under the PLA, Standards Australia is required to:

- use reasonable endeavours to maintain its membership of ISO, IEC and other relevant organisations needed to continue publishing existing standards;
- use reasonable endeavours to maintain its status as the peak non-government standard setting body in Australia;
- regularly review and revise its collection of Australian Standards® so that no more than 30% are over ten years old; and
- use best endeavours to produce new material that in any year corresponds to at least 7% of current Australian Standards® at the start of the year.

The PLA prohibits Standards Australia from allowing third parties (other than SAI Global and its sub-licensees) to exploit the licensed material. Both Standards Australia (on a global basis) and SAI Global (in Australia or globally (varying across businesses)) are also subject to non-compete

obligations, for a period not exceeding the term of the PLA.

Standards Australia is granted a right of first refusal by SAI Global to contract for the writing and development of technical documents or products for use in Australia, where consistent with Standards Australia's core business and competencies.

Standards Australia warrants to the Company that it has full rights to the intellectual property licensed to the Company under the PLA and agrees to fully indemnify the Company against any breach of this warranty.

The Company indemnifies Standards Australia for any liability arising from any material breach of the agreement by the Company.

The PLA may only be terminated by Standards Australia in the event of insolvency of the Company.

Shared Services Agreement (SSA)

Under the SSA, the Company provides a number of services to Standards Australia for a commercial fee of \$1 million per annum exclusive of GST and (subject to annual CPI review) payable by Standards Australia. These services include finance, compliance and audit, legal, human resources, public affairs, use of the research information centre, information technology services and production, publication and distribution of The Global Standard. The Company may also provide additional services to Standards Australia by mutual agreement between the parties.

The SSA has an initial term of five years, but is terminable by Standards Australia on 6 months notice, in respect of the provision of all or any

