

XENITH IP GROUP LIMITED (ACN 607 873 209) ASX ANNOUNCEMENT

18 June 2019

Scheme Booklet lodged for proposed combination of Xenith IP and IPH

Xenith IP Group Limited (**Xenith**) (ASX:XIP) today lodged a Scheme Booklet with the Australian Securities and Investments Commission (**ASIC**) for the proposed combination of Xenith and IPH Limited (**IPH**) (ASX:IPH).

The Scheme Booklet will be sent to shareholders on Monday 24 June 2019, and eligible Xenith shareholders will be able to vote on the proposal at a Scheme Meeting to be held on Thursday 25 July 2019.

Xenith IP Chair Sibylle Krieger said, “The proposed combination of Xenith with IPH Limited comes after an extensive process during which the Xenith Board consistently sought to maximise value for Xenith shareholders.

“The proposal outlined in the Scheme Booklet represents material improvements on the initial offer from IPH, and is considered by Xenith’s Board to be superior to an earlier proposed combination with QANTM Intellectual Property Limited.

“The Xenith Directors, along with management and their advisers, have carefully considered the advantages and the disadvantages of the Xenith/IPH Scheme, and the Xenith Directors unanimously recommend that shareholders vote in favour of the Scheme, in the absence of a Superior Proposal. Each Xenith Director intends to vote the Xenith shares held or controlled by them in favour of the Scheme, in the absence of a superior proposal.

“Xenith Directors have also commissioned an Independent Expert, Lonergan Edwards & Associates Limited, to prepare an Independent Expert’s Report in relation to the Scheme. The Independent Expert has assessed both the merits of the Scheme as well as the value of the Scheme consideration, and has concluded that the Scheme is fair and reasonable, and in the best interests of Xenith shareholders in the absence of a superior proposal.”

Based on the closing price of IPH shares on the day prior to the announcement of the transaction (\$6.90 per share as at 5 April 2019), the Scheme Consideration implies a value of \$2.15 per Xenith share. This value represents a substantial premium of approximately 73% to the closing price of Xenith shares as at 26 November 2018 (\$1.245 per share), the day prior to the announcement of the former transaction with QANTM.

Ms Krieger said the transaction would provide eligible Xenith shareholders with the opportunity to participate in the success of the enhanced IPH Group.

The combined group will offer a broader base of highly complementary patent, trade mark, legal and strategic innovation advisory services. The much larger scale of the combined group will provide an increased capacity to fulfil the strategies previously communicated to shareholders, including a focus on the growth opportunities in Asia. IPH already has much experience of doing business in Asia. Scale will also provide a broader base for the enhancement of technology systems and the provision of additional training and other career enhancements, to the benefit of both clients and staff.

The Scheme Meeting will be held at 10.30am (Sydney Time) on Thursday 25 July 2019 at the offices of Xenith, Level 9, 60 Margaret Street, Sydney.

For further information

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About Xenith

Xenith IP Group Limited (ASX: XIP) is the holding company for the businesses of Griffith Hack, Shelston, Watermark and Glasshouse Advisory and their related corporate entities. The Group's core business is to provide a comprehensive range of IP services including identification, registration, management, valuation, commercialisation and enforcement of IP rights for a global client base including Fortune Global 500 companies, multinational, domestic and foreign corporations, research institutes, educational institutions, SMEs and entrepreneurs.

Scheme Booklet

For the acquisition by IPH Limited (ACN 169 015 838) (IPH) of ordinary shares in Xenith IP Group Ltd (ACN 607 873 209) (Xenith) by way of scheme of arrangement.

VOTE IN FAVOUR

The Directors unanimously recommend that, in the absence of a Superior Proposal, Xenith Shareholders vote in favour of the Scheme.

The Directors intend to vote in favour of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has assessed both the merits of the Scheme as well as the value of the Scheme consideration and concluded that the Scheme is fair and reasonable and in the best interests of Xenith shareholders, in the absence of a Superior Proposal.

Your vote is important to determine if the Scheme proceeds.

This is an important document and requires your immediate attention. It should be read in its entirety. If you are not sure what to do, you should consult your investment or other professional adviser.



Key dates relating to the Scheme

Event	Indicative Time and Date ¹
First Court Date	Tuesday 18 June 2019 at 9.30am
Last date and time to lodge proxies for Scheme Meeting	Tuesday 23 July at 10.30am
Date and time for deciding eligibility to vote at Scheme Meeting	Tuesday 23 July at 7.00pm
Scheme Meeting (Xenith Shareholders) ²	Thursday 25 July at 10.30am
If the Scheme is approved by Xenith Shareholders	
Second Court Date	Wednesday 31 July 2019 at 9.30am
Effective Date ³	Thursday 1 August 2019
Election Date	Thursday 8 August 2019 at 7:00pm
Scheme Record Date ⁴	Thursday 8 August 2019 at 7:00pm
Implementation Date ⁵	Thursday 15 August 2019

¹ All times referred to in this Scheme Booklet are Sydney, New South Wales time unless otherwise stated.

² All dates following the Scheme Meeting are indicative only and are subject to change.

³ On-market transfers of Xenith Shares are not registered after this date.

⁴ Off-market transfers of Xenith Shares are not registered after this date. Xenith Shareholders on the register at 7.00pm on this date are entitled to the Scheme Consideration.

⁵ Payment of Scheme Consideration to Xenith Shareholders and transfer of Xenith Shares to IPH.

Important notices

This Scheme Booklet

This Scheme Booklet is the explanatory statement required to be given to Xenith Shareholders under section 412(1) of the Corporations Act. You should read this Scheme Booklet in its entirety before deciding how to vote on the resolution to be considered at the Scheme Meeting. This Scheme Booklet does not take into account the individual investment objectives, financial situation and particular needs of each Xenith Shareholder. You should seek independent legal, financial, taxation, or other professional advice before deciding whether or not to vote in favour of the Scheme.

Capitalised terms used in this Scheme Booklet are defined in the glossary in Section 14.2.

Responsibility for information

The Xenith Information has been given by, and is the responsibility of Xenith. IPH, IPH's advisers and Xenith's advisers do not assume any responsibility for the accuracy or completeness of the Xenith Information.

The IPH Information has been given by, and is the responsibility of IPH. Xenith, IPH's advisers and Xenith's advisers do not assume any responsibility for the accuracy or completeness of the IPH Information.

The Independent Expert has prepared the Independent Expert's Report at Annexure A. None of Xenith, IPH or their respective Directors, officers or advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report. However, Xenith has given factual information that the Independent Expert has relied on in preparing the Independent Expert's Report. The accuracy and completeness of that information is the responsibility of Xenith.

The Investigating Accountant has prepared the Investigating Accountant's Report contained in Annexure B and takes responsibility for that report. None of Xenith, IPH or their respective Directors, officers and advisers assumes any responsibility for the accuracy or completeness of the Investigating Accountant's Report.

ASIC and ASX

A copy of this Scheme Booklet has been given to ASIC under section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act. ASIC has examined a copy of this Scheme Booklet. Xenith has requested that ASIC give a statement under section 411(17)(b) of the Corporations Act confirming that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under section 411(1) of the Corporations Act

At the First Court Hearing on Tuesday 18 June 2019 at 9.30am, the Court ordered Xenith to convene the Scheme Meeting to consider and vote on the Scheme. The notice convening the Scheme Meeting is at Annexure E of this Scheme Booklet. The fact that the Court has ordered the Scheme Meeting to be convened is no indication that the Court has:

- (a) formed a view about the merits of the proposed Scheme or about how the Xenith Shareholders should vote (on this matter the Xenith Shareholders must reach their own decision); or
- (b) prepared, or is responsible for, the content of this Scheme Booklet, which forms the explanatory statement attached to the Notice of Scheme Meeting.

The Court's order for the convening of the Scheme Meeting is not an endorsement by the Court of the Scheme. On these matters the Xenith Shareholders must reach their own decision.

Disclosure about forward looking statements

Certain statements in this Scheme Booklet relate to the future. Those statements may not be based on historical facts. They may reflect the current expectations of Xenith or, for the IPH Information, IPH, about future events or results. Those statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual events or results to differ materially from the statements. Deviations about future conduct, results, performance and achievements are both normal and expected.

None of Xenith, IPH, their respective Directors, officers or advisers, or any other person gives any representation, assurance or guarantee that the events or outcomes expressed or implied in any forward looking statement in this document will actually happen. You are cautioned against relying on any of those statements.

You should carefully review the information in this Scheme Booklet. Section 3 summarises the advantages and disadvantages of the Scheme, which are set out in more detail in Section 5.

All subsequent written and oral forward looking statements attributable to Xenith or IPH or any person acting on their behalf are qualified by this cautionary statement.

The forward looking statements included in this Scheme Booklet are made at the date of this Scheme Booklet. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, Xenith and IPH do not give any undertaking to update or revise those statements after the date of this Scheme Booklet to reflect any change in expectations about those statements or any change in events, conditions or circumstances on which any of those statements are based.

Important notices

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to individual Xenith Shareholders or any other person. It is important that you read this Scheme Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other professional advisers immediately. You should consult your taxation adviser as to the applicable tax consequences of the Scheme for you.

A summary of the taxation considerations is set out in Section 11.

Privacy and personal information

Xenith will need to collect personal information for the Scheme. The personal information may include the names, contact details, details of shareholdings of Xenith Shareholders and contact details of persons appointed by Xenith Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act. Xenith Shareholders who are individuals, and other individuals whose personal information is collected, have rights to access the personal information collected about them and can contact Xenith's information line by calling 1300 346 808 (within Australia) or +61 3 9415 4140 (outside Australia) (8:30am – 5:00pm (Sydney time) on Business Days) or emailing email@xenithip.com (attention Company Secretary) if they wish to access that information.

The information may be disclosed to print and mail service providers, and to IPH, its Related Entities, their advisers for the Scheme and to the IPH share registry. If this information is not collected, Xenith may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme. Xenith Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting must inform that individual of these matters.

Notice of Scheme Meeting

The Notice of the Scheme Meeting is set out in Annexure E.

Notice to Xenith Shareholders in jurisdictions outside Australia

Ineligible Foreign Scheme Shareholders will not receive New IPH Shares under the Scheme. New IPH Shares that would otherwise be issued to these shareholders under the Scheme will be issued to the Sale Agent to be sold on the ASX, with the Sale Proceeds to be paid to Ineligible Foreign Scheme Shareholders, after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges. See Sections 4 and 12.3.5 for further information.

Xenith Shareholders resident outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Scheme.

This Scheme Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. In particular, this Scheme Booklet may not be distributed to any person, and the New IPH Shares may not be offered or sold, in any country outside Australia except to the extent provided in this Scheme Booklet. Refer to Section 13.5 for further information.

Financial amounts

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated.

Effect of rounding

Various figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Scheme Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

Timetable and dates

All references to time in this Scheme Booklet are references to the time in Sydney, Australia, unless otherwise stated. The dates and times set out in the Scheme Booklet are indicative only and are subject to change. Any changes to the timetable will be announced through the ASX.

Date

This Scheme Booklet is dated 18 June 2019.

Queries

If you have any questions or require any further information, you can call Xenith's information line, on 1300 346 808 (within Australia) or +61 3 9415 4140 (outside Australia) (8:30am – 5:00pm (Sydney time) on Business Days) or emailing email@xenithip.com (attention Company Secretary).



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1. Letter from the Chair of Xenith

Dear Xenith Shareholder,

On behalf of the Xenith Board, I am pleased to provide you with this Scheme Booklet which sets out the details of the proposed combination of Xenith and IPH, as well as the matters relevant to your vote on the Scheme, which is the mechanism chosen to implement the proposed combination.

On 12 April 2019, Xenith and IPH announced that they had entered into a binding Scheme Implementation Deed under which it is proposed that IPH will acquire all of the shares in Xenith that it does not already own by way of a scheme of arrangement (**Scheme**) for a combination of cash and shares (the **Transaction**).

As you would be aware, the announcement of the Scheme follows a number of key developments over an extensive process during which your Board sought to maximise value for Xenith Shareholders. In November of last year, Xenith announced the Former Transaction under which Xenith and QANTM proposed to merge through an all-scrip scheme of arrangement. In February of this year, IPH announced it had acquired a substantial equity interest in Xenith and was seeking alternatives to the Former Transaction including potentially an acquisition of Xenith.

IPH then put forward an initial proposal to acquire Xenith on 12 March. Whilst Xenith's Board viewed this initial proposal as not superior to the Former Transaction, Xenith undertook constructive discussions with IPH, in accordance with its responsibilities to all Xenith shareholders. These discussions culminated in the announcement of the Transaction on the current terms, representing material improvements from those presented in IPH's initial offer.

The terms of the Transaction were considered by Xenith's Board to be superior to the Former Transaction, and this decision of the Board triggered certain matching rights on the part of QANTM. QANTM indicated it did not intend to match these improved terms, as it was entitled to do under the terms of the Former Transaction, and QANTM has subsequently confirmed termination of the Former Transaction.

On 28 March, the ACCC had indicated it would not oppose a transaction between Xenith and IPH, thereby alleviating a key regulatory risk.

Xenith's Board is pleased with the value and flexibility which the Transaction provides to all Xenith Shareholders.

Based on the closing price of IPH Shares on the day prior to the announcement of the Transaction (\$6.90 per share as at 5 April 2019), the Scheme Consideration implies a value of \$2.15 per Xenith Share. This value represents a substantial premium of approximately 73% to the closing price of Xenith Shares as at 26 November 2018 (\$1.245 per share), being the day prior to the announcement of the Former Transaction.

The Scheme also includes a "mix and match" facility whereby Eligible Xenith Shareholders may elect to receive Standard Consideration of \$1.28 cash and 0.1261 IPH Shares for each Xenith Share they hold, or alternatively, Eligible Xenith Shareholders may elect to receive Maximum Scrip Consideration or Maximum Cash Consideration (subject to scale-back). This not only delivers significant value to Eligible Xenith Shareholders, but also allows individual Eligible Xenith Shareholders to Elect a form of consideration with benefits which best fulfil their investment objectives.

The Transaction will strengthen the IPH Group's position as a leading provider of IP services in Australia, and provide Eligible Xenith Shareholders with the opportunity to participate in the success of this enhanced group. The Combined Group will offer a broader base of highly complementary patent, trade mark, legal and strategic innovation advisory services. The larger scale will provide an increased capacity for the Combined Group, if it chooses, to fulfil the strategies previously communicated to shareholders, including a focus on the growth opportunities in Asia in respect of which IPH is well advanced and has much experience, as well as enhancement of technology systems to increase operational efficiency.

The success of the Combined Group will also be driven by the success of its people, where the Combined Group will bring significant opportunities for its employees including strong and established career progression pathways, a strong ability to attract top talent within each of the distinct and unique brands, and a close alignment with the interests of shareholders through an established employee incentive plan. In addition, it appears that the brands within the IPH Group each have their own distinct culture, and that the IPH Group can accommodate the range of cultures which exists among the portfolio businesses of Xenith. In the view of the Xenith Board, the combination of IPH and Xenith presents significant opportunities for shareholders, clients, employees and Xenith as a group.

The Xenith Directors, along with management and their advisers, have carefully considered the advantages and the disadvantages of the Scheme, which are listed in Section 3 and detailed in Section 5 of this Scheme Booklet. Having considered these factors, the Xenith Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Xenith Director intends to vote the Xenith Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.

The Xenith Directors have also commissioned an Independent Expert, Lonergan Edwards & Associates Limited, to prepare an Independent Expert's Report in relation to the Scheme. The Independent Expert has assessed both the merits of the Scheme as well as the value of the Scheme consideration, and has concluded that the Scheme is fair and reasonable, and in the best interests of Xenith shareholders in the absence of a Superior Proposal.

Your vote is important. The Scheme can only be Implemented if approved by Xenith Shareholders at the Scheme Meeting to be held at 10.30am (Sydney Time) on Thursday 25 July 2019 at the offices of Xenith, Level 9, 60 Margaret Street, Sydney NSW. For approval, votes in favour of the Scheme must be received from a majority in number of voting Xenith Shareholders, and at least 75% of the votes cast must be in favour of the Scheme. IPH is precluded from voting the 19.99% Xenith Shares it already holds in relation to the Scheme.

I encourage you to read this Scheme Booklet carefully and consider all of the information in it when deciding whether or not to vote in favour of the Scheme at the Scheme Meeting. You are invited to vote on the Scheme either in person at the Scheme Meeting or by completing and returning the accompanying Scheme Meeting Proxy Form to the Xenith Registry by 10.30am (Sydney time) on Tuesday 23 July 2019.

If you have any questions or require further information in relation to this Scheme Booklet or the Scheme, you should call the Xenith Shareholder Information Line on 1300 346 808 (within Australia) or +61 3 9415 4140 (outside Australia) on Business Days between 8:30am to 5:30pm (Sydney time). If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other appropriate professional adviser without delay.

On behalf of the Xenith Board, I would like to take this opportunity to thank you for your ongoing support throughout the Xenith Group's journey and I look forward to your participation at the Scheme Meeting.

Yours sincerely,



Sibylle Krieger
Chair
Xenith IP Group Limited



2. Letter from the Chair of IPH

Dear Xenith Shareholder,

On behalf of IPH I am very pleased that the Xenith Board and the IPH Board have unanimously agreed to a proposal for IPH to acquire all of the issued shares in Xenith it does not already own.

The IPH Board believes this combination provides the opportunity to deliver enhanced value to both Xenith and IPH shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a Superior Proposal.

Under the Scheme, for each share in Xenith you hold, you will receive Standard Consideration of:

- \$1.28 cash; and
- 0.1261 New IPH Shares.

In addition, as an alternative to the Standard Consideration the Scheme provides flexibility to Xenith Shareholders with a “mix and match” facility as further outlined in Section 5.1.3 under which Eligible Xenith Shareholders may elect to receive Maximum Scrip Consideration of approximately 0.3116 New IPH Shares (i.e. 100% scrip) or Maximum Cash Consideration of \$2.15 (i.e. 100% cash) per Xenith Share, subject to scale-back.⁶

IPH has developed and grown its businesses in the Australian, New Zealand and Asia-Pacific markets to position itself as a leading provider of intellectual property services in secondary markets. IPH seeks to provide Xenith Shareholders, staff and other stakeholders the opportunity to participate in and contribute to this vision as a Combined Group.

As a part of the Combined Group we see the opportunity to continue to develop a leading Australian business in the Asia-Pacific by enhancing and leveraging the businesses and service offerings of Xenith across the Asia-Pacific region, and by utilising the benefits of scale in corporate services, back office and innovation.

IPH has a track record of delivering returns to shareholders. The scrip component of the Scheme Consideration enables Eligible Xenith Shareholders to participate in future returns and the potential upside for the Combined Group. In addition, the Scheme includes scope for significant cash consideration providing certainty of value to Xenith Shareholders.

The Scheme has a compelling rationale for Xenith, its Shareholders, and potential benefits for employees, clients and other stakeholders, including:

- enabling the Combined Group to draw on the strengths and advantages of each member firm of IPH and Xenith, and the skills, connections and experiences of their IP attorneys;
- positioning the Combined Group to seek out and develop future corporate opportunities and respond to changing markets, client and employee needs;
- as a Combined Group offering Xenith’s IP practices, their attorneys and clients immediate opportunities across the Asia-Pacific region by leveraging IPH’s existing platform and experience;
- providing for alignment and reward of eligible Xenith employees through the IPH employee incentive plan, which includes potential cash bonuses and IPH equity awards for eligible staff; and
- offering additional career development and progression opportunities for Xenith employees.

This Scheme Booklet provides important information in relation to the Scheme. On behalf of the IPH Board I encourage you to:

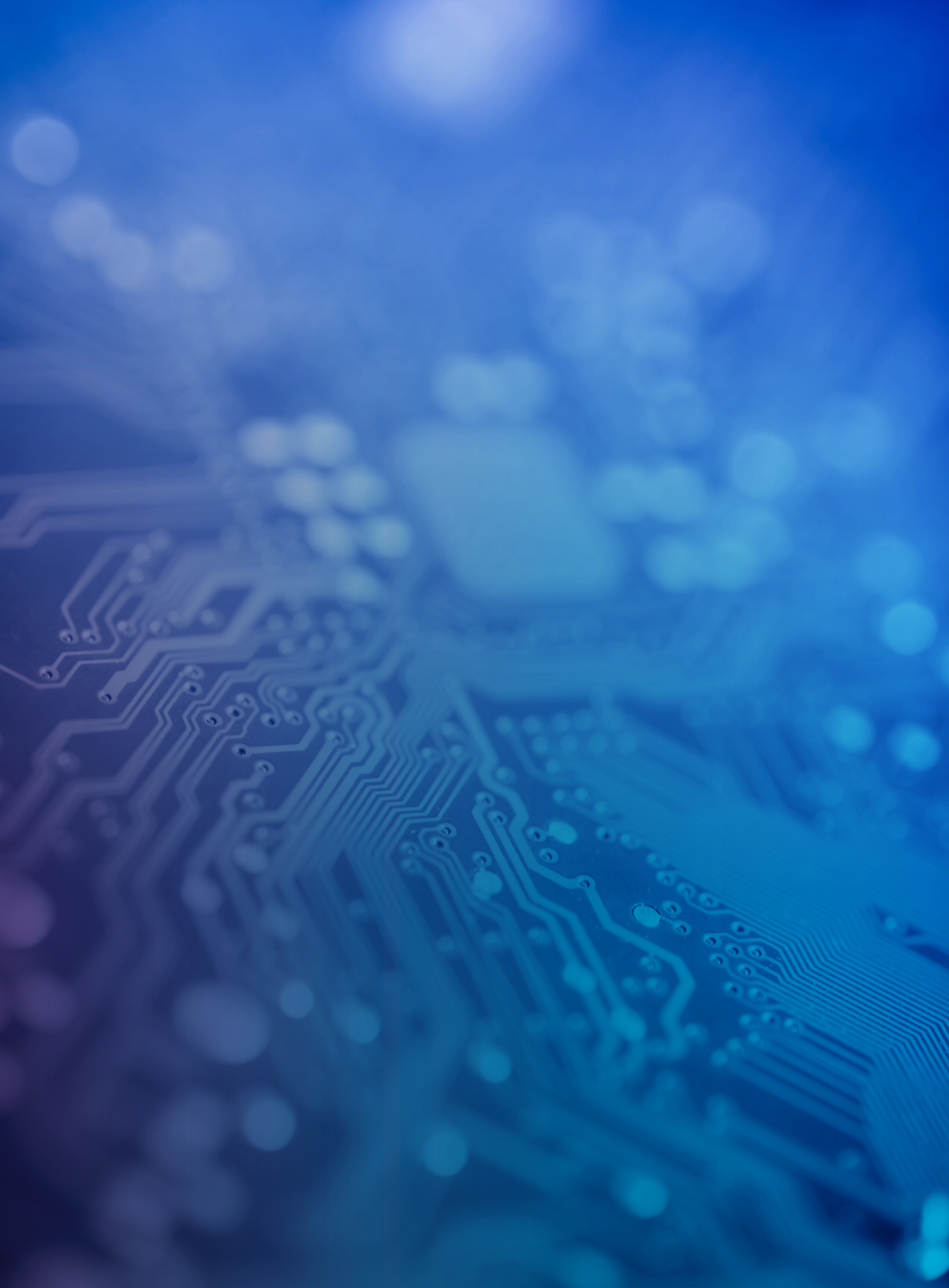
- read this Scheme Booklet carefully;
- vote in favour of the Scheme at the Scheme Meeting to be held on Thursday 25 July 2019; and
- consider your preferences in the “mix and match” facility and lodge your Election Form by the Election Date.

As Chairman of the IPH Board, I look forward to welcoming you as an IPH Shareholder following successful Implementation of the Scheme.

Yours sincerely

Richard Grellman AM
Chairman
IPH Limited

⁶ Allocation will be subject to scale-back (if necessary) on a pro rata basis to ensure that, for all of the Xenith Shares to be acquired by IPH under the Scheme (which excludes any already owned by IPH), the maximum cash required to be payable as Scheme Consideration by IPH is ~\$91.4m and the maximum shares to be issued by IPH is ~15.6m.





3. Key considerations relevant to your vote

This Section 3 summarises the reasons to vote in favour of, and those to vote against the Scheme, detailed in Section 5.

3.1 Key reasons why you should vote in favour of the Scheme

1. The Xenith Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.
2. The implied value of the Scheme Consideration represents a very attractive premium over the trading prices of Xenith Shares prior to announcement of the Scheme.
3. 'Mix and match' consideration available under the Scheme allows flexibility for existing Xenith Shareholders.
4. Enhanced liquidity of shares and inclusion in the ASX 200.
5. Potential to receive certainty of value via cash consideration.
6. The Implementation of the Scheme provides Xenith Shareholders the opportunity to participate in an enhanced market leading IP services group.
7. The transaction enhances and accelerates the common growth strategy of both companies via a focus on Asia.
8. The Transaction expands and further diversifies the client base of the Combined Group.
9. The Transaction will result in enhanced career opportunities for staff, reinforcing the Combined Group's ability to attract and retain high-quality people.
10. The Implementation of the Scheme is anticipated to deliver potential synergies.
11. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a Superior Proposal.
12. Xenith's share price may fall in the near future should the Scheme not be Implemented and in the absence of a Superior Proposal.
13. No brokerage or stamp duty will be payable by you for the transfer of your Xenith Shares under the Scheme (although if you are an Ineligible Foreign Scheme Shareholder or you are a Small Parcel Holder who is deemed to have elected to have the total scrip component of the Scheme Consideration to which you are entitled sold on your behalf pursuant to the Sale Facility, then brokerage, stamp duty and other fees may apply to the sale of the New IPH Shares that will be sold on your behalf by the Sale Agent).

3.2 Key reasons why you may consider to vote against the Scheme

1. You may disagree with the Xenith Directors' unanimous decision and the Independent Expert in relation to the Scheme being in your best interests.
2. You may prefer to maintain an interest in a publicly listed investment with characteristics entirely specific to Xenith.
3. If the Scheme is Implemented, Eligible Xenith Shareholders who Elect to receive Maximum Cash Consideration (and are not scaled back) will not have ownership in the Combined Group and will forego the opportunity to receive continued benefits from ongoing growth initiatives.
4. There are risks associated with the integration of Xenith and IPH which you may consider exceed the anticipated benefits of the Scheme.
5. You may hold the view that a Superior Proposal could be made in the foreseeable future.
6. You may consider that the conditions to which the Scheme may be subject to are conditions that you consider to be unacceptable.
7. The value of the Scheme Consideration may vary, depending on the price at which the New IPH Shares trade on the ASX following the Implementation Date.
8. Uncertainty associated with Mix and Match.

4. Mix and match facility and other frequently asked questions

4.1 Mix and Match Facility

4.1.1 Overview

Under the Scheme, existing Xenith Shareholders may participate in a mix and match facility under which they may maximise the number of New IPH Shares they receive or maximise the amount of cash consideration they receive, with the number of New IPH Shares or the amount of cash ultimately received also depending on the elections made by other Xenith Shareholders. A Xenith Shareholder who Elects to receive Maximum Cash Consideration is choosing to receive 100% of their consideration as cash. A Xenith Shareholder who Elects to receive Maximum Scrip Consideration is choosing to receive 100% of their consideration as Maximum Scrip Consideration.

Xenith Shareholders who make one of these Elections (rather than Electing for Standard Consideration) will not know the precise combination of cash and / or New IPH Shares they will receive until after they are required to vote on the Scheme and make their Election. This is because, under the Scheme, the total consideration mix provided by IPH is to result in a maximum of approximately \$91.4 million cash consideration or a maximum of approximately 15.6 million New IPH Shares. If the total amount of cash consideration or share consideration elected by Xenith Shareholders exceeds these amounts, the amount of cash or the number of New IPH Shares will be subject to scale-back on a pro rata basis so as to be equal to these maximums. This means that if you Elect to receive Maximum Cash Consideration or Maximum Scrip Consideration, whether or not you end up with 100% of your Scheme consideration as cash, or 100% as Maximum Scrip Consideration will depend on the Election made by other Xenith Shareholders.

The calculation of any scale-back is based on a fixed reference price for IPH Shares of \$6.90 (the closing price of IPH Shares on 5 April 2019, being the last Trading Day prior to the date on which IPH submitted the revised proposal to Xenith) and an implied offer value of \$2.15 per Xenith Share.

4.1.2 How it works

Scheme Consideration received by those Xenith Shareholders either Electing to receive the Standard Consideration or who do not make an Election

Irrespective of the Elections made by Xenith Shareholders, those Xenith Shareholders who Elect to receive Standard Consideration or do not make an Election will receive the Standard Consideration. Should all Xenith Shareholders Elect to receive the Standard Consideration or do not make an Election, each Xenith Shareholder will receive \$1.28 cash and 0.1261 IPH Shares for each Xenith Share they hold.

Scheme Consideration received by those Xenith Shareholders Electing to receive the Maximum Cash Consideration

Table 4.1 below illustrates the consideration received by those Xenith Shareholders electing to receive the Maximum Cash Consideration under various scenarios, subject to rounding. In scenarios where the total cash required exceeds the total maximum available cash consideration of \$91.4 million (highlighted in grey), Eligible Xenith Shareholders who Elect to receive Maximum Cash Consideration will have the cash component of their consideration scaled back, but will still receive the majority of their consideration in cash, and a smaller proportion of their consideration as New IPH Shares. Otherwise, Xenith Shareholders who Elect to receive the Maximum Cash Consideration will receive \$2.15 cash per Xenith Share and no New IPH Shares.

		% of Scheme Shares under Maximum Scrip Election										
		1%	10%	20%	30%	40%	50%	60%	70%	80%	90%	99%
% of Scheme Shares under Maximum Cash Election	1%	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	10%	\$1.408 & 0.1075 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	20%	\$1.344 & 0.1168 IPH	\$1.920 & 0.0333 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	30%	\$1.323 & 0.1199 IPH	\$1.707 & 0.0643 IPH	\$2.133 & 0.0024 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	40%	\$1.312 & 0.1214 IPH	\$1.600 & 0.0797 IPH	\$1.920 & 0.0333 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	50%	\$1.306 & 0.1224 IPH	\$1.536 & 0.0890 IPH	\$1.792 & 0.0519 IPH	\$2.048 & 0.0148 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	60%	\$1.301 & 0.1230 IPH	\$1.493 & 0.0952 IPH	\$1.707 & 0.0643 IPH	\$1.920 & 0.0333 IPH	\$2.133 & 0.0024 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	70%	\$1.298 & 0.1234 IPH	\$1.463 & 0.0996 IPH	\$1.646 & 0.0731 IPH	\$1.829 & 0.0466 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	80%	\$1.296 & 0.1238 IPH	\$1.440 & 0.1029 IPH	\$1.600 & 0.0797 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	90%	\$1.294 & 0.1240 IPH	\$1.422 & 0.1055 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150
	99%	\$1.293 & 0.1242 IPH	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150	\$2.150

Table 4.1: Consideration received by Xenith Shareholders electing Max Cash Consideration

Scheme Consideration received by those Xenith Shareholders Electing to receive the Maximum Scrip Consideration

Table 4.2 below illustrates the consideration received by those Xenith Shareholders Electing to receive the Maximum Scrip Consideration under various scenarios, subject to rounding. Where the demand for New IPH Shares exceeds the maximum number of 15.6 million new IPH Shares available under the Scheme (highlighted in grey), Xenith Shareholders who Elected to receive Maximum Scrip Consideration would have their allocation of New IPH Shares scaled back, with the smaller remainder being cash consideration. Otherwise, Eligible Xenith Shareholders who Elect to receive the Maximum Scrip Consideration will receive 0.3116 New IPH Shares per Xenith Share and no cash.

		% of Scheme Shares under Maximum Scrip Election										
		1%	10%	20%	30%	40%	50%	60%	70%	80%	90%	99%
% of Scheme Shares under Maximum Cash Election	1%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	\$0.207 & 0.2816 IPH	\$0.360 & 0.2594 IPH	\$0.475 & 0.2427 IPH	\$0.565 & 0.2297 IPH	\$0.630 & 0.2203 IPH
	10%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	\$0.077 & 0.3005 IPH	\$0.249 & 0.2756 IPH	\$0.378 & 0.2569 IPH	\$0.478 & 0.2424 IPH	
	20%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	\$0.124 & 0.2936 IPH	\$0.269 & 0.2726 IPH		
	30%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH		
	40%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH		
	50%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH		
	60%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH		
	70%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH		
	80%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH		
	90%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH		
99%	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH	0.3116 IPH			

Table 4.2: Consideration received by Xenith Shareholders electing Max Cash Consideration

4.1.3 How to make an Election

Scheme Shareholders can choose the form of Scheme Consideration they wish to receive by completing and returning the Election Form that accompanies this Scheme Booklet in accordance with the instructions set out on the Election Form, by the Election Date.

4.1.4 Foreign Shareholders

Ineligible Foreign Scheme Shareholders can make an Election for Standard Consideration, Maximum Scrip Consideration or Maximum Cash Consideration, but are not entitled to be issued New IPH Shares. Please refer to Section 12.3.5 of this Scheme Booklet for further details on how the Scheme affects Ineligible Foreign Scheme Shareholders.

4.1.5 Fractional entitlements and rounding

Any entitlement of a Scheme Shareholder under the Scheme (including under clause 5.3(a)(ii)(B) or clause 5.4(a)(ii)(A) of the Scheme) to be provided a fraction of a New IPH Share will be rounded down to the nearest whole number of New IPH Shares (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).

Any cash amount payable to a Scheme Shareholder under the Scheme must be rounded to the nearest whole cent (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).

4.1.6 Election for Small Parcel Holders

A Small Parcel Holder will be deemed to have elected to have the total scrip component of the Scheme Consideration to which it will become entitled in accordance with the terms of the Scheme sold on its behalf pursuant to the Sale Facility, if:

- that total scrip component comprises a number of New IPH Shares that is a Small Parcel; and
- the Scheme Shareholder has not completed the appropriate section of the Election Form indicating that they wish to receive their total scrip component even where it comprises a number of New IPH Shares that is a Small Parcel.

4. Mix and match facility and other frequently asked questions

4.2 Frequently asked questions

Questions about the Transaction

What is the Transaction?	<p>The Directors of Xenith are proposing to Xenith Shareholders for their approval, a combination with IPH under which IPH will acquire all of the Xenith Shares by way of a scheme of arrangement under section 411 of the Corporations Act, the effect of which would be to make Xenith a wholly owned Subsidiary of IPH.</p> <p>Eligible Xenith Shareholders will receive Scheme Consideration of the Implied Offer Value per Xenith Share (based on IPH's closing price of \$6.90 per IPH Share as at 5 April 2019), in exchange for all Xenith Shares they hold at the Scheme Record Date.</p>
What is a scheme of arrangement?	<p>A scheme of arrangement is a means of implementing an acquisition of shares under the Corporations Act. It requires a vote for the Scheme by certain majorities of Xenith Shareholders at the Scheme Meeting and also requires Court approval.</p>
What should I do?	<p>Xenith Shareholders should read this Scheme Booklet carefully and in its entirety. Xenith Shareholders may also choose to consult their financial, legal, taxation or other professional advisers in relation to any of the information contained in this Scheme Booklet.</p> <p>Based on this Scheme Booklet and any independent advice you may receive, you should determine how you wish to vote on the Scheme. You are able to vote by attending the Scheme Meeting, or by appointing a proxy, attorney or, in the case of corporate Xenith Shareholders, a corporate representative, to vote on your behalf.</p> <p>Refer to Annexure E for further information on how to vote on the Scheme.</p>
Who is IPH?	<p>IPH Limited is listed on the ASX (ASX:IPH). IPH is the owner of intellectual property businesses Spruson & Ferguson, AJ Park and Pizeys and software business, Practice Insight. The IPH Group offers services similar to those associated with Xenith, namely the creation, protection, commercialisation, enforcement and management of IP rights.</p>

Questions about the Scheme

Who is entitled to participate in the Scheme?	<p>Xenith Shareholders as at the Scheme Record Date, other than IPH and Associates of the IPH Group, are entitled to participate in the Scheme.</p>
What do the Xenith Directors recommend?	<p>In the absence of a Superior Proposal, each Xenith Director:</p> <ul style="list-style-type: none">• recommends that you vote in favour of the Scheme to be considered at the Scheme Meeting; and• intends to use the voting rights attached to any Xenith Shares held or controlled by him or her, to vote in favour of the Scheme.
What is the opinion of the Independent Expert?	<p>Lonergan Edwards, the Independent Expert, has assessed both the merits of the Scheme as well as the value of the Scheme consideration and concluded that the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a Superior Proposal.</p> <p>A complete copy of the Independent Expert's Report is contained in Annexure A.</p>
Am I obliged to follow the recommendation of the Xenith Board or the conclusions of the Independent Expert?	<p>No. Whilst the Xenith Board and Independent Expert consider that the Scheme is in the best interests of Xenith Shareholders in the absence of a Superior Proposal, Xenith Shareholders are not obliged to follow the recommendation of the Xenith Board or the conclusions of the Independent Expert.</p>
Are there any conditions precedent?	<p>There are a number of outstanding Conditions Precedent to the Implementation of the Scheme. These are summarised in Section 12.2.1 of this Scheme Booklet. As at the date of this Scheme Booklet, the Xenith Directors are not aware of any circumstances which would cause the outstanding Conditions Precedent not to be satisfied or waived (as applicable).</p>
What will be the treatment of Xenith Performance Rights if the Scheme is Implemented?	<p>Subject to the Scheme becoming Effective, prior to the Scheme Record Date, 454,880 Xenith Performance Rights held by Craig Dower will vest.</p>

Questions about the Scheme Consideration

What will I receive if the Scheme is Implemented?	<p>If you are an Eligible Xenith Shareholder, you can choose to receive one of the following alternative forms of Scheme Consideration if the Scheme is Implemented:</p> <ul style="list-style-type: none">• Standard Consideration (comprising of a cash amount equal to \$1.28 and 0.1261 New IPH Shares per Xenith Share);• Maximum Cash Consideration (100% of your shares at the \$2.15 (Implied Offer Value) per Xenith Share, less an adjustment for scale-back depending on other shareholder elections); or• Maximum Scrip Consideration (100% of your shares at approximately 0.3116⁷ New IPH Shares per Xenith Share, less an adjustment for scale-back depending on other shareholder elections). <p>To the extent that maximum cash elections cannot be satisfied in full as a result of the scale-back, the rest of the consideration would be payable in IPH shares.</p> <p>To the extent that maximum scrip elections cannot be satisfied in full as a result of the scale-back, the rest of the consideration would be payable in cash.</p> <p>Allocation will be subject to scale-back (if necessary) on a pro rata basis to ensure that, for all of the Xenith shares to be acquired by IPH under the Scheme (which excludes any already owned by IPH), the maximum cash consideration payable by IPH is approximately \$91.4 million and the maximum shares to be issued by IPH is approximately 15.6 million.</p> <p>The scale-back mechanism under the Scheme is detailed in Section 12.</p>
What premium is being offered to the trading prices of my Xenith Shares?	<p>Based on the closing price of IPH Shares on the last Trading Day prior to the announcement of the Transaction (being \$6.90 per IPH Share as at 5 April 2019), the Scheme implies a value of \$2.15 per Xenith Share. This implied value represents approximately a:</p> <ul style="list-style-type: none">• 73% premium to the undisturbed Xenith closing price of \$1.245 on 26 November 2018 (being the last Trading Day prior to the announcement of the Former Transaction); and• 12% premium to the Xenith closing price of \$1.925 on 5 April 2019 (being the Trading Day prior to the date on which IPH submitted its revised proposal to Xenith). <p>Refer to Section 5.1.2 for further detail on the premium offered.</p>
How do I choose my Scheme Consideration?	<p>You can choose the form of your Scheme Consideration by making your Election and completing and returning the Election Form that accompanies this Scheme Booklet in accordance with the instructions set out on the Election Form, by the Election Date.</p> <p>Ineligible Foreign Scheme Shareholders can make an Election for Standard Consideration, Maximum Scrip Consideration or Maximum Cash Consideration, but are not entitled to be issued New IPH Shares. Please refer to Section 12.3.5 of this Scheme Booklet for further details on how the Scheme affects Ineligible Foreign Scheme Shareholders.</p>
Does the implied value vary depending on which alternative I select?	<p>The value of the cash and / or share components that Eligible Xenith Shareholders will receive under the Scheme will depend on the IPH Share Price as well as the Elections that you and other Xenith Shareholders make.</p>
What if I do not make any Election, or do not make a valid Election, for Scheme Consideration?	<p>If you do not validly complete and return the Election Form before the Election Date in accordance with the instructions set out on the Election Form, then under the Scheme Implementation Deed you will be deemed to have Elected to receive Standard Consideration for each Xenith Share that you hold on the Scheme Record Date.</p>
Can I change my Election?	<p>You may change your Election by lodging a replacement Election Form provided that it is received by the Xenith Registry no later than the Election Date.</p> <p>You can obtain additional copies of the Election Form by contacting the Xenith Shareholder Information Line on 1300 346 808 (within Australia) or +61 3 9415 4140 (outside Australia) (8:30am – 5:00pm (Sydney time) on Business Days).</p>
If I am not sure how I want to vote, should I return my Election Form anyway?	<p>Yes. Regardless of how you intend to vote (or whether you intend to vote at all), you should return a completed Election Form so that it is received by the Xenith Registry on the Election Date unless you wish to receive Standard Consideration.</p>

⁷ Figure presented is rounded. Exact figure is the scrip equivalent of Implied Offer Value as defined in the Scheme of Arrangement at Annexure C determined as the Implied Offer Value (\$2.15) divided by the fixed value of an IPH Share (\$6.90).

4. Mix and match facility and other frequently asked questions

How do I make separate Elections if I hold one or more parcels of Xenith Shares as trustee, nominee, or otherwise on account of, another person?	<p>A Xenith Shareholder who Xenith accepts as holding one or more parcels of Xenith Shares as trustee or nominee for, or otherwise on account of, another person, may make separate aggregate Elections in relation to each of those aggregated parcels of Xenith Shares, and an Election made in respect of one such aggregated parcel shall not be taken to extend to the other parcels.</p> <p>Trustees and nominees must establish sufficient distinct holdings in the Xenith Register to cater for their underlying client's Election instructions. On each of these separate holdings, the trustee or nominee must make a distinct Election in respect of the Scheme Consideration. Each Election and holding will serve as the point for the aggregation of a trustee's or nominee's underlying client instructions. Trustees and nominees must arrange their aggregated holdings by the Election Date.</p> <p>Trustees or nominees who would like further information on how to make separate Elections in relation to aggregate parcels of Xenith Shares should contact their normal Xenith Registry representative or the Xenith Shareholder Information Line on 1300 346 808 (within Australia) or +61 3 9415 4140 (outside Australia) (8:30am – 5:00pm (Sydney time) on Business Days).</p>
Which Scheme Consideration should I choose?	<p>When considering an Election, Xenith Shareholders should consider their personal tax position and other circumstances and seek advice from their legal, financial or other professional adviser.</p>
What am I choosing if I Elect for either Maximum Cash Consideration or Maximum Scrip Consideration?	<p>Each of these Elections give Xenith Shareholders a "mix and match" alternative.</p> <p>A Xenith Shareholder who Elects to receive Maximum Cash Consideration is choosing to receive 100% of their consideration as cash.</p> <p>A Xenith Shareholder who Elects to receive Maximum Scrip Consideration is choosing to receive 100% of their consideration as New IPH Shares.</p> <p>Xenith Shareholders who make one of these Elections (rather than Electing for Standard Consideration) will not know the precise combination of cash and / or New IPH Shares they will receive until after they are required to vote on the Scheme and make their Election – please see "What is the "scale-back"?" section below.</p>
What are the advantages and disadvantages of selecting Maximum Cash Consideration?	<p>The advantages are:</p> <ul style="list-style-type: none">• certainty of value of the consideration received;• provides immediate liquidity. <p>The disadvantages are:</p> <ul style="list-style-type: none">• Xenith Shareholders may realise an immediate capital gains tax liability;• Xenith Shareholders forego the opportunity to benefit from the growth prospects of the Combined Group.
What are the advantages and disadvantages of selecting Maximum Scrip Consideration?	<p>The advantages are:</p> <ul style="list-style-type: none">• Xenith Shareholders have the opportunity to benefit from the growth prospects of the Combined Group;• Xenith Shareholders may obtain capital gains tax scrip-for-scrip rollover relief. <p>The disadvantages are:</p> <ul style="list-style-type: none">• uncertainty of the value of the consideration received;• general risk factors associated with holding shares.
What is the "scale-back"?	<p>Under the Scheme, the total consideration mix provided by IPH will result in a maximum of approximately \$91.4 million cash consideration or a maximum of approximately 15.6 million New IPH Shares. If the total amount of cash consideration or share consideration elected by shareholders exceeds these amounts, the amount of cash or the number of New IPH Shares will be subject to scale-back on a pro rata basis so as to be equal to these maximums.</p> <p>Therefore, the consideration received by an individual shareholder who elects to receive Maximum Cash Consideration or Maximum Scrip Consideration will depend on the Elections made by all other Xenith shareholders. Shareholders who elect to receive Maximum Cash Consideration or Maximum Scrip Consideration will not know the precise combination of cash and/or New IPH Shares they will receive until after they are required to vote on the Scheme and make their Election.</p>
Can I choose to keep my Xenith Shares?	<p>No. If the Scheme is Implemented, your Xenith Shares will be transferred to IPH and you will receive the Scheme Consideration, unless you are an Ineligible Foreign Scheme Shareholder or a Small Parcel Holder who does not confirm on the Election Form that you wish to keep your New IPH Shares in which case you will receive the Sale Proceeds of the sale of the Sale Facility Shares in accordance with the process outlined in Section 12.3.5). Provided that (amongst other conditions) the Scheme Resolution is passed by the Requisite Majority of Xenith Shareholders at the Scheme Meeting and approved by the Court at the Second Court Hearing, the Scheme will proceed even if you did not vote on the Scheme or if you voted against the Scheme Resolution.</p>

What is a "Small Parcel Holder"?	<p>A Small Parcel is a parcel of New IPH Shares having a value of less than \$500 based on the closing price of IPH Shares on ASX on the trading day prior to the Scheme Record Date.</p> <p>Under the Scheme Implementation Deed, a Scheme Shareholder will be deemed to have elected to have the total scrip component of the Scheme Consideration to which it will become entitled in accordance with the terms of the Scheme sold on its behalf pursuant to the Sale Facility, if that total scrip component comprises a number of New IPH Shares that is a Small Parcel and the Scheme Shareholder has not completed the appropriate section of the Election Form indicating that they wish to receive their total scrip component even where it comprises a number of New IPH Shares that is a Small Parcel.</p>
When will I receive my Scheme Consideration?	<p>If the Scheme becomes Effective:</p> <ul style="list-style-type: none"> • Payments in respect of any cash consideration due to Eligible Xenith Shareholders under the Scheme will be distributed by Xenith to Eligible Xenith Shareholders on the Implementation Date in accordance with the terms of the Scheme. • New IPH Shares to be issued under the Scheme will be issued to Eligible Xenith Shareholders on the Implementation Date. You will have your name entered into the register of IPH Shareholders as the holder of your New IPH Shares, on the Implementation Date. <p>If you are an Ineligible Foreign Scheme Shareholder, or a Small Parcel Holder who does not confirm on the Election Form that you wish to keep your New IPH Shares the Sale Proceeds of the sale of the New IPH Shares to which you would otherwise have been entitled will be paid to you in accordance with the process outlined in Section 12.3.5.</p> <p>If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issue of the Scheme Consideration will also be delayed.</p>
If the Scheme becomes Effective:	<p>Payments in respect of any cash consideration due to Eligible Xenith Shareholders under the Scheme will be distributed by Xenith to Eligible Xenith Shareholders on the Implementation Date in accordance with the terms of the Scheme.</p>
Will I have to pay brokerage fees on a transfer of Xenith Shares to IPH?	<p>No brokerage fees will be payable by Xenith Shareholders on the transfer of Xenith Shares to IPH under the Scheme (unless you are an Ineligible Foreign Scheme Shareholder or you are a Small Parcel Holder who is deemed to have elected to have the total scrip component of the Scheme Consideration to which you are entitled sold on your behalf pursuant to the Sale Facility, in which case brokerage fees may apply to the sale of the New IPH Shares that will be sold on your behalf by the Sale Agent).</p>
What are the tax consequences?	<p>In some circumstances, you may be liable for CGT on the transfer of your Xenith Shares under the Scheme.</p> <p>Further details of the general tax consequences of the Scheme are set out in Section 11 of this Scheme Booklet. You should seek your own professional advice for your individual tax issues.</p>
I am a foreign Xenith Shareholder. Does that make me an Ineligible Foreign Scheme Shareholder?	<p>A Xenith Shareholder whose Registered Address is a place outside Australia and its external territories, New Zealand, Singapore (provided they are an Institutional Shareholder), and the province of Ontario, Canada will be classified as an Ineligible Foreign Scheme Shareholder, unless Xenith and IPH jointly determine that it is lawful and not unduly onerous or impracticable to issue New IPH Shares to that Xenith Shareholder when the Scheme becomes Effective.</p> <p>Ineligible Foreign Scheme Shareholders will be entitled to make an Election for the Standard Consideration, Maximum Scrip Consideration or Maximum Cash Consideration. However, IPH will not issue any New IPH Shares to Ineligible Foreign Scheme Shareholders, and instead will issue the New IPH Shares that would otherwise have been issued to the Ineligible Foreign Scheme Shareholders (whether under the Standard Consideration, Maximum Scrip Consideration alternative or the Maximum Cash Consideration alternative after any scale-back) to a Sale Agent appointed by IPH. IPH will procure that the Sale Agent sells those New IPH Shares on-market at such price and on such other terms as the nominee determines in good faith and, promptly after the last sale of those New IPH Shares, remit the Sale Proceeds from that sale (after deducting any brokerage and other selling costs and taxes) to IPH.</p> <p>IPH will then remit the proceeds it receives to the Ineligible Foreign Scheme Shareholders in accordance with their entitlement. Any fractional entitlement of a Scheme Shareholder to Scheme Consideration:</p> <ul style="list-style-type: none"> • Any entitlement of a Scheme Shareholder under the Scheme (including under clause 5.3(a)(ii)(B) or clause 5.4(a)(ii)(A) of the Scheme) to be provided a fraction of a New IPH Share will be rounded down to the nearest whole number of New IPH Shares (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares); and • Any cash amount payable to a Scheme Shareholder under the Scheme must be rounded to the nearest whole cent (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).

4. Mix and match facility and other frequently asked questions

Will Xenith pay a dividend before the Transaction is Implemented?	Under the terms of the Scheme Implementation Deed, if the Transaction has not been Implemented before 20 August 2019, Xenith has the right, in its discretion, to pay a dividend in respect of the year ending 30 June 2019 to Xenith Shareholders in accordance with its stated dividend policy (which provides for a payment ratio of 70-90% of NPATA), up to a maximum of 90% of statutory NPATA, calculated in accordance with the auditor reviewed consolidated accounts of Xenith and which is not franked in excess of the then available franking credits of Xenith, less the amount of the Xenith interim dividend which was \$0.0325 per share and was paid on 29 March 2019.
Will IPH pay a dividend before the Transaction is Implemented?	Under the terms of the Scheme Implementation Deed, IPH has the right, in its discretion, to pay a cash dividend to IPH Shareholders on a record date falling after 20 August 2019 and before the Implementation Date, in respect of the year ending 30 June 2019 and which is not franked in excess of the then available franking credits of IPH, up to a maximum of 90% of cash NPAT (calculated in accordance with the audited consolidated accounts of IPH in respect of the year ending 30 June 2019, where "NPAT" is statutory net profit after tax of the IPH Group), less the amount of the IPH interim dividend which was \$0.12 per share and was paid on 13 March 2019.
Can I receive a dividend from both Xenith and IPH?	<p>No. The receipt of any Xenith dividend or IPH dividend will depend on (amongst other factors) the timing of Implementation, whether individual shareholders elect to receive some scrip or all cash, and any scale-back.</p> <p>If the Transaction is Implemented prior to 20 August 2019, then Xenith Shareholders who receive New IPH Shares will receive the IPH dividend in respect of those shares.</p> <p>If Implementation occurs after 20 August 2019, both IPH and Xenith may pay final dividends to their respective shareholders.</p>
Questions about the Scheme Meeting, agreement and approval	
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held at the offices of Xenith, Level 9, 60 Margaret Street, Sydney NSW on 25 July 2019 commencing at 10.30am.
Am I entitled to vote at the Scheme Meeting?	All Xenith Shareholders (other than Excluded Shareholders) who are the registered holders of Xenith Shares at 7.00pm on Tuesday 23 July 2019 are entitled to vote at the Scheme Meeting.
Can IPH vote at the Scheme Meeting?	IPH holds 19.99% of Xenith's Shares. IPH cannot vote its Xenith Shares in favour of the Transaction, and as a result will not vote at the Scheme Meeting.
Is voting compulsory?	Voting is not compulsory; however, the Xenith Directors believe that the Scheme is important to all Xenith Shareholders and encourage you to read this Scheme Booklet carefully and to vote in favour of the Scheme, in the absence of a Superior Proposal.
What vote is required to approve the Scheme?	<p>The resolution at the Scheme Meeting must be passed by:</p> <ul style="list-style-type: none">• a majority in number of Xenith Shareholders present and voting (in person or by proxy, attorney or corporate representative); and• at least 75% of the votes cast at the Scheme Meeting. <p>If all other Conditions Precedent have been satisfied or waived, the Court will then be asked to approve the Scheme.</p>

How do I vote if I'm not able to attend the Scheme Meeting?	<p>Voting by proxy</p> <p>If you wish to vote by proxy at the Scheme Meeting, you must complete the relevant proxy forms enclosed with this Scheme Booklet and return the form to the Xenith Registry by 10.30am (Sydney time) on Tuesday 23 July 2019. The completed proxy forms can be returned to the Xenith Registry by:</p> <ul style="list-style-type: none"> • posting them in the prepaid envelope provided (for use in Australia); • posting them to Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001; or • visiting www.investorvote.com.au or www.intermediaryonline.com (for Intermediary Online subscribers only). <p>Details on how to complete the proxy forms are set out on the proxy forms enclosed with this Scheme Booklet.</p> <p>If a proxy form is completed by an individual or a corporation under a power of attorney, the original or a certified copy of the power of attorney under which the form is signed must also be received by the Xenith Registry by 10.30am (Sydney time) on Tuesday 23 July 2019. Powers of attorney and certified copies of powers of attorney can be provided to the Xenith Registry in the same manner as proxy forms.</p> <p>Voting by corporate representative</p> <p>In order to vote in person at the Scheme Meeting, a corporate shareholder may appoint an individual to act as its representative. The representative should bring appropriate evidence of their appointment, including any authority under which it is signed.</p> <p>Voting by attorney</p> <p>If you are an attorney and you wish to attend and vote at the Scheme Meeting, you must provide to the Xenith Registry the original or certified copy of the power of attorney under which you have been authorised to attend and vote at the Scheme Meeting. The appointment of the attorney may be a standing one. The original or a certified copy of the power of attorney must be provided to the Xenith Registry in the same manner as the proxy forms and must be received by the Xenith Registry by 10.30am (Sydney time) on Tuesday 23 July 2019.</p>
When will the result of the Scheme Meeting be known?	<p>The result of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX as soon as practicable. The results will be available online at www.asx.com.au.</p>
What happens if the Scheme does not proceed?	<p>If the Scheme is not approved at the Scheme Meeting (or is approved at the Scheme Meeting but is not approved by the Court), the Scheme will not become Effective and will not proceed. Xenith Shareholders will not receive the Scheme Consideration but will retain their Xenith Shares, which will remain listed on the ASX and Xenith will continue to operate as a company domiciled in Australia.</p>

5. Advantages and disadvantages of the Scheme

5.1 Advantages of the Scheme

5.1.1 The Xenith Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

In reaching their unanimous recommendation, the Xenith Directors have carefully considered both the advantages and disadvantages of the Scheme in particular, with the information in consideration contained in:

- Section 5.1 – ‘Advantages of the Scheme’;
- Section 5.2 – ‘Disadvantages of the Scheme’;
- Section 10 – ‘Potential risks’;
- Section 11 – ‘Potential taxation implications’; and
- Annexure A – Independent Expert’s Report.

Each of the Xenith Directors intends to vote in favour of the Scheme in relation to the Xenith Shares held or controlled by them, in the absence of a Superior Proposal.

5.1.2 The implied value of the Scheme Consideration represents a very attractive premium over the trading prices of Xenith Shares prior to announcement of the Scheme and the Former Transaction

Based on the closing price of IPH Shares on the last Trading Day prior to the announcement of the Scheme (being \$6.90 per IPH Share as at 5 April 2019), the Scheme implies a value of \$2.15 per Xenith Share. The Scheme Consideration available represents significant value for Xenith Shareholders above recent trading levels before the proposed Scheme was announced as well as above the Former Transaction. As shown in Figure 5.1 below, this implied value of the Scheme Consideration of \$2.15 per Xenith Share represents approximately a:

- 73% premium to the undisturbed Xenith closing price of \$1.245 on 26 November 2018 (being the last Trading Day prior to the announcement of the Former Transaction);
- 71% premium to the 1-month VWAP of Xenith Shares up to and including 26 November 2018;
- 71% premium to the 12-month VWAP of Xenith Shares up to and including 26 November 2018;
- 12% premium to the Xenith closing price of \$1.925 on 5 April 2019 (being the Trading Day prior to the date on which IPH submitted the revised proposal to Xenith); and a
- 29% premium to the 12-month VWAP of Xenith Shares up to 5 April 2019.

Implied Offer Value: \$2.15 per Xenith Share

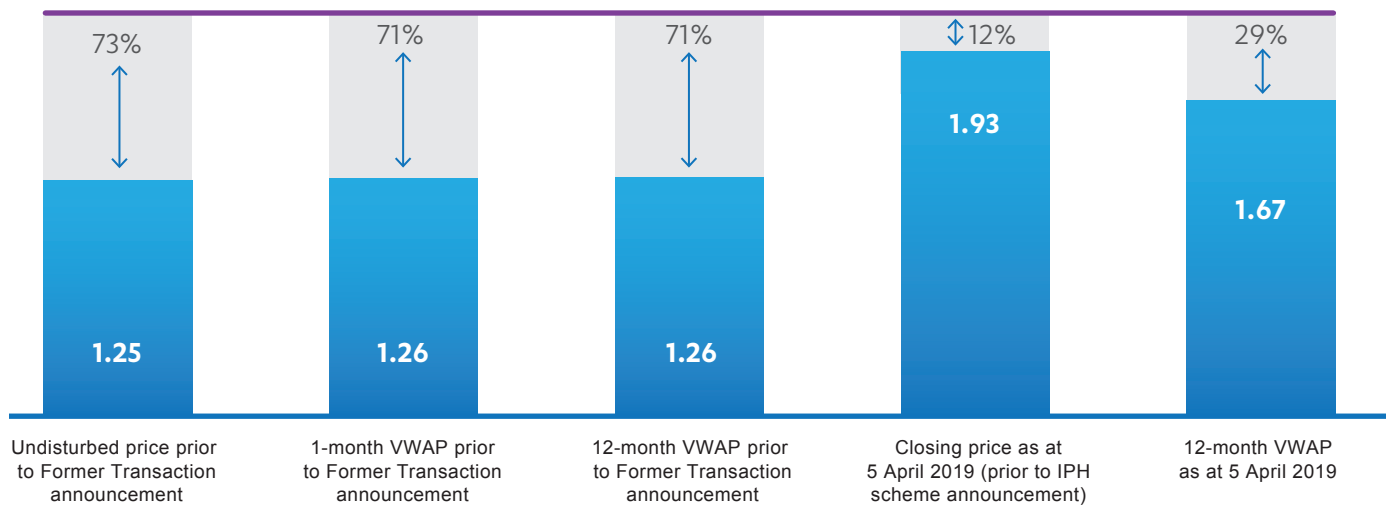


Figure 5.1: Premia of Implied Offer Value to recent Xenith trading levels

5.1.3 'Mix and match' consideration available under the Scheme allows flexibility for existing Xenith Shareholders

Xenith Shareholders have the opportunity to Elect which Scheme Consideration they prefer. This provides greater flexibility for Xenith Shareholders to Elect an outcome that best fulfils their own investment objectives. Through the Scheme Consideration structures available, Xenith Shareholders are able to receive the certainty of value that comes with receiving cash by electing the Maximum Cash Consideration alternative (subject to scale-back) or to maximise their exposure to the growth of the Combined Group by electing the Maximum Scrip Consideration alternative (subject to scale-back), as alternatives to the Standard Consideration which has a combination of both sets of benefits.

5.1.4 Enhanced liquidity of shares and inclusion in the ASX 200

For those Xenith Shareholders who will receive IPH Shares as part or as full Scheme Consideration, they will have exposure to a company with a significantly greater market capitalisation, which brings with it the benefits of increased liquidity and an inclusion in the ASX 200 index. This provides Xenith shareholders with further flexibility and the potential for increased returns.

5.1.5 Potential to receive certainty of value via cash consideration

Xenith Shareholders also have the opportunity to receive certainty of value via the cash consideration available via the Standard Consideration and Maximum Cash Consideration alternative.

5.1.6 The Implementation of the Scheme provides Xenith Shareholders the opportunity to participate in an enhanced market leading IP services group

The combination of the two Groups via the Scheme will provide the businesses within the Xenith Group with a larger platform from which to develop and grow. In addition, this combination will enhance IPH's position as a market leading group of independent intellectual property services businesses that operates across Australia, New Zealand and Asia, as depicted in Figure 5.2 below. For those Xenith Shareholders who receive IPH Shares as part or as full consideration for the Scheme, they will have an exposure to a larger group offering a broad base of highly complementary patent, trade mark, design, legal and strategic innovation advisory services.



Figure 5.2 : Combined Group brand portfolio

5.1.7 Enhances and accelerates the common growth strategy of both companies via a focus on Asia, leveraging IPH's existing platform

The combination of Xenith and IPH allows both Groups to enhance and continue to accelerate their existing growth strategies in Asia. Should the Scheme be Implemented, IPH's large and established platform in Asia can be efficiently leveraged to allow a greater focus and ability to execute on an Asian strategy and potential pipeline of identified opportunities. The strengthened balance sheet will also allow an enhanced ability to pursue targeted acquisitions and growth opportunities in Asian markets. Together, Xenith and IPH will have a stronger ability to capture opportunities in the region.

5. Advantages and disadvantages of the Scheme

The combined office locations of the Combined Group, including those in Asia, are depicted in Figure 5.3 below.



Figure 5.3: Combined Group office locations

5.1.8 The Transaction expands and further diversifies the client base

The combination of the two Groups will result in a larger combined portfolio of long standing and sophisticated clients. Both IPH and Xenith's IP businesses have high-quality client bases ranging from companies within the ASX300 and Fortune 500 companies, to large research institutions as well as start-ups and entrepreneurs across a broad range of industries. Bringing these two portfolios of clients together will provide further diversification of clients geographically and in relation to industry exposure.

5.1.9 The Transaction will result in enhanced career opportunities for staff, reinforcing the Combined Group's ability to attract and retain high-quality people

With each of the IPH and Xenith brands maintaining a unique culture and a common innovative approach to clients, the combination is intended to facilitate an inspiring, innovative and high-performance workplace which attracts, retains and rewards top talent. In a business where people are the main assets, this is an important differentiating factor which promotes value going forward.

The larger scale of the Combined Group will bring significant further opportunities for employees. These opportunities include strong career development and progression pathways, an enhanced ability to attract top talent, solidifying a foundation for continued future growth, the bringing together of and collaboration with top talent from both companies and strong alignment through IPH's established employee incentive plan, which includes potential cash and IPH equity awards for eligible staff.

5.1.10 The Implementation of the Scheme is anticipated to deliver potential synergies

As part of the Transaction, IPH has identified areas in which it believes synergies may be able to be obtained from the Combined Group through a review of publicly available information primarily with a view to reducing overlapping functions between the businesses, including the following areas:

- Duplicated corporate and listing cost synergies;
- Corporate cost synergies due to the removal of duplicated functions such as the Board, CEO and Company Secretarial functions;
- Duplicated costs incurred by Xenith relating to being a publicly listed company;
- Duplication of administrative and overhead costs;
- Efficiencies in marketing and related costs;
- Efficiencies with supplier agreements;
- Property efficiencies, where appropriate; and
- Efficiencies in technology investment, IT systems and related costs.

For further information in relation to synergies which may result from the Transaction, see Section 9.2.

5.1.11 The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a Superior Proposal

The Xenith Directors have appointed Lonergan Edwards & Associates Limited as the Independent Expert to provide an opinion as to whether the Scheme is in the best interests of Xenith Shareholders.

The Independent Expert has assessed both the merits of the Scheme as well as the value of the Scheme consideration and concluded that the Scheme is fair and reasonable and in the best interests of Xenith shareholders, in the absence of a Superior Proposal.

A copy of the Independent Expert's Report is at Annexure A. The Xenith Directors recommend that you read this Independent Expert's Report in its entirety prior to forming a decision on whether or not to vote in favour of the Scheme.

5.1.12 Other benefits

- Xenith's share price may fall in the near future should the Scheme not be Implemented and in the absence of a Superior Proposal; and
- No brokerage or stamp duty will be payable by you for the transfer of your Xenith Shares under the Scheme (although if you are an Ineligible Foreign Scheme Shareholder or you are a Small Parcel Holder who is deemed to have elected to have the total scrip component of the Scheme Consideration to which you are entitled sold on your behalf pursuant to the Sale Facility, then brokerage, stamp duty and other fees may apply to the sale of the New IPH Shares that will be sold on your behalf by the Sale Agent).

Since announcement of the Scheme, no Superior Proposal has emerged.

5.2 Disadvantages of the Scheme

5.2.1 You may disagree with the Xenith Directors' unanimous decision and the Independent Expert in relation to the Scheme being in your best interests

Notwithstanding the view of the Xenith Directors and the Independent Expert indicated in Sections 5.1.1 and 5.1.11 respectively, you may be of the opinion that the Scheme is not in your best interests. This opinion may be based on a range of factors, including that you may consider the implied premia of the Scheme Consideration to be insufficient.

There is no obligation for you to follow the recommendation of the Xenith Directors nor to agree with the Independent Expert's conclusion.

5.2.2 You may prefer to maintain an interest in a publicly listed investment with characteristics entirely specific to Xenith

You may wish to retain your Xenith Shares and continue your interest in a publicly listed company with the characteristics specific to Xenith. Despite the underlying businesses of Xenith and IPH being similar, Implementation of the Scheme may represent a disadvantage should you not wish to change your investment profile. You should read this Scheme Booklet carefully, in particular Section 8 for more information about IPH and Section 9 for more information about the Combined Group, and seek investment, legal or other professional advice in relation to your own circumstances.

5.2.3 If the Scheme is Implemented, Eligible Xenith Shareholders who Elect to receive Maximum Cash Consideration (and are not scaled back) will not have ownership in the Combined Group and will forego the opportunity to receive continued benefits from ongoing growth initiatives

If you Elect to receive Maximum Cash Consideration and are scaled back, you may only have a limited ownership in the Combined Group and have limited opportunity to benefit from ongoing growth initiatives.

Eligible Xenith Shareholders who Elect to receive Maximum Cash Consideration (and are not scaled back) also forego the potential to receive further value in the form of a possible appreciation of the Combined Group's shares in time following Implementation of the Scheme and subsequent achievement of the anticipated benefits and synergies.

Otherwise, should you Elect to receive Maximum Scrip Consideration (and are not scaled back) this risk will not apply as your ownership of, and opportunity to receive the continued benefits from the Combined Group will be maximised within the terms of the Scheme.

5. Advantages and disadvantages of the Scheme

5.2.4 There are risks associated with the integration of Xenith and IPH which you may consider exceed the anticipated benefits of the Scheme

Notwithstanding the highly complementary operations of the underlying businesses of Xenith and IPH, you may consider that the integration of the two Groups may be extensively delayed, may not result in synergies, or may require excessive costs. Should any substantial, unforeseen issues arise in the integration process, there may be an adverse effect on the operations, financial performance and financial position of the Combined Group. Further detail in relation to the risks of the Implementation of the Scheme and the integration of Xenith and IPH can be found in Section 10.3.

Otherwise, should you Elect to receive Maximum Cash Consideration (and are not scaled back) these risks will not be of any financial impact to you in so far as you will not have any exposure to the Combined Group by way of a holding of IPH Shares as a result of the Scheme.

5.2.5 You may hold the view that a Superior Proposal could be made in the foreseeable future

You may believe that a Superior Proposal which is more attractive than the Scheme could emerge in the foreseeable future. If the Scheme is Implemented, existing Xenith Shareholders will not receive the benefit of any such Superior Proposal.

As at the date of this Scheme Booklet, no Superior Proposal has emerged and the Xenith Directors do not expect that a Superior Proposal will emerge. The Scheme Implementation Deed prohibits Xenith from soliciting and responding, except in certain limited circumstances, to Competing Proposals. However, the Xenith Directors may respond to a Competing Proposal under certain circumstances as detailed in the Scheme Implementation Deed.

5.2.6 You may consider that the conditions to which the Scheme may be subject to are conditions that you consider to be unacceptable

The Scheme is subject to Xenith Shareholder approval and Court approval, amongst other conditions. You may consider these conditions to be unacceptable. These conditions are detailed in Section 12.2.1 and are set out in clause 3.1 of the Scheme Implementation Deed.

5.2.7 The value of the Scheme Consideration may vary, depending on the price at which the New IPH Shares trade on the ASX following the Implementation Date

With the exception of those who elect to receive the Maximum Cash Consideration (and are not scaled back), if the Scheme is Implemented, Eligible Xenith Shareholders will receive Scheme Consideration consisting of New IPH Shares either in part or in full. The value of this Scheme Consideration received by those Eligible Xenith Shareholders will depend on the price at which the New IPH Shares trade on the Implementation Date.

After Implementation of the Scheme, the price of these New IPH Shares may vary based on market conditions as well as the Combined Group's financial and operational performance. Should the price of IPH Shares fall, the value of the Scheme Consideration will decline, however should the price of IPH Shares rise, the value of the Scheme Consideration will increase. As such, the value of the Scheme Consideration may not ultimately be fixed and there is no guarantee as to the future value of the Scheme Consideration if the Scheme is Implemented.

If you Elect to receive Maximum Cash Consideration (and are not scaled back), the value of the Scheme Consideration will be fixed at the Implied Offer Value.

5.2.8 Uncertainty associated with Mix and Match

Xenith Shareholders who elect to receive Maximum Cash Consideration or Maximum Scrip Consideration (rather than Electing for Standard Consideration) will not know the precise combination of cash and / or New IPH Shares they will receive until after they are required to vote on the Scheme and make their Election. This is because, under the Scheme, the total consideration mix provided by IPH involves a maximum of approximately \$91.4 million cash consideration and a maximum of approximately 15.6 million New IPH Shares. If the total amount of cash consideration or share consideration elected by Xenith Shareholders exceeds these amounts, the amount of cash or the number of New IPH Shares will be subject to scale-back on a pro rata basis so as to be equal to these maximums.

5.3 Other considerations relevant to your vote

5.3.1 Implications for Xenith Shareholders if the Scheme is not Implemented

If the Scheme is not Implemented due to any of the Conditions Precedent (including Xenith Shareholder and Court approval) not being satisfied or waived prior to the End Date, Xenith Shareholders will not receive the Scheme Consideration and will retain their Xenith Shares. The advantages of the Scheme detailed in Section 5.1 will not be realised and the potential disadvantages and risks of the Scheme detailed in Sections 5.2 and 10 will not arise.

Should the Scheme not be Implemented, Xenith will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX, however as a standalone entity it may face constraints and challenges achieving its transformation strategy as compared to being a part of the IPH Group if the Scheme is Implemented.

Xenith has incurred significant costs in respect of the Scheme prior to the date of the Scheme Booklet, including in relation to the conduct of negotiations with IPH, retention of advisers, exchange of information with IPH, engagement of the Independent Expert, preparation of this Scheme Booklet, in addition to costs associated with the Former Transaction. If the Scheme is not Implemented, Xenith expects such transaction costs to be approximately \$4,782,000 (excluding GST). If the Scheme is Implemented, these costs are anticipated to be approximately \$7,089,000 (excluding GST).

5.3.2 The Scheme may be Implemented even if you vote against the Scheme or do not vote at the Scheme Meeting

You should note that if you vote against the Scheme, or do not vote, the Scheme may still be Implemented if approved by the Requisite Majority of Scheme Shareholders and the Court, and if the Conditions Precedent are satisfied or waived (as applicable). If this occurs, your Xenith Shares will be transferred to IPH and you will receive the Standard Consideration unless you Elected otherwise (or the Sale Proceeds if you are an Ineligible Foreign Scheme Shareholder or a Small Parcel Holder who does not confirm on the Election Form that you wish to keep your New IPH Shares) despite voting against, or not voting on, the Scheme.

5.3.3 Break fees

A Break Fee may be payable by Xenith or IPH under certain circumstances if the Scheme is not Implemented. These circumstances are set out in Section 12.2.4.

No Break Fee is payable by Xenith to IPH solely because the Xenith Shareholders do not approve the Scheme by the Requisite Majority.

5.3.4 Exclusivity obligations

The Scheme Implementation Deed includes certain mutual exclusivity arrangements. These exclusivity provisions include customary no shop, no talk, no due diligence obligations, as well as requirements of notification of Competing Proposals and a matching right in the event a Superior Proposal or a IPH Superior Proposal is received. Refer to Section 12.2.2 for further information.

5.3.5 Warranty by Scheme Shareholders about their Scheme Shares

If the Scheme is Implemented, each Scheme Shareholder is deemed to have warranted to IPH that their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of their transfer to IPH, be transferred fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, including any restrictions on transfer of any kind, and that it has full capacity and power to sell and to transfer those Scheme Shares together with any rights and entitlements attaching to those shares. Each Scheme Shareholder is also deemed to have warranted to IPH that they have no existing right to be issued any other Xenith Shares or any other form of Xenith securities.

6. IP services industry overview

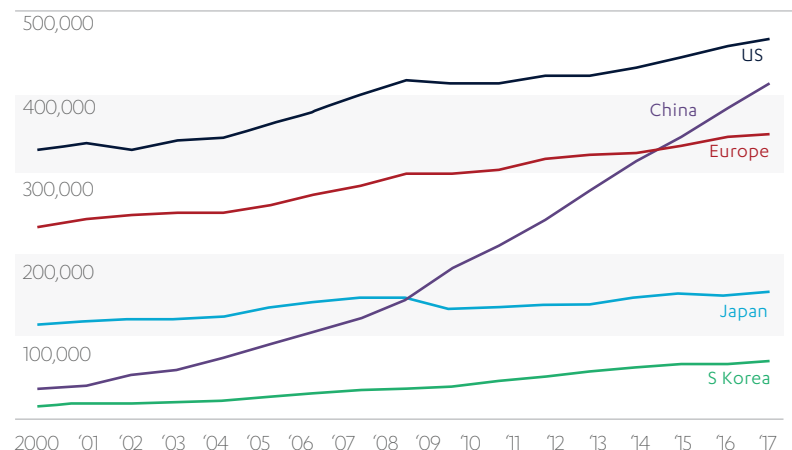
6.1 Overview of IP rights and services

IP rights are legal rights that protect the output of intellectual activity in the industrial, scientific, literary and artistic fields, such as inventions, works of art and literature and product designs. In addition, IP rights include trade marks used in association with products and services to distinguish them from similar products and services from other sources. The economic logic behind IP rights is to promote innovation and new investment in ideas by giving inventors, businesses and entrepreneurs exclusive commercial control over their work and protection to safeguard the value of those rights.

The intangible assets that IP rights represent are often critically important to businesses ranging from the largest national and multinational corporations and research institutes, through to small and medium sized enterprises (**SMEs**), innovative start-up companies and entrepreneurs.

Figure 6.1 below shows a general increase in global investment in research and development (**R&D**) both in absolute terms and as a percentage of GDP, with the US, Europe and South Korea growing steadily and China showing particularly strong growth.⁸ Upward trends in R&D expenditure are anticipated to drive investment in the protection and commercialisation of the resulting IP.

Gross Domestic Spend on R&D (\$US million)



R&D expenditure as % of GDP

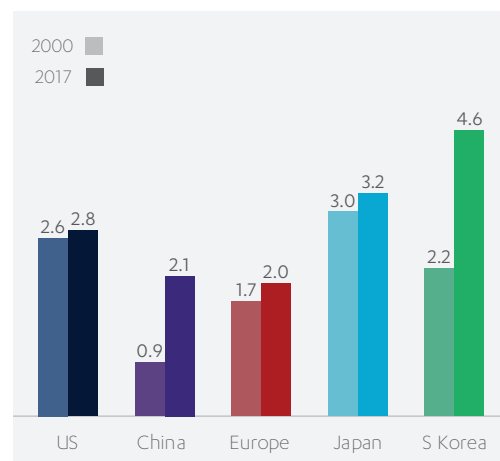


Figure 6.1: Gross domestic spend on R&D (\$US million) (left) and as % of GDP (right)

The laws and registration processes relating to patent, design and trade mark registration are complex and vary across jurisdictions. Accordingly, parties seeking the protection of IP laws usually engage qualified professionals to provide expert advice and assistance throughout the IP application, commercialisation, maintenance and enforcement processes. Professional IP services firms employ patent and trade marks attorneys and other legal professionals to assist their clients with IP related matters through all stages of the IP lifecycle.

6.2 Different forms of IP rights

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

6.2.1 Patents

A patent provides monopoly protection to safeguard technological innovation. There are currently two types of patents in Australia:

- standard patents, used to protect most inventions for a period of up to 20 years (or 25 years for certain pharmaceutical inventions); and
- innovation patents, to protect innovations with a lower inventive threshold for a maximum term of 8 years, are used to a substantially lesser degree than standard patents.

⁸ OECD Data. This discussion focuses on regions outside of Australia as most activity comes from abroad, as shown in Figure 6.4.

6.2.2 Trade marks

A trade mark is a sign or other device used to indicate and distinguish the trade origin of goods or services. It may include words, logos, phrases, sounds, smells, shapes or aspects of packaging.

Business names (as well as domain names, which are becoming an increasingly important part of an IP portfolio) provide an adjunct to the protection conferred by trade marks. Registration of trade marks can be renewed indefinitely, subject to eligibility requirements.

6.2.3 Designs

A registered design protects product aesthetics by conferring a monopoly right in the shape and configuration, or surface pattern and ornamentation, applied to a product. In Australia, the protection period for registered designs is 10 years, subject to renewal after an initial registration period of 5 years.

6.2.4 Copyright and circuit layouts

Copyright protects original forms of creative and artistic expression and arises upon creation of the relevant work, conferring a right to prevent copying as distinct from a monopoly right. In Australia, no formal copyright registration process is required and the protection period generally extends for the life of the author plus 70 years.

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

6.2.5 Plant breeder's rights

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

6.2.6 Trade secrets and confidential information

The law in most countries provides some protection for trade secrets and knowhow, as forms of confidential information. These forms of IP are not registrable but are protectable to an extent for as long as they remain confidential.

6.3 IP regulatory framework

Registrable IP is protected at the national level by country specific legislation, with this legislation in relation to different types of IP varying from country to country. These variations arise from numerous factors including historical and cultural development, legal systems and precedents, levels of economic development, and political ideologies related to the protection and enforcement of IP rights.

There are certain regional arrangements in relation to protection of patents in Europe, Eurasia and Africa. However, there is no world patent. Apart from these regional arrangements, patent protection must be sought at the national level.

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

6.4 The IP lifecycle and IP services revenue model

The processes of applying for, obtaining and subsequently maintaining protection for registrable IP rights can be viewed as long-term process pipelines. These pipelines can extend for up to 10 years in the case of registered designs, 20 years in the case of patents, and indefinitely in the case of trade marks.

Once IP rights are established, clients typically seek to commercialise and, if necessary, defend their IP rights. To assist clients in this regard, IP legal professionals also may provide services including corporate structuring, and contracts for licensing, manufacturing and distribution and commercial exploitation of IP rights.

6. IP services industry overview

IP firms generate revenue by assisting clients at each stage, typically through a combination of time-based charges and scheduled fees relating to specific process steps, as outlined for patents in the diagram below.

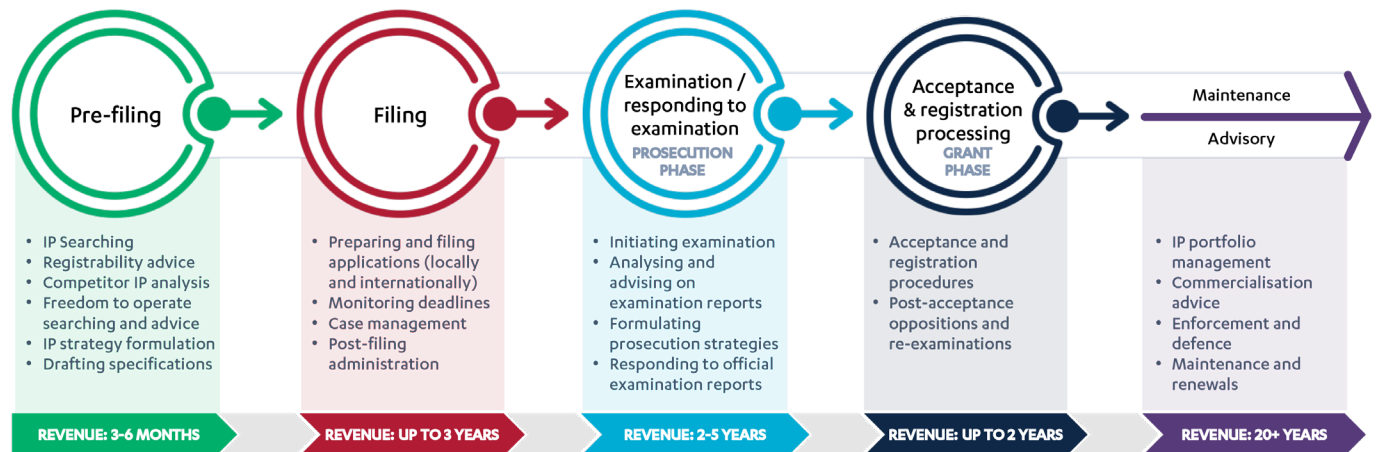


Figure 6.2: Patent process pipeline⁹

For IP services firms, the majority of revenue occurs during the pre-filing, filing and examination ('prosecution') stages, reflecting the volume of IP services required during these stages and the level of professional expertise involved. The post-grant management, maintenance and advisory stages of the IP lifecycle generate ongoing revenues, albeit at a reduced intensity. The processes depicted in Figure 6.2 above are similar for trade marks although the period from pre-filing to acceptance and registration is generally much shorter.

6.5 Size and growth of IP markets

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

6.5.1 Australia

In FY18, approximately 36,500 patent applications were filed in Australia, up from approximately 31,900 in FY14, as shown in Figure 6.3 below. The total number of registered patents in the Australian market was approximately 163,000 as at 1 July 2018.

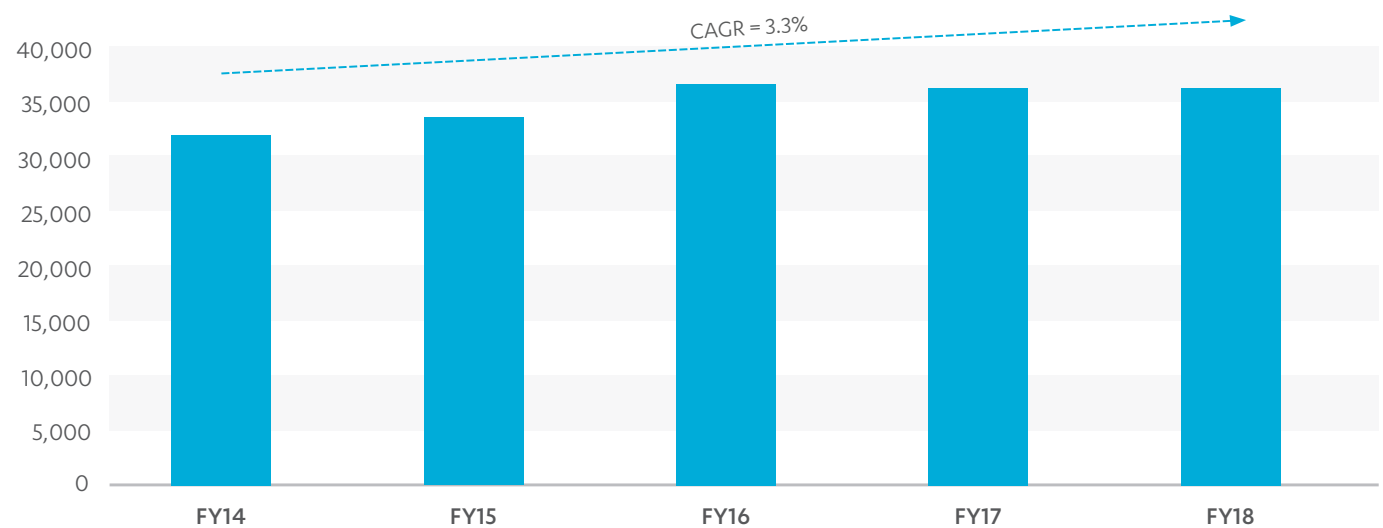


Figure 6.3: Patent applications filed in Australia¹⁰

⁹ Xenith Management.

¹⁰ IP Australia: AusPat.

Country of origin breakdown for Australian patent applications (FY18)

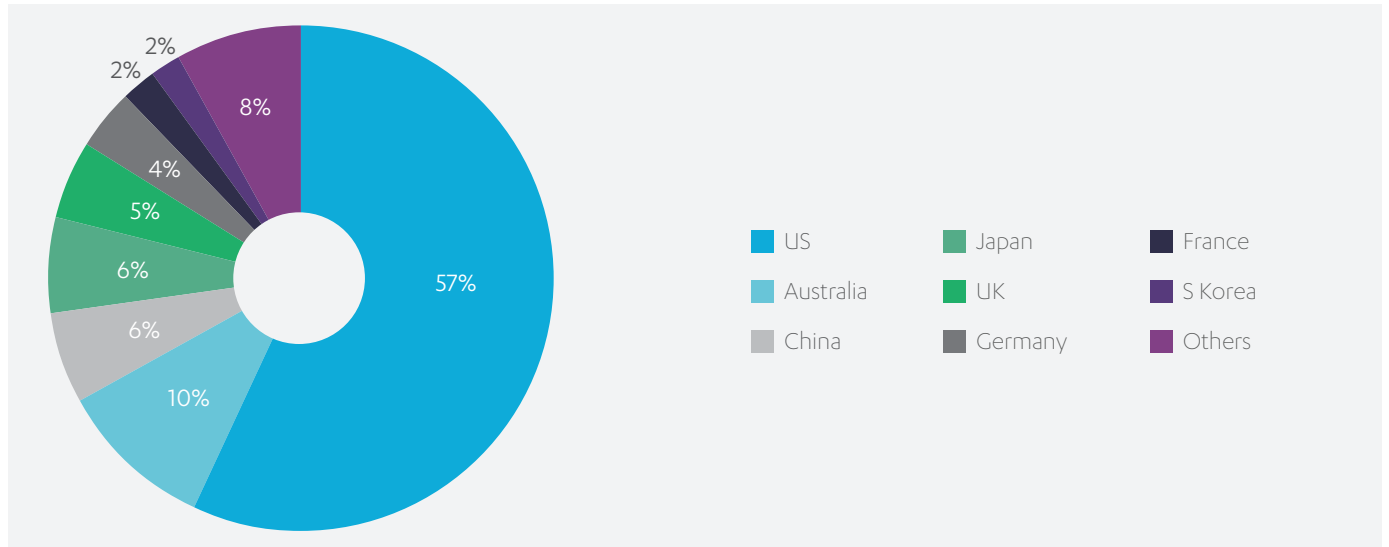


Figure 6.4: Applicant country of origin for patent applications filed in Australia (based on standard applications filed in FY18)¹¹

The majority of patent applications in Australia are sourced from non-resident applicants as Figure 6.4 above shows, with approximately 90% of standard applications filed in FY18 by non-resident applicants. The Patent Co-operation Treaty (PCT) mechanism is the predominant route for applicants seeking patent protection in multiple jurisdictions. The strong long-term growth profile of total PCT applications is broadly reflective of global growth in R&D, technological innovation and IP protection.

Figure 6.5 below indicates the growth of PCT applications filed globally over time. While only a proportion of PCT applications proceed to national phase entry in Australia, the PCT filing statistics do nonetheless provide an indication of potential future patent applications in Australia.

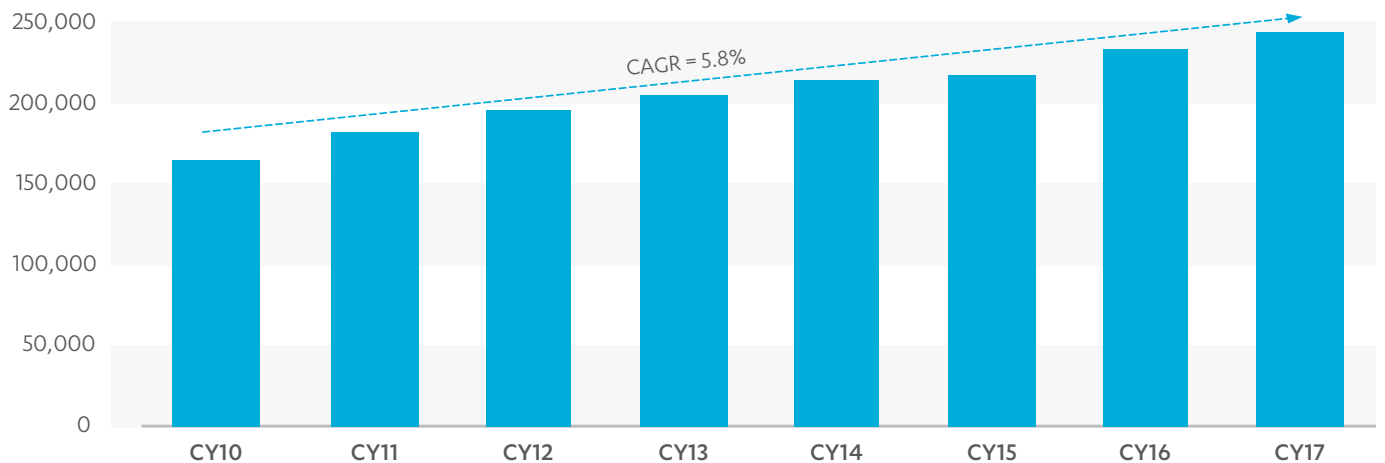


Figure 6.5: Total PCT patent applications filed globally¹²

In CY17 the total number of trade mark applications filed in Australia was approximately 76,500, and on 1 July 2018 approximately 691,500 registered trade marks were in force in Australia. The compound annual growth rate (CAGR) in trade mark applications from CY10 to CY17 was approximately 3.7%, as indicated in Figure 6.6 below.

¹¹ IP Australia.

¹² WIPO IP Statistics Data Center.

6. IP services industry overview

Australian trade mark applications

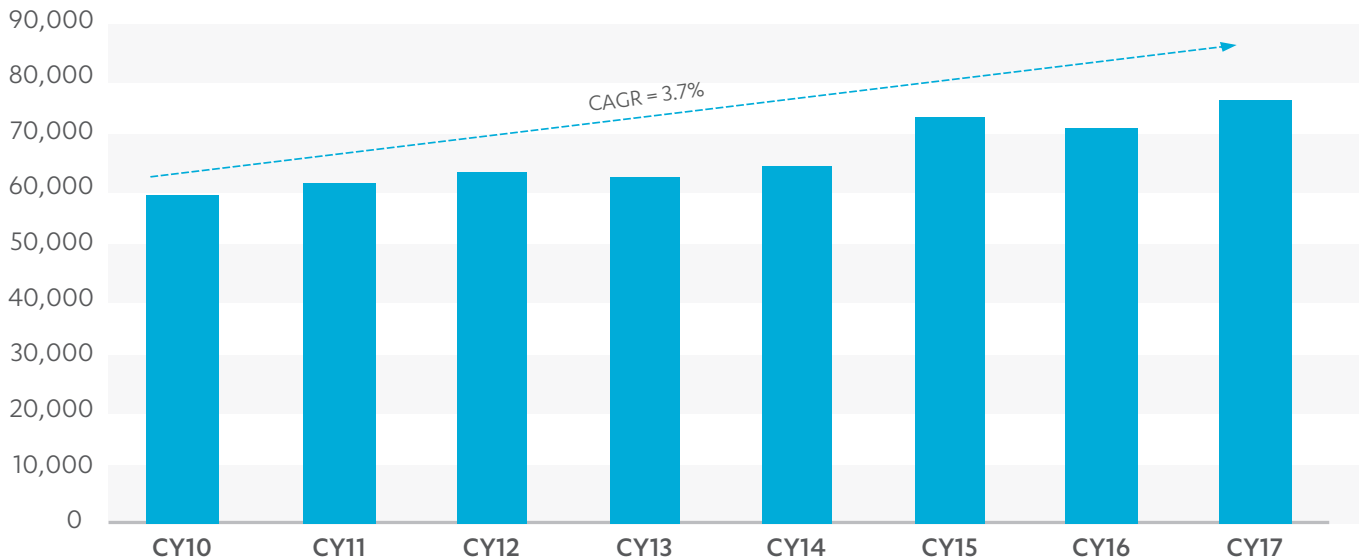
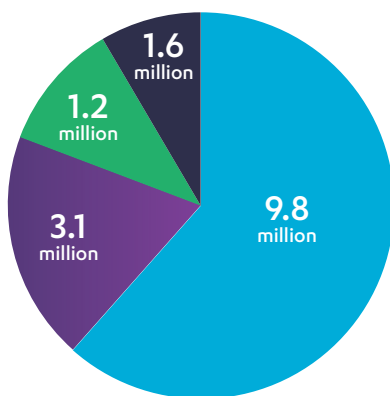


Figure 6.6: Trade mark applications filed in Australia between 2010 and 2017¹³

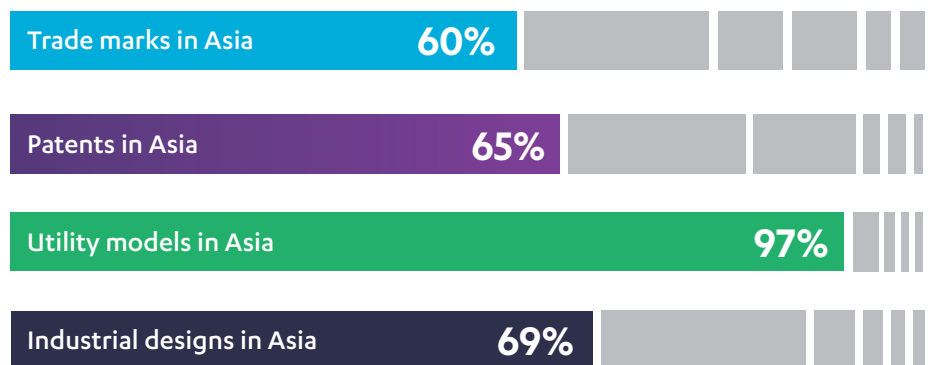
6.5.2 Asia

Asia now leads the world in global IP filing activity, with IP offices in Asia receiving in aggregate the highest numbers of applications for patents, trade marks, industrial designs and utility models relative to all other regions combined. The breakdown of IP filing activity globally, and the relative proportions by IP type in Asia, are indicated in Figure 6.7 below.

Global filings by IP type



Proportion of global filings in Asia by IP type



■ Trade marks ■ Patents ■ Utility models ■ Industrial designs ■ Other regions

Figure 6.7: Global filings by IP type (left). Proportion of global filings in Asia by IP type (right)¹⁴

Growth in patenting activity in Asia has also far outstripped growth in Australia and other regions, strongly influenced by growth in China, as illustrated in Figure 6.8 below. This follows the theme of IP protection in emerging countries increasing in importance as wealth and consumer consumption in these economies continue to rise.

¹³ IP Australia: Australian Trade Mark Search.

¹⁴ WIPO Facts & Figures.

Total patent applications by region – long-term trends

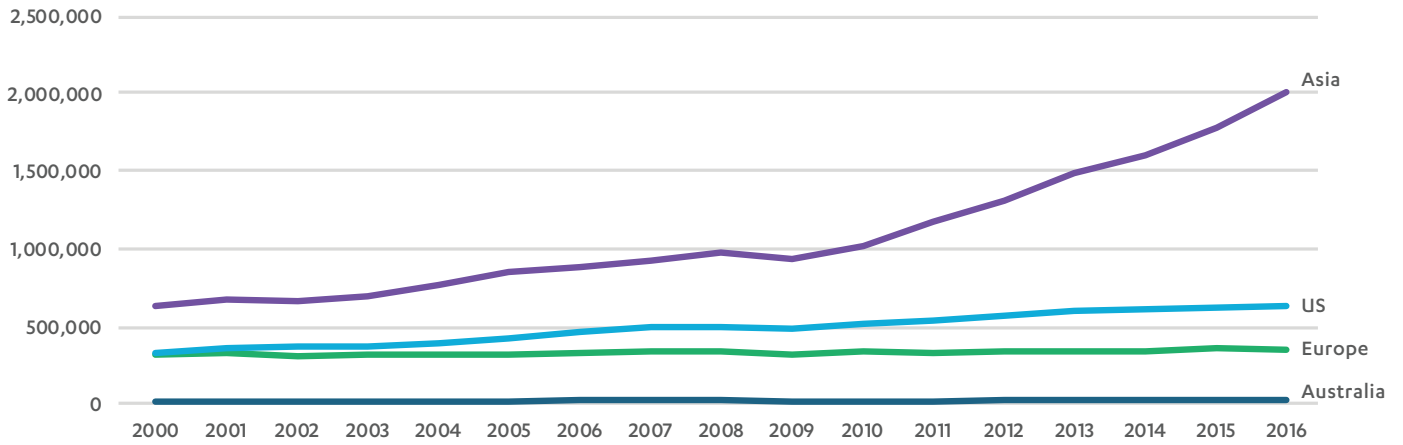


Figure 6.8: Total patent applications by region¹⁵

Throughout the region, governments are actively promoting the development and strengthening of IP protection, commercialisation and enforcement regimes. More broadly, however, the growth of IP in Asia is being driven by governments and businesses, by innovators and consumers and across developed and developing economies.

¹⁵ WIPO IP Statistics Data Center.



7. Information about Xenith

7.1 Overview of Xenith

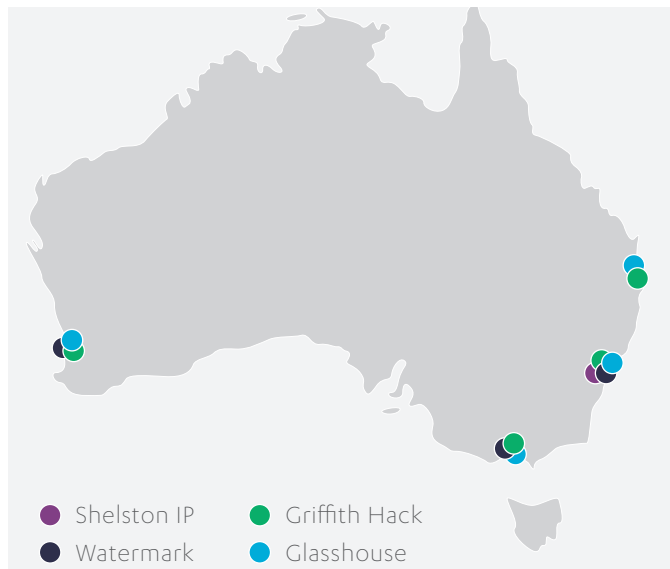


Figure 7.1: Xenith locations

Xenith IP Group (ASX:XIP) has quickly established itself as a leading innovator and a significant professional presence in the IP sector in Australia.

The four highly respected brands which form the Xenith IP Group provide a comprehensive suite of specialist IP and ancillary services across the innovation landscape. These services include the identification, registration, management, valuation, commercialisation and enforcement of intellectual property rights for a broad range of clients globally.

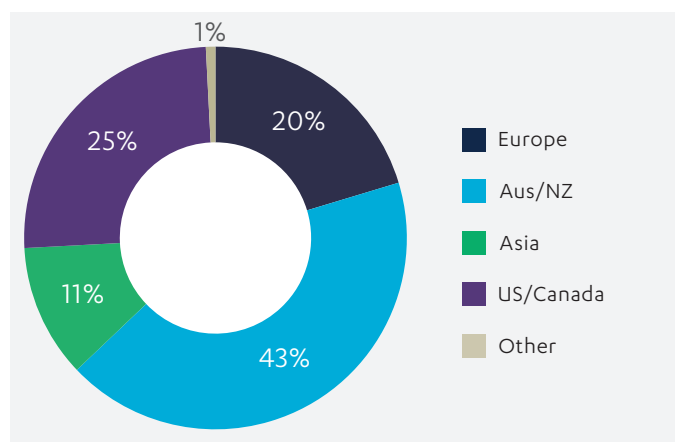
Xenith listed on the ASX in November 2015 following the acquisition of the business of Shelston IP. Xenith then acquired Watermark in November 2016 and Griffith Hack in February 2017. Shelston IP, Watermark and Griffith Hack are pre-eminent specialist Australasian IP firms, each long-established with a rich history dating back more than a century. Xenith also launched Glasshouse Advisory as a separate entity in May 2017 with the view to providing specialist expert advice across a range of highly complementary advisory services.

Xenith's 390 staff serve approximately 11,000 customers from a combined 12 offices across Australia, as shown in Figure 7.1 above. As at 12 June 2019, Xenith has a market capitalisation of \$189.9 million (based on a closing price of \$2.14 per Xenith Share).

Xenith has a premium and diversified client base. Customers range from Fortune Global 500 companies, through local and foreign research institutes, to SME's, innovative start-up companies and entrepreneurs. The broad customer base leads to diversification in revenue by service lines and industry sectors, as well as by client geography and currency as indicated in Figure 7.2. This profile creates a stable foundation, a high proportion of recurring revenues, high earnings visibility and reduced risk relative to other services-based companies.

Xenith businesses have relationships with a broad range of Foreign Associates internationally. These Foreign Associates engage Xenith businesses to act on behalf of international clients where those clients wish to obtain IP protection in Australia (often as part of the 'national phase entry' of PCT applications). Similarly, Xenith businesses will engage a Foreign Associate to act on behalf of a Xenith client in Australia that wishes to obtain IP protection in the Foreign Associate's jurisdiction. This reciprocity between Xenith businesses and their network of Foreign Associates is important in generating incoming referrals of international clients and revenue for the firms.

Revenue diversification by client geography



Revenue diversification by currency

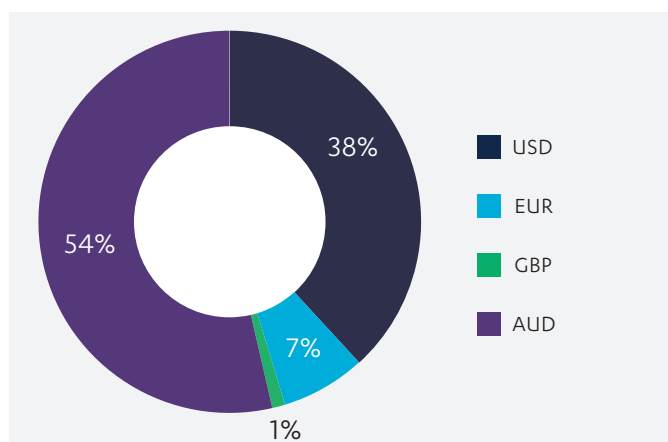


Figure 7.2: Xenith FY18 service fee revenue by geography and currency¹⁶

¹⁶ Xenith Annual Report 2018. Service fee revenue - exclusive of recoverable disbursements.

7. Information about Xenith

Following on from the acquisition-led growth in the financial year ended 30 June 2017, the 2018 financial year was one of consolidation for Xenith, including the initial phases of its comprehensive business integration and transformation program. This program, spanning six key areas, as outlined in Figure 7.3, is designed to optimise operational efficiencies across the group, while allowing the individual brands to continue to operate independently and focus on their respective strengths and clients.

The business transformation program predominantly involves technological innovation, integration and optimisation, in addition to complementary new services, and training to develop more commercially-oriented professionals. Success will also come from Xenith’s strong culture based on its core values. The four brands under the Xenith umbrella operate independently, however, they share a corporate culture which focuses on its people and the clients they serve. The four core values which underpin this culture and mindset are illustrated in Figure 7.4 below.

Xenith’s transformation program has been developed with the view to enabling operational scale to continue to expand, improving operational efficiencies, and developing a strong platform based on industry leading technology solutions to support Xenith’s growth strategy locally as well as in the strategically targeted Asian region. The program ensures Xenith’s people are equipped with the toolset to continue to provide exceptional, collaborative service to their clients.

In addition, learning and training programs developed within the Xenith Group enhance the skillset of all staff. With a shared mindset, toolset and skillset across the Xenith Group, Xenith’s people are able to work collaboratively with clients to deliver outstanding value across the IP, innovation and commercialisation landscape. Continued implementation of the transformation program will, of course, be subject to IPH support if the Scheme proceeds.



Figure 7.3: Overview of Xenith’s transformation plan



Figure 7.4: Xenith’s core cultural values

7.2 Xenith businesses and service offering

Each of the four businesses in the Xenith Group maintains its own brand, working closely with clients to address their specific needs.



Figure 7.5: Xenith brands

The four highly respected brands depicted in Figure 7.5 above deliver a full spectrum of IP and complementary services across the innovation landscape, with the combined scope including more than 25 discrete service lines. The breadth of these services available to clients deepens the existing relationships that Xenith maintains as a central strength to its business. While the core services provided by Shelston, Watermark and Griffith Hack cover the primary aspects of IP protection, commercialisation and enforcement, Glasshouse Advisory provides highly complementary advisory services, including IP and intangible asset valuation, IP strategy development, IP monetisation, innovation incentives including R&D tax incentives, and IP analytics.

Griffith Hack

Griffith Hack is a multi-award winning IP firm with a heritage stretching back more than 100 years. The firm is one of Australia's largest filers of patents and trade marks and provides a comprehensive range of domestic and international services relating to the protection, management, commercialisation and enforcement of IP rights.

Shelston IP

Established in 1859, Shelston IP is one of the oldest and most respected specialist intellectual property firms in Australia. The firm's trade mark attorneys, patent attorneys and IP lawyers provide services and advice relating to the protection, management, commercialisation and enforcement of intellectual property – locally and internationally.

Watermark

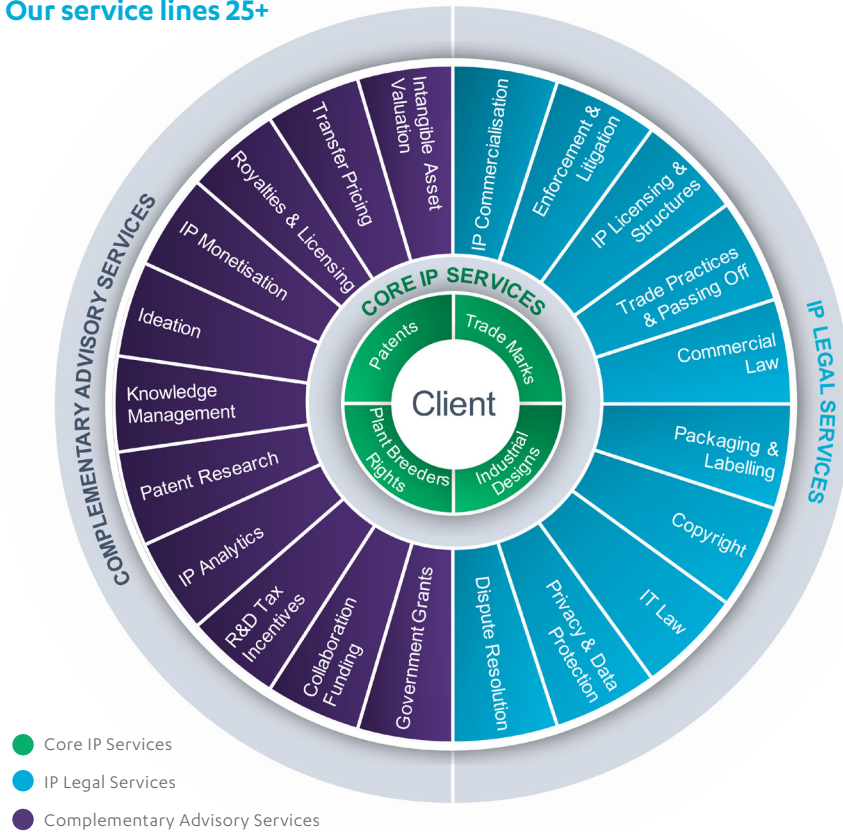
Watermark provides expert advice on IP protection and intellectual asset management to deliver greater value for clients from their intellectual assets. The firm was founded by Edward Waters, widely acknowledged as the father of the IP profession in Australia, in 1859 and has offices in Melbourne, Sydney and Perth. Its lawyers and attorneys align the IP needs of clients with their business objectives to drive profit and growth.

Glasshouse Advisory

Glasshouse is focused on enhancing the value of clients' IP through a range of complementary services including IP strategy development, IP economics including intangible asset valuation and IP monetisation, IP analytics including IP searching and landscape mapping, and innovation incentives including R&D tax rebates and export market development grants.

7. Information about Xenith

Our service lines 25+



- Core IP Services
- IP Legal Services
- Complementary Advisory Services

Figure 7.6: Xenith’s service offering

Service offering

Xenith’s core IP services, from which it derives the majority of its revenue, relate to the services detailed in Section 6.4, i.e. the creation, processing, maintenance and management of portfolios of patents, trade marks and designs for its clients across all stages of the respective IP lifecycles. The nature of the IP lifecycles discussed in Section 6.4 and the long-term relationships and multiple touch-points with clients are important factors contributing to the relatively consistent and transparent earnings profile of the Xenith Group.

To cater for the full-suite of IP services required by clients, Xenith also provides IP legal services via teams of experienced professionals to manage IP enforcement programs in Australia and abroad. The group’s IP commercial lawyers also advise clients on a range of commercial transactions to exploit their IP locally and internationally. These services include corporate structuring and contracts for licensing, manufacturing, distribution and commercial exploitation of IP rights.

Built on deep foundations of IP expertise, Xenith launched the Glasshouse Advisory business in 2017 to provide a unique combination of complementary services to help existing and new clients to identify and leverage the commercial potential of their intangible assets. This specialist intellectual asset advisory firm within the Xenith Group supports clients in IP research and analytics, IP strategy and development, IP economics and innovation incentives. The specialist teams within the Glasshouse Advisory collaborate with the other brands across the Xenith Group to deliver solutions tailored to each client’s needs and create a truly diversified offering.

Xenith’s comprehensive service offering is illustrated in Figure 7.6, whilst the subset of specialist complementary advisory services provided by Glasshouse is illustrated in Figure 7.7.

Xenith’s uniquely comprehensive suite of services, commercial perspective and holistic approach to service delivery, built on deep foundations of IP expertise, provide a strongly differentiated position in the market, while delivering superior value for clients at key stages along the innovation and commercialisation pathways.



Figure 7.7: Glasshouse Advisory’s service offering

7.3 Xenith Board and key management

The following Directors comprise the Xenith Board:



Sibylle Krieger – Chair and Non-executive Director

LLB (Hons) LLM MBA FAICD

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

Sibylle is a professional independent Non-executive Director with over 35 years of broad commercial experience. Her early career was in professional services as a corporate lawyer in private practice, followed by a period as an economic regulator. Her particular focus as a Non-executive Director has been on corporate governance, professional services, infrastructure and regulated industries, and sectors undergoing significant change or reform. In addition to Xenith, Sibylle serves as Non-executive Director on the board of financial services group MyState Limited (ASX:MYS) and of the Australian Energy Markets Operator Limited (AEMO).



Craig Dower – CEO and Managing Director

FAICD FAIM MACS

Craig was appointed CEO and Managing Director in August 2017.

Craig's professional services career has spanned over 30 years and his recent positions include leadership roles as CEO of Salmat (ASX:SLM), and President, Asia-Pacific and China for Avanade Inc. His experience includes leading and driving organisational change, building high performance teams, technology-based innovation and integrating and managing acquisitions. He also has more than 15 years' experience working across all of Asia-Pacific, including five years based in Singapore.



Stuart Smith – Executive Director

BE (Mech) PEng FIPTA MAICD

Stuart was appointed to the Xenith Board in August 2015.

Stuart is an Executive Director and currently holds the position of Chief Corporate Development Officer within the Company's Group Executive management team. He led the Company through a corporate restructure and IPO in 2015 and served as Managing Director until August 2017, during which time the strategic acquisitions of Watermark and Griffith Hack were successfully completed and Glasshouse Advisory was launched.



Susan Forrester – Non-executive Director

BA LLB (Hons) EMBA FAICD

Susan was appointed as an independent Non-executive Director in 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 legal services, professional services, and healthcare and child care sectors. Susan's expertise at the board table encompasses strategy, governance within fast growing companies and oversight of large complex transactions.



Kathryn Spargo – Non-executive Director

BA LLB (Hons) FAICD

Kate was appointed as an independent Non-executive Director in April 2017.

Kate has worked as a Non-executive Director for over 20 years in a range of company structures. She is a lawyer by profession and has worked in both public and private practice, as well as professional services practice management. She has extensive experience in directing Australian companies engaged in business internationally.

7. Information about Xenith



Robert Alexander – Non-executive Director

BCom, CA

Robert was appointed as an independent Non-executive Director in September 2018.

Robert is a chartered accountant by training and has over 30 years of commercial experience. In his executive career he was Global CFO of EYE Corp for 10 years, and Group CFO of Opus Group. Since 2015 he has been a Non-executive Director of QMS Media Ltd (ASX:QMS), and was involved in its ASX listing and in a subsequent capital raising for the purposes of an off-shore acquisition.

The key members of Xenith's senior management team are:

Name	Position
Craig Dower	CEO and Managing Director
Stuart Smith	Executive Director and Chief Corporate Development Officer
Nadia McLoughlin	Group Financial Controller
Kris Mason	Acting Chief Information Officer
Kylie Sprott	Chief Transformation Officer and Head of People and Culture
David Hughes	Head of Digital Strategy
Russell Davies	EGM of Shelston IP
David Madigan	EGM of Griffith Hack
Mark Bisset	EGM of Watermark and Glasshouse Advisory
Sarah Prince	Company Secretary

7.4 Historical financial information

7.4.1 Basis of preparation

The historical financial information in this Section has been derived from Xenith's financial statements for the years ended 30 June 2017 (FY17) and 30 June 2018 (FY18), and the half-year ended 31 December 2018 (1HFY19). The information is presented in an abbreviated form for the purposes of this Scheme Booklet and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. This Section should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Xenith's historical financial information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations), issued by the AASB which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

As is stated in Section 7.11, Xenith's financial statements (including all notes to the financial statements) are available from the ASX's website (www.asx.com.au) as well as Xenith's website (www.xenithip.com).

A number of figures, amounts, percentages, prices, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables and commentary may not add due to rounding.

7.4.2 Consolidated income statement

\$ millions	FY17	FY18	1HFY19 ⁽¹⁾
Revenue	85.0	126.3	60.2
Other income	0.2	0.1	0.0
Employee benefits	(35.1)	(53.6)	(25.5)
Recoverable disbursements	(24.4)	(37.6)	(17.9)
Occupancy expense	(4.7)	(7.6)	(3.9)
Impairment	-	(20.7)	-
Acquisition related expenses	(3.8)	-	(1.0)
Net foreign exchange gain/loss	(0.1)	-	0.1
Other expenses	(7.1)	(11.2)	(5.4)
Statutory EBITDA	10.1	(4.3)	6.6
Statutory depreciation & amortisation	(3.1)	(6.4)	(3.4)
Statutory net interest expense	(0.7)	(1.2)	(0.6)
Statutory net profit/(loss) before tax	6.4	(12.0)	2.6
Statutory income tax expense	(2.4)	(2.7)	(0.9)
Statutory net profit/(loss) after tax	4.0	(14.7)	1.7
Statutory NPATA	5.3	(11.6)	3.2
Statutory to underlying EBITDA adjustments			
Impairment losses	-	20.7	-
Restructure expenses	0.5	0.7	0.5
Integration expenses	0.5	0.3	-
Acquisition expenses	3.6	0.1	1.0
IPO related expenses	0.8	0.6	0.1
Total EBITDA adjustments	5.4	22.4	1.6
Underlying EBITDA⁽²⁾	15.5	18.1	8.2
Underlying depreciation & amortisation	(3.1)	(6.4)	(3.4)
Underlying net interest expense	(0.4)	(1.1)	(0.6)
Underlying net profit before tax	12.0	10.6	4.2
Underlying income tax expense	(3.6)	(3.2)	(1.4)
Underlying net profit after tax	8.4	7.4	2.8
Underlying NPATA	9.7	10.4	4.3

(1) The consolidated income statement for 1HFY19 presented above is under the adoption of AASB9 whereas those figures for FY17 and FY18 are presented as reported at the respective dates, prior to the adoption of AASB9.

(2) Underlying EBITDA excludes costs incurred in pursuit of acquisitions and related integration costs, restructuring costs, IPO costs, and accounting charges for impairment losses.

Commentary

Xenith listed in 1HFY16 with a well-established and stable underlying business, Shelston IP. As Watermark and Griffith Hack were not acquired until FY17, with these businesses contributing a substantial amount of incremental revenue, a comparison with FY16 is not meaningful.

7. Information about Xenith

FY17

With two acquisitions, as well as the launch of Glasshouse Advisory during FY17, this period was still not one of steady state for Xenith. Revenue and EBITDA accordingly grew over the same period with additional contributions for part of the period, however this increase was offset by a strategic investment into management resources to support the acquisitions, as well as growth initiatives ahead of integration and achieving synergies. Amortisation expense also increased over this period due to the amortisation of acquired intangibles.

FY18

In FY18, the full-year benefit of the two acquisitions provided a greater absolute revenue increase of over \$60 million. The existing business, however, was negatively impacted by the AUD depreciation relative to the USD, as well as a slowdown in the Australian patents market. Additional corporate resources increased costs to support the larger, more diversified and complex business. Emphasis was also placed on reducing excess capacity and to refocus attention on clients, business development and efficient service delivery leading to moderate underlying EBITDA growth for Xenith in FY18.

Whilst the revenue contribution of the two acquired businesses had the full-year impact, the acquired businesses were not yet fully integrated throughout the period and hence the margin improvements and other rationales for these acquisitions were not realised. The prolonged lower industry volumes also resulted in a rebasing of the earnings of the businesses, which in turn led Xenith to take a one-off non-cash impairment charge of \$20.7 million to the carrying value of the Griffith Hack and Glasshouse Advisory businesses. Despite the challenges faced during the period, an improved performance was nonetheless observed during 2HFY18 with Xenith outperforming the market trend in terms of a return to “normal” industry filings growth.

1HFY19

The IP patent process pipeline across the Australian industry showed some contraction in Q1 of FY19, although a marked strengthening in overall patent process pipeline volumes was observed in Q2 of FY19. The resulting combination was a relative softness in patent process pipeline volumes in 1HFY19, but with momentum building steadily through the half year. As a consequence of these market dynamics providing a slow start to the year, service fee revenue in 1HFY19 decreased by c.\$2 million or 5% on the prior comparative period. This decline in service fee revenue was favourably impacted by a softening of the AUD against the USD and EUR exchange rates.

In December 2018, the entire Shelston IP team and a core of the Xenith corporate team relocated to a modern, open-plan, and highly collaborative workspace. This resulted in a significant consolidation in operational footprint with consequential cost savings. This relocation project and the associated technological changes inevitably involved some disruption to the core business of Shelston IP in the first half of FY19. However, the team is now well settled in the new premises.

Further cost savings are attributable to restructures undertaken in Griffith Hack and Shelston IP in FY18 reducing employee benefits expense, as well as ongoing integration and rationalisation reducing other expenses. Combined with a significant improvement in the Griffith Hack business, statutory and underlying EBITDA improved in 1HFY19 by 5% and 10% respectively.

7.4.3 Consolidated statement of financial position

\$ millions	FY17	FY18	1HFY19 ⁽¹⁾
Current assets			
Cash and cash equivalents	3.6	2.8	3.8
Trade and other receivables	29.0	28.7	25.9
Work in progress	2.2	4.1	6.5
Derivative financial assets	0.1	-	-
Income tax receivable	-	0.3	1.7
Other assets	1.6	2.0	2.3
Total current assets	36.5	37.8	40.2
Non-current assets			
Property, plant and equipment	6.6	6.0	8.3
Goodwill and intangible assets ⁽²⁾	162.7	137.4	135.2
Other assets	0.2	0.2	0.2
Total non-current assets	169.5	143.5	143.7
Total assets	206.0	181.3	183.9
Current liabilities			
Trade and other payables	6.9	7.9	7.9
Contingent consideration liability	5.2	-	-
Provisions	7.8	8.2	7.5
Income tax payable	2.6	-	-
Derivative financial liabilities	-	0.4	0.3
Other liabilities	3.0	3.0	3.0
Total current liabilities	25.4	19.5	18.7
Non-current liabilities			
Borrowings	14.9	15.8	18.9
Deferred tax liability	15.4	14.8	15.6
Provisions	2.0	1.5	1.7
Other liabilities	5.4	4.3	6.2
Total non-current liabilities	37.8	36.3	42.4
Total liabilities	63.2	55.8	61.2
Net assets	142.8	125.5	122.7
Equity			
Issued capital	141.4	144.5	144.5
Reserves	0.9	0.9	0.1
Retained earnings / (Accumulated losses)	0.5	(19.9)	(21.9)
Total equity	142.8	125.5	122.7

(1) The statement of financial position for the end of 1HFY19 (i.e. 31 December 2018) presented above reflects the adoption of AASB9 whereas those figures for FY17 and FY18 are presented as reported at the respective dates, prior to the adoption of AASB9.

(2) As disclosed in Xenith's annual report, Goodwill of \$60 million predominantly relates to the acquisition of Griffith Hack and Watermark, including the corresponding impact on the Shelston IP business, and is allocated to the following cash generating units in the Xenith Group: \$39 million Griffith Hack, \$11 million Watermark, \$10 million Shelston IP.

7. Information about Xenith

7.4.4 Consolidated statement of cash flows

\$ millions	FY17	FY18	1HFY19 ⁽¹⁾
Cash flows from operating activities			
Receipts from customers	85.7	130.0	64.3
Payments to suppliers and employees	(74.2)	(114.6)	(56.7)
	11.5	15.3	7.6
Interest received	0.2	0.0	0.0
Income tax paid	(1.3)	(5.6)	(1.5)
Net cash provided by operating activities	10.3	9.7	6.1
Cash flows from investing activities			
Payments for property, plant and equipment	(1.8)	(1.5)	(3.0)
Payments for intangible assets	(0.1)	(0.5)	(0.2)
Payments for the acquisition of controlled entities, net of cash acquired and transaction costs	(88.3)	(2.7)	-
Net cash used in investing activities	(90.2)	(4.7)	(3.2)
Cash flows from financing activities			
Proceeds from issue of shares	76.2	-	-
Payment of share issue costs	(3.9)	(0.0)	-
Payment for shares acquired on-market	-	-	(0.4)
Proceeds from borrowings	29.5	15.8	5.5
Repayment of borrowings	(18.7)	(15.0)	(2.5)
Dividends paid	(3.5)	(5.7)	(4.0)
Finance costs paid	(0.9)	(1.0)	(0.5)
Net cash provided / (used in) by financing activities	78.7	(5.9)	(1.9)
Net decrease in cash and cash equivalents	(1.1)	(0.9)	1.0
Cash and cash equivalents at the beginning of the year	4.9	3.6	2.8
Effects of exchange rate changes on cash and cash equivalents	(0.1)	-	-
Cash and cash equivalents at the end of the year	3.6	2.8	3.8

7.5 Xenith dividend policy

Under the terms of the Scheme Implementation Deed, if the Transaction has not been Implemented before 20 August 2019, Xenith has the right, in its discretion, to pay an interim dividend in respect of the full-year ending 30 June 2019 to Xenith Shareholders in accordance with its stated dividend policy (which provides for a payment ratio of 70-90% of NPATA) calculated in accordance with the auditor reviewed consolidated accounts of Xenith and which is not franked in excess of the then available franking credits of Xenith.

7.6 Material changes to Xenith's financial position since 30 June 2018

Within the knowledge of the Xenith Directors, the financial position of Xenith has not materially changed since 30 June 2018, being the date of Xenith's financial report for the year ended 30 June 2018.

7.7 Xenith FY19 guidance

As part of its results announcement for the first half of FY19 released to the ASX on 27 February 2019, Xenith indicated it expects to deliver FY19 underlying EBITDA of \$20m-\$21m, representing earnings growth on FY18.

7.8 Xenith capital structure

As at 12 June 2019, Xenith's issued securities are as follows:

- 88,717,931 Xenith Shares on issue; and
- 454,880 Performance Rights on issue.

7.9 Recent share price history

Xenith Shares are listed on the ASX under the code 'XIP'.

The closing price of Xenith Shares on the ASX on:

- 26 November 2018 (i.e. the last Trading Day prior to the announcement of the Former Transaction) was \$1.245;
- 5 April 2019 (i.e. the last Trading Day prior to the date on which IPH submitted the revised proposal to Xenith) was \$1.925; and
- 12 June 2019 was \$2.14.

During the twelve months up to and including 12 June 2019:

- the highest recorded daily closing price for Xenith Shares on the ASX was \$2.17 on 26 April 2019; and
- the lowest recorded daily closing price for Xenith Shares on the ASX was \$1.12 on 2 July 2018.

Figure 7.8 below shows Xenith's share price performance since its IPO on 20 November 2015 to 12 June 2019.



Source: IRESS, noting share prices are adjusted for any capital raisings

Figure 7.8: Xenith Share price performance since IPO

7.10 Xenith substantial shareholders

Based on filings to the ASX as at 12 June 2019, the entities listed in Table 7.1 below are the substantial holders (within the meaning of the Corporations Act) of Xenith Shares.

Shareholder	Number of Xenith shares held	%
IPH Limited	17,734,708	19.99%
Credit Suisse Holdings Limited	8,252,084	9.30%

Table 7.1: Xenith substantial shareholders

7.11 Publicly available information

Xenith is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a listed company, Xenith is also subject to the ASX Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of Xenith Shares. In addition, Xenith is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and the ASX in accordance with the ASX Listing Rules.

The information disclosed to the ASX is available from the ASX's website (www.asx.com.au) as well as Xenith's website (www.xenithip.com). Copies of the documents lodged with ASIC by Xenith may be obtained from, or inspected at any ASIC office.

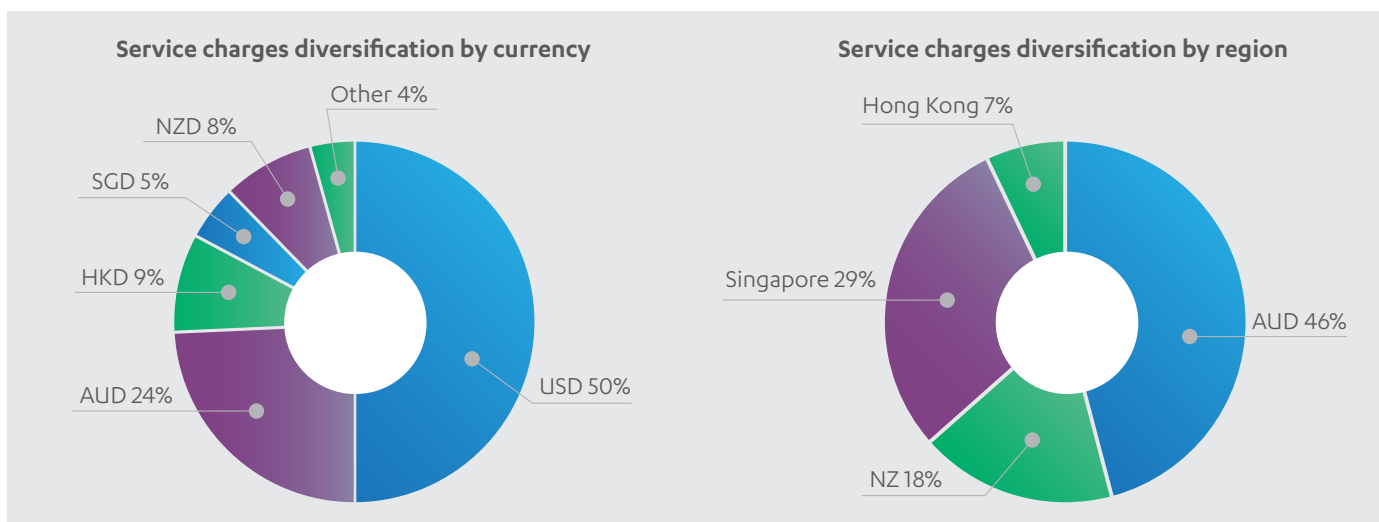


Figure 8.2: IPH 1HFY19 service charges revenue by currency and geography

The IPH Group has a diverse client base consisting of multinationals, public sector research organisations, foreign associates and other corporate and individual clients. Many of the IPH Group’s clients are located in the USA, Europe and Japan. Clients can be broadly broken into three Groups:

- International corporates (multinational and other foreign corporations);
- Local clients (principally Australia, New Zealand, Singapore and Hong Kong based corporates, public sector research institutions, universities and individuals); and
- Foreign associates (foreign IP attorneys and general law firms acting for their clients in offshore markets).

The core values of IPH are excellence in service delivery to clients, innovation in value creation, integrity in business practices, efficiency and effectiveness in operations and the empowerment and engagement of our people. The IPH Group’s vision is to become the leading IP group in IP secondary¹⁷ markets and adjacent areas of IP. The IPH Group invests in its business to provide the capability, resources and systems to enable it to deliver benefits to its clients, employees and shareholders, both now and into the future.

8.2 IPH businesses

Since listing on the ASX, the IPH Group has undertaken a series of acquisitions which position it as a market leader in the mature markets of Australia and New Zealand, as well as expanding in the broader Asia-Pacific region. A timeline of the IPH track record of acquisitions and expansions since IPO is shown below:

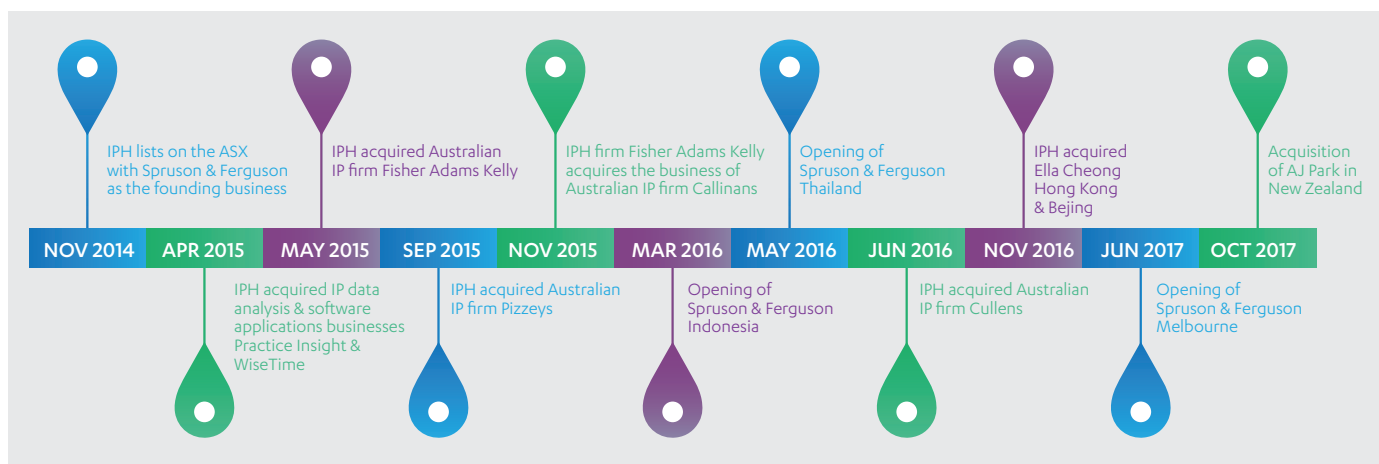


Figure 8.3: IPH timeline of acquisitions and expansions since IPO

¹⁷ Secondary IP markets are those countries outside the world’s core IP markets of the USA, Europe, Japan and Republic of Korea.

8. Information about IPH

Presently IPH owns and operates a number of IP services brands within the Asia-Pacific, and a specialist IP software services firm as shown in Figure 8.4 below. Each of the brands within the IPH Group has its own culture, aligned with the vision of the broader IPH Group.



Figure 8.4: IPH businesses

Spruson & Ferguson

Spruson & Ferguson is one of the leading IP firms operating throughout the Asia-Pacific region, offering a variety of services for the protection, commercialisation, enforcement and management of IP. Spruson & Ferguson has nearly 400 employees working from offices in Australia, Singapore, Thailand, Malaysia, Indonesia, China and Hong Kong. In 1997, Spruson & Ferguson opened a Singapore office, which the IPH Group believes represented the first Australian IP services firm to enter the Asian market. Spruson and Ferguson has continued to grow its IP service offerings and capabilities across the Asia-Pacific region with the opening of a representative office in China in 2013 and new offices in Indonesia and Thailand in 2016, as well as acquisitions in Hong Kong and China in 2016.

AJ Park

AJ Park, established in 1891, is the premier New Zealand IP firm employing approximately 170 people and operating from offices in Auckland and Wellington. AJ Park is a full service IP firm with a substantial local client base servicing clients ranging from large multinational corporations and universities to start-up companies and entrepreneurs.

Pizzeys

Pizzeys Patent and Trade Mark Attorneys was established in 1981 and has offices in Brisbane, Canberra and Singapore. Pizzeys' business is predominantly focused on in-bound work into Australia and Singapore from overseas IP associates and direct corporate clients.

Practice Insight

Practice Insight is a specialist provider of software applications for IP and other professional services firms under recurring license arrangements. The company is currently focused on autonomous time recording software known as Wisetime.

8.3 IPH Board and key management

The following Directors comprise the IPH Board:



Richard Grellman, AM – Independent Non-executive Chairman

FCA

Richard was appointed independent Non-executive Chairman in September 2014.

Richard worked for KPMG for 32 years, mostly within the Corporate Recovery Division and was a Partner from 1982 to 2000. Richard is currently the Tribunal of The Statutory and other Officers Remuneration Tribunal (SOORT), appointed by the Governor of NSW. Richard is also Chairman of Fastbrick Robotics Ltd and SuperConcepts Pty Ltd (AMP). Richard is a Director of Bisalloy Steel Group Limited and the National Health and Medical Research Council Institute for Dementia Research, and lead Independent Director of Salvation Army Australia.



Dr Andrew Blattman – Managing Director and Chief Executive Officer

BScAgr (Hons 1), PhD, GraDipIP

Andrew was appointed as Managing Director & Chief Executive Officer of IPH in November 2017.

Andrew has more than 20 years' experience in the intellectual property profession. Previously he was CEO of Spruson & Ferguson, the largest entity in the IPH Group. Andrew joined Spruson & Ferguson in 1995 and in 1999 he was appointed as a Principal of the firm. In 2015 Andrew was appointed CEO of Spruson & Ferguson. Under his leadership Spruson & Ferguson significantly expanded its footprint in the Australian and Asian IP markets - opening new offices in Melbourne, Beijing, Hong Kong SAR, Jakarta and Bangkok.

Since Spruson & Ferguson's incorporation and the listing of IPH on the ASX in 2014, Andrew has played a key role in the development and growth of the IPH Group. He has a deep knowledge and understanding of the IPH business and the environment in which the company operates.



John Atkin – Independent Non-executive Director

LLB (1st Class Hons), BA (Pure Mathematics) (1st Class Hons)

John was appointed as a Non-executive Director in September 2014.

John is Chairman of the Australian Institute of Company Directors and Australian Outward Bound Foundation. He is a Director of Integral Diagnostics Limited, Commonwealth Bank Officers Superannuation Corporation Pty Limited, Outward Bound International Inc, and Qantas Superannuation Limited.

John is a former CEO & Managing Director of The Trust Company Limited (2009–2013) prior to its successful merger with Perpetual Limited. John was also Managing Partner and Chief Executive of Blake Dawson (2002–2008). John also worked at Mallesons Stephen Jaques as a Mergers & Acquisitions Partner for 15 years (1987–2002).



Robin Low – Independent Non-executive Director

BCom, FCA

Robin was appointed as a Non-executive Director in September 2014.

Robin is a Director of AUB Group Limited, CSG Limited, Appen Limited, Primary Ethics, the Public Education Foundation, Australian Reinsurance Pool Corporation and Gordian Runoff Limited/Enstar Australia Holdings Pty Ltd (part of the NASDAQ listed Enstar Group). She is also President of the Sydney Medical School Foundation and Deputy Chairman of the Auditing and Assurance Standards Board. Robin was with PricewaterhouseCoopers for 28 years and was a partner from 1996 to 2013, specialising in audit and risk.



Jingmin Qian – Independent Non-executive Director

BEC, MBA, CFA, FAICD

Jingmin was appointed as a Non-executive Director in April 2019.

Jingmin is a Director of Abacus Property Group, Trustee of Club Plus Super, a member of Macquarie University Council and a Director of the Australia China Business Council. She is also a senior advisor to leading global and Australian organisations and Director of Jing Meridian Advisory Pty Ltd.

Jingmin previously held senior roles with L.E.K. Consulting, Boral Limited and Leighton Holdings, and brings a broad range of commercial experience covering strategy, mergers and acquisitions, capital planning, investment review and Asian expansion.

8. Information about IPH

The key members of IPH's management team are:

Name	Position
Dr Andrew Blattman	Managing Director and Chief Executive Officer
John Wadley	Chief Financial Officer
Philip Heuzenroeder	Group General Counsel and Company Secretary
Tee Tan	Chief Information Officer
Lucinda Barrett	Chief Marketing Officer
John O'Shea	Head of People & Culture (Acting)
Kristian Robinson	Managing Director, Spruson & Ferguson (Asia)
Tracey Berger	Managing Director, Spruson & Ferguson (Sydney/Melbourne)
Coral Toh	Managing Director, Spruson & Ferguson (Hong Kong)
Damian Broadley	Managing Director, AJ Park
John Woodhams	Chief Executive Officer, Pizzey's
Thomas Haines	Chief Executive Officer, Practice Insight

8.4 Historical financial information

8.4.1 Basis of preparation

The historical financial information in this Section 8.4 comprises IPH's consolidated financial statements for the financial years ended 30 June 2017 (FY17) and 30 June 2018 (FY18) as well as the half year ended 31 December 2018 (1HFY19).

The information presented within this Section has been presented in an abbreviated form for the purposes of the Scheme Booklet and does not contain all the disclosures, presentations, statements or comparatives that are usually provided within an annual report in accordance with the Corporations Act. This Section therefore should be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

IPH's historical financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act, as appropriate for for-profit orientated entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A number of figures, amounts, percentages, prices, calculations of value and fractions are subject to the effect of rounding. Accordingly totals in tables and commentary may not add due to rounding. IPH's financial statements are available from the ASX's website (www.asx.com.au) as well as IPH's website (www.iphltd.com.au).

8.4.2 Consolidated income statement

\$ millions	FY17	FY18	1HFY19
Revenue	182.0	222.0	121.5
Other income	4.0	4.1	3.4
Employee benefits expense	(49.0)	(65.3)	(34.9)
Rental expenses	(5.4)	(8.5)	(4.1)
Agent fee expenses	(51.0)	(66.0)	(35.7)
Other expense	(11.9)	(16.2)	(9.6)
Statutory EBITDA	68.7	70.1	40.6
Depreciation and amortisation	(10.4)	(13.1)	(6.3)
Finance costs	(1.1)	(1.5)	(1.1)
Impairment of intangibles	-	(2.2)	-
Statutory net profit before tax	57.2	53.3	33.3
Income tax expense	(14.3)	(12.6)	(9.2)
Statutory net profit after tax	42.9	40.7	24.1
Statutory to underlying EBITDA adjustments			
Revenue	-	-	(2.1)
Employee benefits expense	1.3	0.7	1.1
Business acquisition costs	2.6	1.0	0.2
Business acquisition adjustments	(1.2)	(0.6)	0.0
New business establishment costs	0.2	0.8	0.0
Restructuring expenses	0.0	2.1	0.6
Total EBITDA adjustments	2.9	4.0	(0.2)
Underlying EBITDA⁽¹⁾	71.6	74.0	40.4
Underlying depreciation and amortisation	(2.7)	(3.7)	(1.6)
Underlying net interest expense	(1.1)	(1.5)	(1.1)
Underlying net profit before tax	67.8	68.8	37.7
Underlying income tax expense	(16.6)	(16.9)	(9.8)
Underlying net profit after tax⁽²⁾	51.2	51.9	27.9

(1) Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs, restructuring costs and accounting charges for share based payments

(2) Underlying NPAT excludes amortisation expense on intangible assets arising from acquisitions

Commentary

FY17

In FY17, IPH's statutory net profit after tax (NPAT) for the year was \$42.9 million, which equated to diluted earnings of 22.3c per share and compared to \$38.8 million in the previous year. The underlying NPAT for the year was \$51.2 million, being a 9% increase over the prior corresponding period. Underlying EBITDA was \$71.6 million (an increase of 10% on the prior corresponding period). IPH's underlying EPS was 26.7c (2% increase on FY16, or 6% increase if eliminating the impact of further investment in Practice Insight).

The results were supported by additional contributions of prior year acquisitions (Cullens – 12 months; Callinans – 4 months; Pizeys – 3 months; and Ella Cheong – 8 months). Removing the impact of these acquisitions and foreign exchange, like-for-like revenue and EBITDA declined by 1 and 3% respectively. This is compared to performance of the prior year which was positively impacted by the “pull-forward” effect of a legislative change in the US (America Invents Act).

8. Information about IPH

FY18

Revenue increased by 22% to \$226.0 million compared to FY17, driven by organic growth and the acquisition of AJ Park in October 2017. This was offset by the impact of a stronger Australian dollar in FY18 compared to the prior year.

Statutory EBITDA increased by 2% to \$70.1 million, while Underlying EBITDA of \$74.0 million increased 3% on the prior year.

Statutory NPAT declined by 5% to \$40.7 million compared to FY17. Statutory NPAT was impacted by increased amortisation charges of acquired assets, restructuring charges and the one-off write down of intangibles related to the Cullens and Fisher Adams Kelly Callinans brands, related to their combination with Spruson & Ferguson. Underlying NPAT of \$51.9 million increased by 1% on the prior year.

Removing the impact of acquisitions and foreign exchange like-for-like revenue rose by 2% and EBITDA declined by 3%, predominately due to a decline in patent filings in the first half.

1HFY19

Revenue grew by 23% to \$124.9 million compared to the prior corresponding period, driven by the impact of acquisitions, the sale of the Filing Analytics and Citation Eagle businesses of Practice Insight, organic growth and the impact of a weaker Australian dollar than in the comparative period.

EBITDA increased by \$8.8 million to \$40.6 million, up from \$31.8 million in 1HFY18. Underlying EBITDA of \$40.4 million increased by 22% from the prior corresponding period.

The IPH Group achieved a statutory NPAT of \$24.2 million up from \$19.7 million in 1HFY18. Underlying NPAT of \$27.9 million is 15% up from the prior corresponding period.

Items impacting on the 1HFY19 result in comparison to the prior period has been the inclusion of a full six months of AJ Park (acquired October 2017) and movements in foreign exchange rates, particularly the USD.

Removing an additional four month contribution from the AJ Park acquisition and the impact of foreign exchange, the IPH Group's like for like revenue grew by 3% and the EBITDA by 8% supported by double-digit like-for-like revenue and EBITDA growth from the Asian business.

8.4.3 Consolidated statement of financial position

\$ millions	FY17	FY18	1HFY19
Current assets			
Cash and cash equivalents	24.4	26.2	29.4
Trade and other receivables	38.0	57.1	56.1
Other	3.4	5.3	7.5
Total current assets	65.8	88.7	92.9
Non-current assets			
Available-for-sale financial assets	0.2	0.2	0.2
Property, plant and equipment	3.0	6.2	6.1
Intangibles	212.9	266.3	258.1
Deferred tax	5.1	6.6	5.8
Total non-current assets	221.2	279.2	270.2
Total assets	287.0	367.9	363.1
Current liabilities			
Trade and other payables	11.2	16.7	17.7
Income tax payable	6.9	6.3	5.6
Provisions	6.3	8.1	6.5
Other financial liabilities	1.6	0.4	0.2
Deferred revenue	1.0	1.1	0.1
Total current liabilities	27.0	32.6	30.0

\$ millions	FY17	FY18	1HFY19
Non-current liabilities			
Borrowings	-	40.1	32.6
Deferred tax	18.7	22.9	21.6
Provisions and other financial liabilities	1.6	4.7	5.1
Total non-current liabilities	20.3	67.7	59.3
Total liabilities	47.3	100.3	89.3
Net assets	239.7	267.6	273.8
Equity			
Issued capital	233.6	262.8	262.8
Reserves	(12.3)	(11.5)	(7.7)
Retained profit	18.4	16.3	18.7
Total equity	239.7	267.6	273.8

8.4.4 Consolidated statement of cash flows

\$ millions	FY17	FY18	
Cash flows from operating activities			
Receipts from customers	205.5	240.4	151.6
Payments to suppliers and employees	(136.8)	(175.5)	(113.3)
Interest received	0.1	0.0	0.0
Interest and other finance costs paid	(1.2)	(1.5)	(1.1)
Income taxes paid	(17.7)	(17.0)	(10.5)
Net cash from operating activities	49.9	46.5	26.8
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	(39.1)	(38.6)	-
Proceeds from sale of Practise Insight businesses	-	-	10.0
Payments for property, plant and equipment	(0.6)	(0.7)	(0.7)
Payments for internally developed software	(2.7)	(3.3)	(1.3)
Net cash used in investing activities	(42.4)	(42.6)	8.0
Cash flows from financing activities			
Share buy back	-	(2.7)	-
Dividends paid	(40.4)	(38.0)	(21.7)
Proceeds of borrowings	-	46.0	-
Repayment of borrowings	-	(7.0)	(9.1)
Net cash used in financing activities	(40.4)	(1.7)	(30.8)
Net increase / (decrease) in cash and cash equivalents	(32.9)	2.2	4.0
Cash and cash equivalents at the beginning of the financial year	58.8	24.4	26.2
Effects of exchange rate changes on cash and cash equivalents	(1.5)	(0.3)	(0.8)
Cash and cash equivalents at the end of the financial year	24.4	26.2	29.4

8.5 IPH dividend policy

As at the date of this Scheme Booklet, IPH's dividend policy provides for a payout ratio of 80–90% of earnings based on liquidity (adjusted NPAT) which is not franked in excess of the then available franking credits of IPH, up to a maximum of 90% of cash NPAT (calculated in accordance with the audited consolidated accounts of IPH in respect of the applicable financial year end, where "NPAT" is statutory net profit after tax of the IPH Group).

This is not intended to be a forecast or guarantee of dividend payments; it is merely an indication of IPH's objectives. IPH may not be successful in achieving its objectives and returns are not guaranteed.

8. Information about IPH

Dividend per share	Interim	Final	Total
FY17	11.5c	10.5c	22.0c
FY18	11.5c	11.0c	22.5c

Table 8.1: Summary of historical IPH dividends

8.6 Material changes to IPH's financial position since 31 December 2018

Since the preparation of the 31 December 2018 financial statements IPH has undertaken two material transactions that impact the financial statements. These are:

- The \$32.8 million purchase of a 19.99% stake in the shares on issue of Xenith funded from debt and cash; and
- A refinance of the existing ANZ debt facility with Westpac and HSBC, extending facilities to \$210.0 million. As at the date of this Scheme Booklet IPH has approximately \$66 million of this facility drawn down.

8.7 IPH FY19 guidance

IPH confirms it will not be providing FY19 earnings guidance as part of this Scheme Booklet.

8.8 Funding arrangements for the Scheme Consideration

8.8.1 Cash consideration

If the Scheme becomes Effective and is Implemented, holders of Scheme Shares will, subject to election of Maximum Cash Consideration or Maximum Scrip Consideration, be entitled to receive \$1.28 in cash per Xenith Share held on the Scheme Record Date. The maximum cash required to be paid by IPH as consideration is approximately \$91.4 million.

8.8.2 Overview of funding arrangements

IPH intends to fund the cash portion of the Scheme Consideration from the existing Westpac and HSBC facilities and cash on hand.

Westpac and HSBC debt facilities

IPH has available total debt facilities of \$210 million under its existing loan facilities with Westpac and HSBC. The amount of undrawn capacity available for acquisitions exceeds the maximum cash consideration payable by IPH under the Scheme. The loan facilities are provided by Westpac and HSBC as syndicated lenders and are valid until 11 February 2022.

Cash on hand

As at 29 April 2019, IPH has available cash reserves of \$23.8 million.

On the basis of the arrangements described above, IPH is of the opinion that it has a reasonable basis for forming the view that it will be able to satisfy its obligations to pay the maximum cash consideration under the Scheme.

8.9 IPH capital structure

As at 12 June 2019, IPH's issued securities are as follows:

- 197,341,566 IPH Shares
- 73,411 retention rights
- 1,519,285 performance rights

IPH has been admitted to the official list of the ASX and IPH Shares have been granted official quotation by the ASX.

8.10 IPH employee incentive plan

The IPH Employee Incentive Plan was established in FY17, and provides eligible employees with the opportunity to participate in the potential growth and profits of IPH. It assists in attracting, motivating and retaining the services of eligible employees to promote the long-term success of the IPH Group.

Under the Plan, eligible employees may receive cash payments or IPH Shares or both by way of options or performance rights and vesting can be measured against a retention requirement, total shareholder return, earnings per share growth or other key performance indicators for the IPH Group, business unit and individual.

8.11 Recent share price history

IPH Shares are listed on the ASX under the code 'IPH'.

The closing price of IPH Shares on the ASX on:

- 5 April 2019 (i.e. the last Trading Day prior to the date on which IPH submitted the revised proposal to Xenith) was \$6.90; and
- 12 June 2019 was \$7.00.

During the twelve months up to and including 12 June 2019:

- The highest recorded daily closing price for IPH Shares on the ASX was \$7.27 on 26 April 2019; and
- The lowest recorded daily closing price for IPH Shares on the ASX was \$4.37 on 5 July 2018.

Figure 8.5 below shows IPH's share price performance since its IPO on 19 November 2014 to 12 June 2019.

Share price (\$)



Figure 8.5: IPH historical share price performance since IPO

8.12 Substantial holders

Based on filings to the ASX as at 12 June 2019, the entities listed in Table 8.2 below are substantial holders (within the meaning of the Corporations Act) of IPH Shares.

Shareholder	Number of IPH shares held	%
Perpetual Limited	17,327,252	8.78%
Paradise Investment Management	14,450,717	7.32%
Marathon Asset Management	11,773,224	5.97%
The Vanguard Group	11,076,840	5.61%
Vinva Investment Management	10,458,273	5.30%

Table 8.2: IPH substantial holders

8.13 Publicly available information

IPH is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a listed company, IPH is also subject to ASX Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of IPH Shares. In addition, IPH is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and the ASX in accordance with the ASX Listing Rules.

The information disclosed to the ASX is available from the ASX's website (www.asx.com.au) as well as from IPH's website (www.iphlt.com.au). Copies of the documentation lodged with ASIC by IPH may be obtained from, or inspected at any ASIC office.

8. Information about IPH

IPH will provide a copy of any of the following documents free of charge to any person who requests a copy of:

- IPH's Annual Financial Report for the period ended 30 June 2018;
- IPH's Half-Year Financial Report for the period ended 31 December 2018; and
- any continuous disclosure notice given by IPH after lodgement of IPH's Annual Financial Report for the period ended 30 June 2018.

8.14 IPH interests and dealings in Xenith Shares

8.14.1 Relevant interests in Xenith Shares

As of the date of this Scheme Booklet, IPH holds a relevant interest in the following number of Xenith Shares:

Number of Xenith Shares	Number of Votes	Voting Power
17,734,708	17,734,708	19.99%

Table 8.3: Relevant interest of IPH in Xenith Shares

8.14.2 Dealings in Xenith Shares in the previous four months

During the four months before the date of this Scheme Booklet, IPH acquired all of the Xenith Shares detailed above. IPH acquired 17,654,868 Xenith Shares on 12 February 2019 for total cash consideration of \$32,661,505.80 and 79,840 Xenith Shares on 13 February 2019 for total cash consideration of \$134,873.42.

8.14.3 Benefits to holders of Xenith Shares in previous four months

During the four months before the date of this Scheme Booklet, neither IPH nor any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to vote in favour of the Scheme, where the benefit has not been offered to all Xenith Shareholders.

8.15 Interests of IPH Directors

8.15.1 Interests in IPH Shares, retention rights and performance rights

As at the date of this Scheme Booklet, the interests of IPH Directors (including interests held by a controlled entity or an associate of the IPH Directors) in IPH Shares, retention rights and performance rights are set out in the table below:

IPH Director	IPH Shares	Performance rights	Retention rights
Richard Grellman	71,449	nil	nil
Andrew Blattman	2,506,166	355,456	nil
John Atkin	115,829	nil	nil
Robin Low	74,214	nil	nil
Jingmin Qian	nil	nil	nil

Table 8.4: Interests of IPH Directors in IPH Shares

8.15.2 Interests in Xenith Shares

As at the date of this Scheme Booklet, no IPH Director (including interests held by a controlled entity or an associate of an IPH Director) had an interest in Xenith Shares.

8.16 Rights and liabilities attaching to New IPH Shares

The rights and liabilities attaching to New IPH Shares which will be issued to Eligible Xenith Shareholders as Scheme Consideration will be the same as those attaching to existing IPH Shares and New IPH Shares will rank equally with all issued IPH Shares from the date of their allotment. These rights and liabilities are detailed in the IPH Constitution, and are subject to the Corporations Act and ASX Listing Rules.

Table 8.5 summarises some of the key rules in the IPH Constitution in relation to the rights and liabilities currently attaching to IPH Shares. This summary does not purport to be exhaustive and must be read subject to the full text of the IPH Constitution. A copy of IPH's Constitution is available on the ASX announcements platform or IPH's website.

Eligible Xenith Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of New IPH Shares in specific circumstances.

Item	Description
Issue of further IPH Shares	The IPH Directors may issue or grant shares or options over shares in and other securities of IPH from time to time.
IPH Share transfer	<p>A shareholder may transfer all or any of their shares by a transfer document in any form approved by the ASX or in any other form the IPH Directors approve.</p> <p>IPH may refuse to register a transfer where permitted to do so by the ASX Listing Rules and must refuse to register a transfer if required to do so by the ASX Listing Rules.</p>
Meetings of members	<p>Each holder of IPH Shares is entitled to receive notice to attend and vote at all meetings of members of IPH. They are entitled to be present and vote at meetings in person or by proxy, attorney or representative.</p> <p>IPH's Shareholders are also entitled to call a general meeting in accordance with the Corporations Act.</p>
Voting	<p>At meetings of members or classes of members each member is entitled to attend and vote either in person, by proxy or via an attorney or other appointee.</p> <p>On a show of hands, every member present in person (whether or not in one or more capacities) who is not excluded from voting on the resolution has one vote. On a poll, every member who is present in person who is not excluded from voting on the resolution may, in the case of fully paid shares, have one vote for each share held, and in the case of partly paid shares, for each share, a fraction of a vote.</p>
Dividends	The IPH Directors can determine, declare or procure the payment of a dividend as and when permitted by the Corporations Act.
Rights on winding up	<p>If IPH is wound up, the liquidator may, if the members approve by way of a special resolution, divide among the members in kind the whole or any part of the property of IPH and may for that purpose:</p> <ul style="list-style-type: none"> • set such value as they consider fair upon any property to be so divided; and • determine how the divisions is to be carried out as between the members or different classes of members, but may not require any members to accept any property (including, without limitation, shares or other securities) in respect of which there is any liability.
Sale of non-marketable parcels	<p>If the IPH Directors determine that a member has a non-marketable parcel of securities IPH may give the member a divestment notice to notify the member of, among other things, that IPH intends to sell or buy back the holding.</p> <p>IPH must not sell a small parcel of IPH Shares unless it has given at least six weeks written notice to the IPH Shareholder of its intention to sell those IPH Shares. The shareholder may ask IPH in writing to exempt their IPH Shares, in which case IPH will not sell the parcel. If IPH does sell the IPH Shares, the proceeds of the sale are remitted to the IPH Shareholder.</p>
Variation of class rights	<p>If the capital of IPH is divided into different classes of shares, unless otherwise provided by the terms of issue of those shares, IPH may vary the rights attached to any class of shares if the variation is approved:</p> <ul style="list-style-type: none"> • in writing by members holding at least 75% of the total number of shares of that class; or • by a special resolution passed at a separate meeting of shareholders holding shares of that class.
Amendments to the IPH constitution	The IPH Constitution may be amended by special resolution passed by at least 75% of IPH Shares voted (in person or by proxy or representative) and which are entitled to be voted on the resolution at a general meeting of IPH. IPH must give at least 28 days' written notice of a general meeting of IPH.

Table 8.5: Summary of rights and liabilities attaching to IPH Shares under the IPH Constitution

8.17 Other information

Except as disclosed elsewhere in this Scheme Booklet, IPH has not paid or agreed to pay any fees, or provided or agreed to provide any benefit to:

- a proposed Director of IPH to induce them to become or qualify as a Director of IPH; or
- any Interested Person for services provided by that person in connection with the formation or promotion of IPH or the offer of New IPH Shares under the Scheme.

9. Profile of the Combined Group

9.1 Overview of the Combined Group

The combination will create a group of industry leading, independent IP services businesses with approximately 1,000 employees across Australia, New Zealand and Asia. As the standalone Groups have a clear alignment of heritage, capability and strategy, the underlying operations and characteristics of the Combined Group will remain very similar in providing a broad base of complementary IP, legal and advisory services.

With an increased scale and the combination of the respective strengths of each group, the Combined Group will enable enhanced operational efficiencies and an investment ability into technology, regional expansion and other growth opportunities. Under the stronger umbrella of the Combined Group, the high quality portfolio of IP services businesses will continue to operate independently in supporting their clients.


								
	Founding Xenith brand with history dating over 150 years	Over 150 years of IP experience	Founding IPH brand with over 130 years experience	New Zealand's premier IP firm	Providing IP services in Australia, New Zealand and Singapore	One of Australia's largest IP practices	Specialist IP software firm	Specialist IP valuation, innovation and advisory services
Established	1859	1859	1887	1891	1981	1904	2010	2017
Number of Employees	108	66	394	170	27	173	13	29
Domestic Office Locations	Sydney	Melbourne Sydney Perth	Sydney Brisbane Gold Coast Melbourne		Canberra Brisbane	Melbourne Sydney Brisbane Perth	Perth	Melbourne Sydney Brisbane Perth
International Office Locations			Singapore Malaysia China Hong Kong Indonesia Thailand	Auckland Wellington	Singapore		Munich	

Figure 9.1: Overview of Combined Group businesses

As noted in Figure 9.1 above, the Combined Group will also service clients across offices throughout the Asia-Pacific region, with an increasing focus on supporting continued future growth in the region. The Combined Group will seek to achieve growth in the region via leveraging IPH's existing platform in the Asia-Pacific.

The combination will create a leading provider of IP origination services in Australia with strengthened market positions across key IP services (including patents, PCT applications, trade marks and registered designs on a historical basis) domestically, as indicated in Figure 9.2 below.

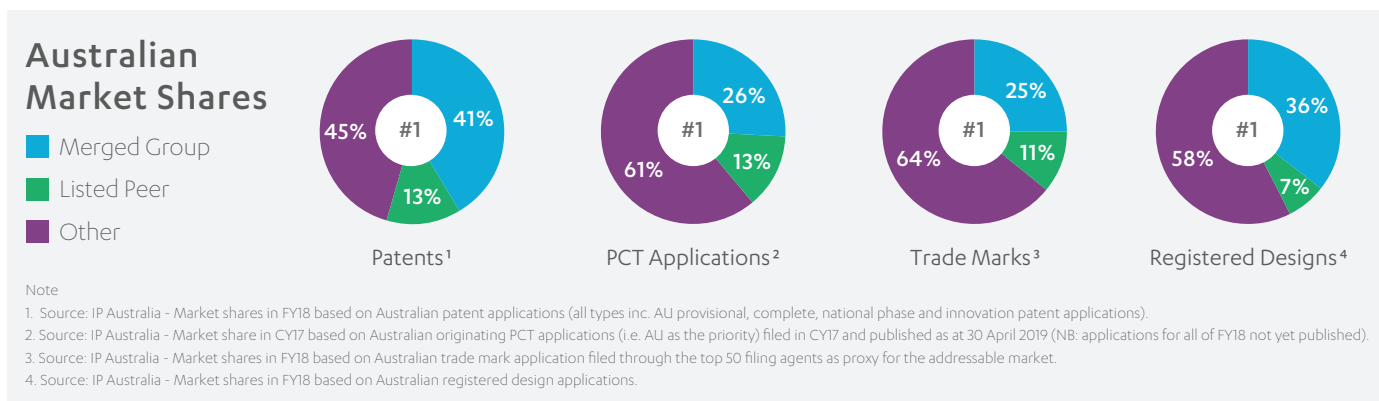


Figure 9.2: Combined Group market shares

In combining the high-quality client portfolios of Xenith and IPH, the combined client base of the Combined Group will be even further diversified as indicated in Figure 9.3 below, with clients covering all stages of the innovation ecosystem including ASX100 and Fortune 500 companies, global corporates, large research institutions, academia, as well as start-ups and entrepreneurs. The client portfolio will also be diversified across geography and industry expertise. Clients will benefit from an improved platform experience and broad industry expertise of the Combined Group that will provide end-to-end servicing of the IP value chain.

Benefits to the Merged Group

Benefits to Clients

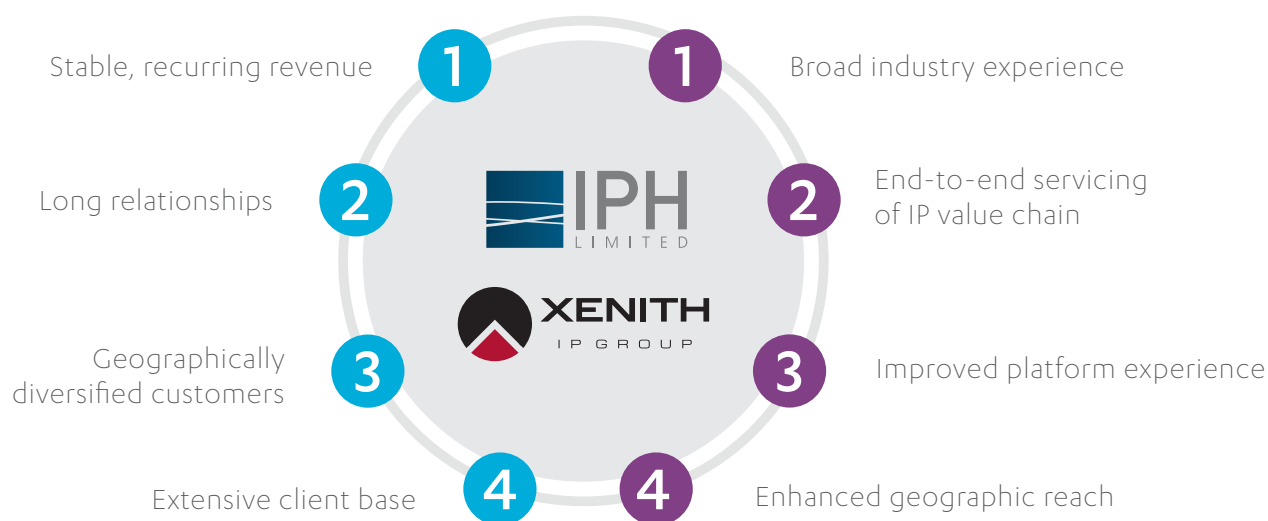


Figure 9.3: Benefits of the proposed Transaction

9.2 Anticipated synergies

IPH has identified areas in which it believes synergies may be able to be obtained from the Combined Group.

Potential benefits have been identified through a review of publicly available information primarily with a view to reducing overlapping functions between the businesses.

As the potential benefits have been able to be identified only on this basis, IPH believes the quantifiable impact of the potential benefits is not sufficiently reliable for presentation within this Scheme Booklet.

On the basis referred to above, IPH has outlined below the areas in which it believes synergy benefits may arise from the acquisition of Xenith:

- Corporate cost synergies due to the removal of duplicated functions such as the Board, CEO and Company Secretarial functions;
- Duplicated costs incurred by Xenith relating to being a publicly listed company;
- Duplication of administrative and overhead costs;
- Efficiencies in marketing and related costs;
- Efficiencies in supplier arrangements;
- Property efficiencies, where appropriate; and
- Efficiencies in technology investment, IT systems and related costs.

In addition, IPH intends to work with Xenith's businesses and their management over time to best position the businesses and identify growth and other opportunities, which may lead to further benefits arising.

It is anticipated that IPH will be able to capture a degree of these synergies within the first year of acquiring Xenith, however the full impact of the synergies is not expected to be captured until the end of year three from the completion of the Transaction.

IPH also expects that in the short term there may be an increase in costs in areas of integration in order to capture the potential benefits outlined above.

9. Profile of the Combined Group

9.3 Pro forma historical financial information

The Combined Group Pro Forma Historical Financial Information set out in this Section 9.3 has been prepared to illustrate the:

- historical income statements for the year ended 30 June 2018 and half year ended 31 December 2018 (Combined Group Pro Forma Historical Income Statements);
- historical statement of financial position as at 30 June 2018 (Combined Group Pro Forma Historical Statement of Financial Position); and
- historical statements of cash flow for the year ended 30 June 2018 and half year ended 31 December 2018 (Combined Group Pro Forma Historical Cash Flows),

(together, the Combined Group Pro Forma Historical Financial Information).

The Combined Group Pro Forma Historical Financial Information should be read together with the:

- basis of preparation as set out in Section 9.3.1;
- potential risks set out in Section 10; and
- other information contained in this Scheme Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

The Investigating Accountant has prepared an Independent Limited Assurance Report in respect of the Combined Group Pro Forma Historical Financial Information, a copy of which is included in Annexure B.

9.3.1 Basis of preparation

The Combined Group Pro Forma Historical Financial Information set out in this Section 9.3 has been prepared in order to give Xenith Shareholders an indication of the financial performance, financial position and cash flows of the Combined Group as if the Scheme had been Implemented from 1 July 2017 in respect of the financial performance and cash flows and 30 June 2018 in respect of the financial position (the most recent audited financial statements of the IPH Group and Xenith Group).

It does not reflect the actual financial performance, financial position or cash flows of the Combined Group at the time of Implementation. It has been prepared for illustrative purposes only for the purpose of this Scheme Booklet.

The Combined Group Pro Forma Historical Financial Information presented in this Section 9.3 is based on the:

- Xenith Group Historical Financial Information, as at and for the year ended, 30 June 2018 and for the half year ended 31 December 2018 (presented in Section 7.4);
- IPH Group Historical Financial Information, as at and for the year ended, 30 June 2018 and for the half year ended 31 December 2018 (presented in Section 8.4); and
- pro forma adjustments described in Sections 9.3.3, 9.3.5 and 9.3.7 (Pro Forma Adjustments).

The historical financial information presented in this Section 9.3 has been derived from the consolidated financial statements of Xenith Group for the financial year ended 30 June 2018 and for the half year ended 31 December 2018 and from the consolidated financial statements of IPH Group for the financial year ended 30 June 2018 and for the half year ended 31 December 2018.

The consolidated financial statements of the Xenith Group for the financial year ended 30 June 2018 and for the half year ended 31 December 2018 and the consolidated financial statements of IPH Group for the financial year ended 30 June 2018 and for the half year ended 31 December 2018 were audited/reviewed in accordance with Australian Auditing Standards. The auditor issued unqualified audit/review opinions on each of these financial statements.

The Combined Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (AAS), which are consistent with International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (ii) the impact of certain transactions as if they occurred as at 30 June 2018 in the Combined Group Pro Forma Historical Statement of Financial Position and from 1 July 2017 in the Combined Group Pro Forma Historical Income Statement and the Combined Group Pro Forma Historical Cash Flows.

The historical financial information of the Xenith Group and IPH Group has been prepared in accordance with the significant accounting policies described in their respective financial statements for the year ended 30 June 2018. In preparing the Combined Group Pro Forma Historical Financial Information, Xenith Group has undertaken a review to identify significant accounting policy differences where the impact is potentially material to the Combined Group and could not be reliably estimated. Based on the high level review undertaken, no significant differences in accounting policies that would materially impact EBITDA of the Combined Group were noted.

9.3.1.1. *Basis of consolidation*

On Implementation of the Scheme, IPH will gain control over Xenith and therefore under AASB 3 Business Combinations (AASB 3), IPH is required to recognise the identifiable net assets of Xenith at fair value on the date of acquisition within the Combined Group Pro Forma Historical Statement of Financial Position. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets is recognised as goodwill.

On Implementation of the Scheme, IPH will gain control over Xenith. IPH will therefore consolidate the results of Xenith from the date of acquisition (being 1 July 2017 for the purposes of the Combined Group Pro Forma Historical Income Statement and the Combined Group Pro Forma Historical Cash Flows).

9.3.1.2. *Preliminary purchase price accounting*

AASB 3 allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. IPH has not finalised the identification and valuation of Xenith's assets and liabilities, with finalisation to take place after Implementation of the Scheme. For the purpose of preparing the Combined Group Pro Forma Historical Statement of Financial Position, it has been assumed that the historical carrying value of assets and liabilities is equal to their fair value and that there will be no additional separately identifiable intangible assets other than those already recognised in the 30 June 2018 historical statement of financial position of Xenith, such that the residual is recognised entirely in goodwill for the purposes of this Scheme Booklet.

As the purchase price accounting has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise and this has not been reflected in the Combined Group Pro Forma Historical Income Statement. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation.

For the purpose of preparing the Combined Group Pro Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of the Combined Group's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Combined Group Pro Forma Historical Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Combined Group Pro Forma Historical Statement of Financial Position.

9.3.1.3. *Presentation*

The Combined Group Pro Forma Historical Financial Information:

- is provided for illustrative purposes only;
- is presented in a summary form and consequently does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- has been prepared on the basis that IPH is the acquiring entity for accounting purposes.

Pro Forma Adjustments have been made to reflect the financial impacts of the combination of Xenith and IPH. The Combined Group Pro Forma Historical Financial Information presented in this Section 9.3 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Combined Group.

It is likely that actual financial performance, financial position and cash flows in future periods will differ from the Combined Group Pro Forma Historical Financial Information presented in this Section 9.3.

The factors which may impact the actual financial performance, financial position or cash flows of the Combined Group include but are not limited to:

- trading of Xenith and IPH after 31 December 2018, which is not reflected in the historical financial information of Xenith, or IPH;
- the ultimate timing of Implementation of the Scheme to combine Xenith and IPH;
- the value of an IPH Share on the Implementation Date which will change the value of goodwill recognised on acquisition;
- differences between the estimated amount of transaction costs and the amount ultimately incurred;
- finalisation of the acquisition accounting, including determining appropriate purchase price adjustments, including the value of all assets and liabilities acquired in accordance with the relevant accounting standards. This may include the allocation of purchase price notionally attributed to non-amortising intangibles in this Section 9.3 ultimately being attributed to amortising intangibles on completion of the purchase price accounting adjustments, the amortisation of which could adversely impact reported earnings of the Combined Group;
- finalisation of the resetting of the tax cost bases following acquisition, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards; and
- the ultimate timing and realisation of anticipated synergies and business improvements (and associated costs) arising from the combination of Xenith and IPH (further details of which are provided in Section 9.2).

9. Profile of the Combined Group

9.3.1.4. Standards issued but not yet effective

AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 9 Financial Instruments (AASB 9) were effective for the Combined Group from 1 July 2018. Xenith and IPH have each undertaken a detailed analysis of the new pronouncements. IPH has concluded that there was no material impact resulting from the implementation of AASB 15 and AASB 9 from 1 July 2018. The financial results and balances for comparative periods presented in the Interim Financial Report for the half year ended 31 December 2018 have been restated to reflect the impact of the adoption of these standards.

AASB 16 Leases (AASB 16) will be effective for the Combined Group from 1 July 2019. The majority of leases from the lessee perspective within the scope of AASB 16 will require the recognition of a “right of use” asset and a related lease liability, being the present value of future lease payments. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense, with the exception of leases of low value assets and leases with a term of 12 months or less. The most significant impact on the Combined Group will be the recognition of the present value of the operating lease commitments and the related right of use asset, which totalled \$45.8 million for IPH and \$36.8 million for Xenith at 30 June 2018.

9.3.2 Combined Group pro forma historical income statements

This Section 9.3.2 outlines the Combined Group Pro Forma Historical Income Statements for FY18 and 1HFY19 as though the Scheme was Implemented on 1 July 2017, although without the inclusion of any of the anticipated synergies discussed in Section 9.2.

Combined Group Pro Forma Historical Income Statements (FY18)

\$ millions	IPH	Xenith	Combined Group Pro Forma Historical
Revenue ⁽¹⁾	226.0	126.5	352.5
<i>Expenses</i>			
Employee benefits	(65.3)	(53.6)	(118.9)
Recoverable expenses	(66.0)	(37.6)	(103.6)
Impairment losses	(2.1)	(20.7)	(22.8)
Occupancy	(8.5)	(7.6)	(16.1)
Other	(16.2)	(11.3)	(27.5)
Total expenses	(158.1)	(130.8)	(288.9)
EBITDA	67.9	(4.3)	63.6
Depreciation and amortisation	(13.1)	(6.4)	(19.5)
EBIT	54.8	(10.7)	44.1
Net finance costs	(1.5)	(1.2)	(2.7)
Net profit/(loss) before tax	53.3	(12.0)	41.4
Tax (expense)/benefit	(12.6)	(2.7)	(15.4)
Net profit/(loss) after tax	40.7	(14.7)	26.0

(1) Revenue disclosed above includes other income.

Reconciliation of Statutory EBITDA to Underlying EBITDA (FY18)

\$ millions	IPH	Xenith	Combined Group Pro Forma Historical
Statutory EBITDA	67.9⁽¹⁾	(4.3)	63.6
Impairment losses	2.1	20.7	22.8
Restructuring and integration costs	2.1	1.0	3.1
Employee incentive payments	0.7	-	0.7
Business acquisition expenses	1.0	0.1	1.1
Business combination adjustments	(0.6)	-	(0.6)
New business establishment costs	0.8	-	0.8
IPO related expenses (incl. retention rights)	-	0.6	0.6
Total adjustments to statutory results	6.1	22.4	28.5
Underlying EBITDA	74.0	18.1	92.1

(1) IPH Statutory EBITDA reported as \$70.1 million, for consistency of presentation with Xenith, impairment losses of \$2.1 million have been included in Statutory EBITDA and added back to derive Underlying EBITDA.

Combined Group Pro Forma Historical Income Statements (1HFY19)

\$ millions	IPH	Xenith	Combined Group Pro Forma Historical
Revenue ⁽¹⁾	124.9	60.2	185.1
Expenses			
Employee benefits	(34.9)	(25.5)	(60.4)
Recoverable expenses	(35.7)	(17.9)	(53.6)
Impairment losses	-	0.3	0.3
Occupancy	(4.1)	(3.9)	(8.0)
Other	(9.6)	(6.7)	(16.2)
Total expenses	(84.3)	(53.6)	(137.9)
EBITDA	40.6	6.6	47.2
Depreciation and amortisation	(6.3)	(3.4)	(9.7)
EBIT	34.4	3.2	37.6
Net finance costs	(1.0)	(0.6)	(1.6)
Net profit/(loss) before tax	33.3	2.6	35.9
Tax (expense)/benefit	(9.2)	(0.9)	(10.1)
Net profit/(loss) after tax	24.2	1.7	25.9

(1) Revenue disclosed above includes other income.

9. Profile of the Combined Group

Reconciliation of Statutory EBITDA to Underlying EBITDA (1HFY19)

\$ millions	IPH	Xenith	Combined Group Pro Forma Historical
Statutory EBITDA	40.6	6.6	47.2
Profit on sale of business(es)	(2.1)	-	(2.1)
Restructuring and integration costs	-	0.5	0.5
Employee incentive payments	1.1	-	1.1
Business acquisition expenses	0.8	1.0	1.8
IPO related expenses (incl. retention rights)	-	0.1	0.1
Total adjustments to statutory results	(0.2)	1.6	1.4
Underlying EBITDA	40.4	8.2	48.6

9.3.3 Adjustments to the Combined Group pro forma historical income statement

No pro forma adjustments have been made in preparing the Combined Group Pro Forma Historical Income Statement. Adjustments to statutory results for each of IPH and Xenith are as described in each company's Annual Report for the financial year ended 30 June 2018 and for the half year ended 31 December 2018.

In preparing the Combined Group Pro Forma Historical Income Statement, the impact of synergies discussed in Section 9.2 have not been included.

9.3.4 Combined Group pro forma historical statement of financial position

This Section 9.3.4 outlines the Combined Group Pro Forma Historical Statement of Financial Position as at 30 June 2018 as though the Scheme was Implemented on 30 June 2018, which represents the most recent audited financial statements of each IPH and Xenith. The statement of financial position of each of IPH and Xenith as at 31 December 2018 (as included in the reviewed half year financial statements and as presented in Sections 8.4.3 and 7.4.3, respectively, for each of IPH and Xenith) is not materially different than the statement of financial position at 30 June 2018 as disclosed below.

As indicated in Section 9.5.1, if the Scheme is Implemented, IPH will issue between approximately 9.0 million and 15.6 million New IPH Shares to Scheme Shareholders and in respect of the Xenith Shares held by Ineligible Foreign Scheme Shareholders.

The precise adjustments to be applied will ultimately depend on the distribution of Eligible Xenith Shareholders electing the Standard Consideration, Maximum Cash Consideration and Maximum Scrip Consideration. As the Elections of all Eligible Xenith Shareholders will not be known until after the Election Date, two pro forma statements of financial positions for the Combined Group are displayed below, together indicating the range of outcomes which may occur (i.e. pro forma adjustments due to the lower and higher limits of New IPH Shares which will be issued should the Scheme be Implemented).

The case of the upper limit of New IPH Shares is representative of the situation of all Eligible Xenith Shareholders Electing to receive the Standard Consideration, as well as the situation of scaleback occurring for those Eligible Xenith Shareholders Electing to receive Maximum Cash Consideration.

The case of the lower limit of New IPH Shares is representative of the situation of scaleback occurring for those Eligible Xenith Shareholders Electing to receive Maximum Scrip Consideration.

**Combined Group Pro Forma Historical Statement of Financial Position (FY18) –
lower limit of New IPH Shares to be issued**

\$ millions	IPH	Xenith	Pro forma adjustments⁽¹⁾	Combined Group Pro Forma Historical
Cash and cash equivalents	26.2	2.8	(0.1)	28.9
Trade and other receivables	57.1	28.7	-	85.8
Other assets	5.3	6.3	-	11.7
Total current assets	88.7	37.8	(0.1)	126.3
Property, plant and equipment	6.2	6.0	-	12.2
Goodwill and intangible assets ⁽²⁾	266.3	137.4	61.8	465.5
Other assets	6.7	0.2	3.0	9.9
Total non-current assets	279.2	143.5	64.8	487.6
Total assets	367.9	181.3	64.8	613.9
Trade and other payables	(16.7)	(7.9)	-	(24.6)
Provisions	(7.1)	(8.2)	-	(15.3)
Current tax liabilities	(6.3)	-	-	(6.3)
Other liabilities	(2.4)	(3.4)	-	(5.8)
Total current liabilities	(32.6)	(19.5)	-	(52.0)
Borrowings	(40.1)	(15.8)	(134.2)	(190.1)
Deferred tax liabilities	(22.9)	(14.8)	-	(37.7)
Provisions	(4.7)	(1.5)	-	(6.2)
Other liabilities	-	(4.3)	-	(4.3)
Total non-current liabilities	(67.7)	(36.3)	(134.2)	(238.2)
Total liabilities	(100.3)	(55.8)	(134.2)	(290.3)
Net assets	267.6	125.5	(69.5)	323.6
Issued capital	262.8	144.5	(81.5)	325.8
Reserves	(11.5)	0.9	(0.9)	(11.5)
Retained earnings	16.3	(19.9)	12.8	9.2
Total equity	267.6	125.5	(69.5)	323.6

(1) 1HFY19 includes the effect of the Combined Group implementing AASB 9, which was effective from 1 July 2018, whereas FY18 is as reported in the annual audited financial statements of IPH and Xenith as originally issued. As the subsequent adjustments to FY18 are not material to the Combined Group, no adjustment has been made to FY18 for the purposes of the Combined Group Pro Forma Historical Income Statement.

(2) As disclosed in Xenith's annual report, Goodwill of \$60 million predominantly relates to the acquisition of Griffith Hack and Watermark, including the corresponding impact on the Shelston IP business, and is allocated to the following cash generating units in the Xenith Group: \$39 million Griffith Hack, \$11 million Watermark, \$10 million Shelston IP.

9. Profile of the Combined Group

Combined Group Pro Forma Historical Statement of Financial Position (FY18) – higher limit of New IPH Shares

\$ millions	IPH	Xenith	Pro forma adjustments ⁽¹⁾	Combined Group Pro Forma Historical
Cash and cash equivalents	26.2	2.8	(0.1)	28.9
Trade and other receivables	57.1	28.7	-	85.8
Other assets	5.3	6.3	-	11.7
Total current assets	88.7	37.8	(0.1)	126.3
Property, plant and equipment	6.2	6.0	-	12.2
Goodwill and intangible assets ⁽²⁾	266.3	137.4	62.4	466.1
Other assets	6.7	0.2	3.0	9.9
Total non-current assets	279.2	143.5	65.4	488.2
Total assets	367.9	181.3	65.4	614.2
Trade and other payables	(16.7)	(7.9)	-	(24.6)
Provisions	(7.1)	(8.2)	-	(15.3)
Current tax liabilities	(6.3)	-	-	(6.3)
Other liabilities	(2.4)	(3.4)	-	(5.8)
Total current liabilities	(32.6)	(19.5)	-	(52.0)
Borrowings	(40.1)	(15.8)	(88.8)	(144.7)
Deferred tax liabilities	(22.9)	(14.8)	-	(37.7)
Provisions	(4.7)	(1.5)	-	(6.2)
Other liabilities	-	(4.3)	-	(4.3)
Total non-current liabilities	(67.7)	(36.3)	(88.8)	(192.9)
Total liabilities	(100.3)	(55.8)	(88.8)	(244.9)
Net assets	267.6	125.5	(23.5)	369.6
Issued capital	262.8	144.5	(35.4)	371.8
Reserves	(11.5)	0.9	(0.9)	(11.5)
Retained earnings	16.3	(19.9)	12.8	9.2
Total equity	267.6	125.5	(23.5)	369.6

(1) 1HFY19 includes the effect of the Combined Group implementing AASB 9, which was effective from 1 July 2018, whereas FY18 is as reported in the annual audited financial statements of IPH and Xenith as originally issued. As the subsequent adjustments to FY18 are not material to the Combined Group, no adjustment has been made to FY18 for the purposes of the Combined Group Pro Forma Historical Income Statement.

(2) As disclosed in Xenith's annual report, Goodwill of \$60 million predominantly relates to the acquisition of Griffith Hack and Watermark, including the corresponding impact on the Shelston IP business, and is allocated to the following cash generating units in the Xenith Group: \$39 million Griffith Hack, \$11 million Watermark, \$10 million Shelston IP.

9.3.5 Adjustments to the Combined Group pro forma historical statement of financial position

Adjustment A – Purchase Price Accounting – The Combined Group Pro Forma Historical Statement of Financial Position has been prepared in accordance with the acquisition accounting principles as set out in AASB 3 on the basis of provisional amounts as noted below:

- The initial acquisition by IPH of 19.99% of the outstanding shares of Xenith for \$32.8 million, funded by the drawdown of \$32.7 million of debt and \$0.1 million of cash;
- Estimated Scheme Consideration of either:
 - a. \$91.4 million cash and \$63.1 million scrip, which assumes the lower number of 9.0 million New IPH Shares are issued, multiplied by the IPH Share price of \$7.00 as at 12 June 2019; or
 - b. \$46.1 million cash and \$109.1 million scrip, which assumes the higher number of 15.6 million New IPH Shares are issued, multiplied by the IPH Share price of \$7.00 as at 12 June 2019;
- Net assets of Xenith as at 30 June 2018 of \$125.5 million; and
- The difference between the Scheme Consideration and the net assets of Xenith of either:
 - a. \$61.8 million, which has been allocated to Goodwill in the case of the lower number of New IPH Shares issued, or
 - b. \$62.4 million, which has been allocated to Goodwill in the case of the higher number of New IPH Shares issued.

Adjustment B – Transaction Costs – Total transaction costs (including costs incurred in relation to the Former Transaction) of \$10.1 million are estimated to be incurred by IPH and Xenith (and funded from existing debt facilities), which are assumed to be expensed as incurred and are presented as a reduction in retained earnings. The associated tax effect of \$3.0 million has been recognised as an increase to deferred tax assets (within other non-current assets).

Adjustment C – Eliminations – The Combined Group Pro Forma Historical Statement of Financial Position has been adjusted to reflect:

- derecognition of the contributed equity of Xenith of \$144.5 million;
- derecognition of the pre-acquisition reserves of Xenith of \$0.9 million; and
- derecognition of the pre-acquisition accumulated losses of Xenith of \$19.9 million.

9.3.6 Combined Group Pro forma historical statements of cash flows

This Section 9.3.6 outlines the Combined Group Pro Forma Historical Cash Flows for FY18 and 1HFY19 as though the Scheme was Implemented on 1 July 2017.

Combined Group Pro Forma Historical Statement of Cash Flows (FY18)

\$ millions	IPH	Xenith	Combined Group Pro Forma Historical
Cash flows from operating activities			
Receipts from customers	240.4	130.0	370.4
Payments to suppliers and employees	(175.5)	(114.6)	(290.1)
Interest and costs of finance paid	(1.5)	0.0	(1.5)
Income tax paid	(17.0)	(5.6)	(22.6)
Net cash generated from operating activities	46.5	9.7	56.2
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(0.7)	(1.5)	(2.2)
Purchase of intangible assets	(3.3)	(0.5)	(3.7)
Payments for acquisition of controlled entities, net of cash acquired and transaction costs	(38.6)	(2.7)	(41.4)
Net cash used in investing activities	(42.6)	(4.7)	(47.3)
Cash flows from financing activities			
Payment for shares acquired on-market	-	-	-
Proceeds from bank borrowings	46.0	15.8	61.8
Repayment of bank borrowings	(7.0)	(15.0)	(22.0)
Dividends paid	(38.0)	(5.7)	(43.6)
Finance costs paid	-	(1.0)	(1.0)
Share buy back	(2.7)	-	(2.7)
Net cash used in financing activities	(1.7)	(5.9)	(7.6)
Net increase / (decrease) in cash and cash equivalents	2.2	(0.9)	1.3
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.3)	-	(0.3)
Cash and cash equivalents at beginning of year	24.4	3.6	28.0
Cash and cash equivalents at end of year	26.2	2.8	29.0

9. Profile of the Combined Group

Combined Group Pro Forma Historical Statement of Cash Flows (1HFY19)

\$ millions	IPH	Xenith	Combined Group Pro Forma Historical
Cash flows from operating activities			
Receipts from customers	151.6	64.3	215.9
Payments to suppliers and employees	(113.3)	(56.7)	(170.0)
Interest and costs of finance paid	(1.0)	0.0	(1.0)
Income tax paid	(10.5)	(1.5)	(12.0)
Net cash generated from operating activities	26.8	6.1	32.9
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(0.7)	(3.0)	(3.7)
Purchase of intangible assets	(1.3)	(0.2)	(1.5)
Payments for acquisition of controlled entities, net of cash acquired and transaction costs	-	-	-
Proceeds from sale of Practice Insight businesses	10.0	-	10.0
Net cash provided by / (used in) investing activities	8.0	(3.2)	4.8
Cash flows from financing activities			
Payment for shares acquired on-market	-	(0.4)	(0.4)
Proceeds from bank borrowings	-	5.5	5.5
Repayment of bank borrowings	(9.1)	(2.5)	(11.6)
Dividends paid	(21.7)	(4.0)	(25.7)
Finance costs paid	-	(0.5)	(0.5)
Share buy back	-	-	-
Net cash used in financing activities	(30.8)	(1.9)	(32.7)
Net increase in cash and cash equivalents	4.0	1.0	5.0
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.8)	-	(0.8)
Cash and cash equivalents at beginning of year	26.2	2.8	29.0
Cash and cash equivalents at end of year	29.4	3.8	33.1

9.3.7 Adjustments to the Combined Group Pro forma historical statement of cash flows

No pro forma adjustments have been made in preparing the Combined Group Pro Forma Historical Statement of Cash Flows.

9.4 Intentions in relation to Xenith and the Combined Group

9.4.1 Operations of the Combined Group

The IP professional services businesses comprising the IPH Group operate independently from each other in the provision of attorney professional services to their clients, as required in order to comply with professional standards, ethical duties, and applicable codes of conduct, including, with respect to Australia and New Zealand, the *Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys 2018*. The IPH Group also includes Practice Insight, a software business focused on autonomous time recording. The IP professional services businesses within the Xenith Group – Shelston IP, Griffith Hack and Watermark – also operate independently from each other in the provision of attorney professional services.

The Xenith Group also includes Glasshouse Advisory, a specialist intellectual asset advisory firm. The IP professional services businesses in both the IPH Group and the Xenith Group, as well as Glasshouse Advisory are supported by shared “back-office” services, and investment in technology and automation, enabling them to operate in an efficient and innovative way to support their clients and people.

At a business unit level, the IPH Group currently provides corporate governance and management oversight for its IP professional services businesses through subsidiary boards that include representatives of that business’ management and representatives of IPH. At an IPH Group level, IPH also operates a Group Leadership Team which includes representatives from each of IPH’s IP professional services businesses together with the IPH senior executive team.

It is currently intended that the Combined Group would operate using a similar model, with the IP professional services businesses acting independently from each other in the provision of attorney professional services, supported by shared services and technology platforms to be implemented over time, and with governance oversight and representation occurring through appropriate subsidiary board and Group Leadership Team participation.

9.4.2 Integration of shared services

There are substantial benefits which stand to be realised through an integration of certain corporate and back-office functions, as well as investment in technology platforms without affecting the independent provision of professional attorney services by the underlying IP services businesses as stated in Section 9.4.1. IPH anticipates the Combined Group achieving potential synergies as indicated in Section 9.2 through these and other initiatives.

9.4.3 Combined Group Board and key management

It is not proposed that any Xenith Directors will be appointed to the Combined Group Board as a consequence of the Scheme. As such, the Combined Group will comprise the IPH Board members indicated in section 8.3. The management structure for the management of the Xenith business as part of the Combined Group will be determined as part of the integration planning process, which is currently underway.

9.4.4 Combined Group dividend policy

IPH’s current dividend policy is summarised in Section 8.5.

If the Scheme is Implemented, dividends will be of an amount determined by the Board of the Combined Group having regard to a range of factors including general business conditions, the performance and financial position of the Combined Group, future funding and capital management requirements, as well as taxation considerations and any other factors which the Combined Group Board may consider material to a decision. These factors have the potential to require a change to the existing dividend policies.

9.4.5 Removal of Xenith from the official list of the ASX

It is intended that Xenith Shares be delisted from the ASX if the Scheme is Implemented. Existing IPH Shares and New IPH Shares will continue to be listed on the ASX.

9.5 Capital structure and ownership of the Combined Group

9.5.1 Share capital

If the Scheme is Implemented, IPH will issue between approximately 9.0 million and 15.6 million New IPH Shares to Scheme Shareholders. The resultant number of IPH Shares on issue should the Scheme be Implemented will increase from approximately 197.3 million as at 12 June 2019 to within these upper and lower limits, as detailed in Table 9.1 below.

This eventual number will be dependent on the Elections made by Xenith Shareholders, with the range determined by the maximum cash payable by IPH as a result of Scheme Consideration in aggregate of \$91.4 million and the maximum of approximately 15.6 million New IPH Shares available to be issued. Those New IPH Shares to be issued includes the impact of the early vesting of 454,880 Xenith Performance Rights as stated in clause 4.7 of the Scheme Implementation Deed.

9. Profile of the Combined Group

	Lower limit of New IPH Shares issued	Higher limit of New IPH Shares issued
IPH Shares on issue as at 12 June 2019	197,341,566	197,341,566
Total Cash Consideration received by Scheme Shareholders	\$91,440,772	\$46,077,577
New IPH Shares to be issued as Scheme Consideration for Xenith Shares and the early vesting of certain Xenith Performance Rights on issue as at 12 June 2019	9,007,413	15,581,789
Total IPH Shares on issue following Implementation of the Scheme	206,348,979	212,923,355

Table 9.1: Summary of IPH Shares on issue prior to and following Implementation of the Scheme

9.5.2 Ownership structure

If the Scheme is Implemented, Eligible Xenith Shareholders (and purchasers of the Sale Facility Shares) will own between approximately 4.4% and 7.3% of the Combined Group, with existing IPH Shareholders owning the remaining IPH Shares, as indicated in Table 9.2 below.

	Lower limit of New IPH Shares issued	Higher limit of New IPH Shares issued
New IPH Shares to be issued as Scheme Consideration for Xenith Shares and the early vesting of certain Xenith Performance Rights on issue as at 12 June 2019	9,007,413	15,581,789
Total IPH Shares on issue following Implementation of the Scheme	206,348,979	212,923,355
Proportion of New IPH Shares in Total IPH Shares following Implementation	4.4%	7.3%

Table 9.2: Combined Group shareholding structure

10. Potential risks

10.1 Introduction

This Section describes certain key risks associated with the Scheme. You should carefully consider the risk factors in this Section, as well as the other information contained throughout the Scheme Booklet before voting on the Scheme. This Section 10 outlines:

- specific risks relating to both Xenith and IPH (and likely to be applicable to the Combined Group);
- additional specific risks relating to the Scheme and the creation of the Combined Group; and
- general investment risks.

The outline of risks in this Section 10 is a summary only and should not be considered exhaustive. This Section 10 does not attempt to set out every risk that may be associated with an investment in Xenith, IPH or the Combined Group now or in the future. The occurrence or consequences of some of the risks described in this Section 10 may be partially or completely outside the control of Xenith, IPH or the Combined Group.

10.2 Specific risks relating to Xenith and IPH (and likely to be applicable to the Combined Group)

The business and operational risks outlined below apply to both Xenith and IPH (and are likely to be applicable to the Combined Group), unless otherwise stated.

10.2.1 Competition and changing market conditions

Both Xenith's and IPH's revenue is dependent upon providing IP services to clients. The market for Australian and New Zealand IP professional services is relatively mature and subject to substantial competition between large and small IP firms based on price, service levels, service range, technology, professional expertise and reputation. Xenith and IPH also conduct their operations in a market that has undergone significant changes with the development of corporatised service providers, to which the market continues to adjust. In these markets and other markets in which IPH operates in South East Asia, competitive pressures resulting from activities of current competitors, emergence of new competitors, changing client expectations (including an expansion of fixed price demands and reduced tolerance for scale charges) or other changes in the competitive landscape could result in loss of key clients, loss of revenue, and/or margin compression and a corresponding reduction in profitability.

10.2.2 Limitations in market share / perceived conflict of interests

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

One of the major benefits of Xenith's and IPH's corporatisation is that multiple IP businesses can be acquired with conflict risk mitigated by operating each IP business independently with respect to the provision of professional attorney services. However, not all clients may be comfortable with the common ownership position or such arrangements and this may still result in loss of major clients due to actual or perceived commercial or legal conflict. The Transaction and associated substantial increase in scale and market share increases the risk that such conflicts may arise or that key clients of different businesses in both Groups will not be comfortable with the common ownership position.

10.2.3 Insourcing of IP services by key clients

A substantial proportion of revenue is derived from corporate clients, many of which have obtained or can obtain in-house legal resources and, in some cases, IP service capabilities. There is a risk that some clients may increasingly undertake in-house IP services that have previously been performed by either group which may result in reduced revenue and profit.

10.2.4 Loss of key business relationships

The IP businesses of both Groups have informal referral relationships with a large number of IP firms in various countries outside Australia, particularly in the US, Europe, Japan and (for Xenith) China. The revenue of both Groups is dependent in part upon maintenance and development of these referral relationships. Consequently, loss or diminution of these relationships may adversely affect the financial performance of either or both Groups.

Some firms in both Groups also have contractual relationships with a number of specialist service providers, one of which is a source of PCT National Phase patent applications, and another of which is a specialist provider of IP renewals services. Both are a source of associated revenue for both Groups. Although many of these relationships are long standing, some of them may be terminated on short notice. The loss or diminution of one or more of these relationships may have an adverse impact on revenue and profitability.

It is also possible that third party service providers that currently provide only services with respect to limited aspects of IP protection (such as filing platform providers or renewals providers) may seek to extend their relationships with clients into other aspects of the provision of IP services which may cause a loss or diminution of relationships with clients.

10. Potential risks

10.2.5 Foreign currency exposure

A significant proportion of Xenith's and IPH's revenue is invoiced in foreign currencies, particularly USD. Xenith and IPH are therefore exposed to currency fluctuations as many of their key expenses such as rent and salaries are denominated and paid in AUD. If the AUD appreciates against the USD or the Euro (to a lesser extent), Xenith and IPH will have lower revenue and lower net profits in AUD. IPH also has a significant subsidiary whose functional currency is SGD and is impacted in a similar manner. Additionally this subsidiary is then translated into AUD for consolidation purposes.

10.2.6 Removal or diminution of local agency role / Extension of ePCT to the National Phase

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

An example of potential diminution in the local agency role is the proposal currently under consideration to extend the ePCT system for filing international patent applications to 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 or other local regulators in each jurisdiction would participate in any such extension. However, if implemented, this proposal may have a significant adverse impact on revenue currently derived from the national phase entry process step. There may be a similar impact on the foreign operations of IPH, if such legislative or regulatory changes were to have analogous effect in relevant foreign jurisdictions.

The increasing use of electronic systems and processes by regulatory authorities in some markets may also provide opportunities for technology disruption in the industry.

10.2.7 Patent examination harmonisation

Currently, the majority of patent applications are separately examined in each country or region in which the applications are filed. Xenith and IPH derive substantial revenue from the substantive examination process in Australia, New Zealand and other jurisdictions which they service. There is a long term international trend toward harmonisation of patent examination regimes. Various proposals have been discussed, and in some cases implemented, with the aim of minimising the duplication of effort across multiple offices and improving consistency of examination outcomes, subject to variations in local laws. Any harmonisation regime that has the effect of diminishing IP services that Xenith or IPH provides in connection with these patent examination processes may have an adverse impact on revenue and profitability.

10.2.8 Changes in scope of patentable subject matter

The boundaries of patentable subject matter continue to evolve as a result of technological innovation, legislative change, judicial interpretation and patent office practice. Material changes to the regulatory landscape or the interpretation of the regulatory framework may adversely affect Xenith's and IPH's revenue by narrowing the scope of patentable subject matter, and hence potentially the number of patent applications filed in particular technical fields.

10.2.9 Personnel and Management

Xenith and IPH depend on the talent of their personnel to manage their businesses and deliver their professional services. Many of Xenith's and IPH's key personnel are highly qualified and highly experienced, with in-depth industry and client knowledge. Any loss of key personnel may have an adverse impact on the respective client service capabilities and / or financial performance.

Xenith and IPH compete with other patent and trade mark attorney firms, law firms and advisory firms to attract and retain their employees. The ability to continue to attract, retain and motivate sufficient numbers of skilled personnel with appropriate qualifications, skills and experience is an important element of their operations.

The implementation of effective structures for the management of the businesses and support of professional service delivery is important for the performance of Xenith and IPH. As the businesses of Xenith and IPH expand the effectiveness of these structures will be reliant upon ensuring key personnel are attracted, retained and motivated, and deployed in an appropriate manner.

10.2.10 Computer system disruption

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

10.2.11 Professional duties

Conflict of duties

Xenith's and IPH's legal practices provide IP legal and commercial services and their employed solicitors have duties to the court and their clients. In some circumstances these duties may compete with and prevail over the respective companies' duties and obligations to shareholders. Similarly, Xenith's and IPH's patent and trade mark attorneys are bound by professional codes of conduct with duties and obligations to act in accordance with the law, the best interests of their clients, in the public interest and in the interests of the profession as a whole. In certain circumstances, these duties and obligations may also compete with and prevail over the respective companies' duties and obligations to shareholders, which may result in loss of clients, potentially impacting revenue.

Regulatory sanctions

The patent attorneys, trade mark attorneys and lawyers within Xenith and IPH are bound by various ethical and professional standards imposed by relevant legislation and supervising professional bodies. Those bodies have the power to make findings of unsatisfactory professional conduct or professional misconduct against professionals and incorporated attorneys and lawyers who breach the required standards, to levy fines against the affected professional and in extreme cases, to deregister or disbar the affected entity. Even without deregistration or disbarment, a finding of professional misconduct against a Xenith or IPH employee may seriously damage the reputation of the companies, risking loss of clients and hence potential loss of revenue.

Litigation

There is a risk that the companies may be exposed to potential litigation from third parties such as clients (including with respect to potential liability for negligence in the provision of services), regulators, employees, service providers and business associates. Any such litigation may adversely affect profit and reputation.

10.2.12 IPH's existing business in Asia

IPH owns Spruson & Ferguson, a leading specialist intellectual property business that, in addition to Australia, operates in Singapore, Hong Kong, Beijing, Bangkok, Kuala Lumpur and Jakarta, as well as Pizzeys in Singapore. These businesses mean that IPH is exposed to adverse changes in the competitive environment in those markets, and to regulatory changes and economic conditions in those markets.

10.2.13 Acquisitions

The Xenith and IPH growth strategies may include the acquisition of other intellectual property businesses. Risks may arise in ensuring that potential acquisitions are appropriately selected and issues affecting the value of individual acquisitions are identified and reflected in the purchase considerations. Following the acquisition of new businesses, risks arise in ensuring the business is properly integrated, that people and culture issues that may arise are addressed, key staff retained and value maintained.

10.3 Additional risks specific to the Scheme and creation of the Combined Group

10.3.1 Synergy risk

There is a risk that the anticipated potential synergies may not be realised to their full extent or not realised at all. Further, the anticipated synergies may be realised over a longer period of time, or involve greater costs to achieve, than anticipated.

The ability to realise the anticipated synergies will be dependent on, amongst other things, Xenith being integrated efficiently, effectively and in a timely manner without disruption to the respective businesses. Any failure to achieve the anticipated synergies could impact the financial performance and position of the Combined Group.

10. Potential risks

10.3.2 Integration risk

There is a risk that unexpected issues and complications may arise during the process of integrating Xenith. The Combined Group may face risks such as unanticipated liabilities and costs, operational disruption and possible loss of key employees, clients or market share if integration is not achieved in an efficient and effective manner.

Integration risk factors include:

- difficulty in consolidating corporate and administrative infrastructures and removing duplicative operations;
- difficulty in aligning and executing the strategy of the Combined Group;
- difficulty in integrating information systems, information systems development pathways and system support;
- difficulty in merging the culture and management styles of two organisations;
- greater than anticipated loss of clients or client opportunities due to conflicts or other factors;
- unintended losses of key employees;
- unanticipated market conditions; and
- changes in regulations, or regulatory conditions imposed in connection with the Scheme, impacting the ability of the Combined Group to use its scale and presence to achieve anticipated benefits.

Integration risk may also arise in ensuring the appropriate integration and resourcing of key management and shared services functions in the Combined Group with the increase in the number of separate business units, wider geographic spread and additional demands on shared services.

Integration planning is taking place to mitigate the risk of these issues occurring. Nonetheless, a risk remains that difficulties may arise.

10.3.3 Growth in Asia

It is the intention of the Combined Group to leverage IPH's established presence in the Asia-Pacific region. Notwithstanding IPH's experience and mature operations in this region, many of the markets in Asia are very competitive and to be successful in Asia, the Combined Group may need to make significant further investment of management time and financial resources, over a long period of time. There is a risk that the realisation of these benefits for Combined Group in Asia may not be successful or may take longer than is currently anticipated.

10.3.4 Employees

Many of Xenith's and IPH's key personnel are highly qualified and highly experienced with in-depth industry and client knowledge. Any loss of key personnel may have an adverse impact on the respective client service capabilities and / or financial performance of the Combined Group. Employee retention may be particularly challenging during the Scheme process and subsequent integration of Xenith, as employees may experience change fatigue or uncertainty about their future roles.

Since the respective revenues are heavily dependent on professional staff, which represent a significant proportion of the cost base, this may have an adverse impact upon revenue and/or profitability. Furthermore, the Combined Group may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise relating to the business, and consequently the Combined Group's ability to realise the anticipated benefits of the Scheme may be adversely affected.

Ensuring the appropriate integration and resourcing of key management and shared services functions with the increase in the number of separate business units, wider geographic spread and increased requirements on shared services may place higher demands on senior management and shared services functions which may require additional resourcing or realignment to meet such demands.

Implementation of the Scheme is anticipated to result in the termination of management positions or employment contracts of certain executives or employees of the Combined Group, which may result in significant redundancy payments. Certain key executives and other employees of the Combined Group and in its Subsidiaries may terminate their management positions or their employment contracts on their own initiative or that of the Combined Group as a result of the Scheme. If members of the Combined Group's senior management depart, the Combined Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted.

10.3.5 Conditions Precedent

Implementation of the Scheme is subject to a number of Conditions Precedent, outlined in Section 12.2.1 including that no court or Regulatory Authority takes any action to restrain or prohibit the Scheme. Certain Conditions Precedent are beyond the control of Xenith and IPH. There can be no guarantee that the Conditions Precedent to the Scheme will be satisfied or waived (as applicable) in a timely manner or at all. Any failure or delay to satisfy the Conditions Precedent could prevent or delay Implementation, which could reduce or delay the benefits that are anticipated to arise from the Scheme, increase the costs associated with the Scheme and / or impede successful integration of the Groups.

10.3.6 Xenith Competing Proposal

There is a possibility that Xenith may receive a Xenith Competing Proposal before the Second Court Date that the Xenith Board may consider to be a Superior Proposal. If this were to occur, the Scheme Implementation Deed would likely be terminated and the Transaction would likely not proceed.

As at the date of this Scheme Booklet, Xenith has not received a Xenith Competing Proposal and the Xenith Directors continue to unanimously recommend the Scheme.

10.3.7 IPH Competing Proposal

There is a possibility that IPH may receive, and recommend, an IPH Competing Proposal before the Second Court Date. If this were to occur, the Scheme Implementation Deed would likely be terminated and the Transaction would likely not proceed.

As at the date of this Scheme Booklet, IPH has not received an IPH Competing Proposal and the IPH Board continues to unanimously recommend the Scheme.

10.3.8 Reputation

Industry reputation is a key asset of Xenith and IPH. Maintenance of the reputation and value associated with the Combined Group, and the IP services and legal businesses within it, will be critical to the Combined Group's businesses and their strategy for the future.

It is possible that, if the Scheme is Implemented, the strategies described in this Scheme Booklet may not be achieved, or key employees may leave, resulting in the erosion of the reputation or value associated with the Combined Group and its businesses, which in turn could have an adverse effect on the performance and operations of the Combined Group. Other events, including a material non-compliance with regulations or a breach of or failure in information and technology systems, could have an adverse impact on the Combined Group's reputation and the value of its businesses and increase expenditure due to additional security costs and/or potential claims for compensatory damages.

10.3.9 Litigation

In connection with the Scheme, IPH and / or Xenith could face new claims and litigation, in particular brought by business partners, competitors and / or regulators of IPH or Xenith, or by investors in connection with the Scheme.

10.3.10 No Due Diligence

The negotiations between Xenith and IPH were conducted on the basis of the information that was publicly available to each party. Consistent with market practice in Australia the warranties provided by Xenith and IPH in the Scheme Implementation Deed are more limited than what a seller in a privately negotiated share acquisition agreement would normally provide.

As a result, following Implementation of the Scheme, unknown liabilities of Xenith or IPH may arise, or expected types of liabilities may be greater than anticipated, and this may impact negatively on profitability, results of operations, financial position, market value and share price of the Combined Group, which the relevant party might otherwise have discovered if it had conducted a complete due diligence review and obtained extensive warranties from the other party.

10.3.11 Value of cash and / or share component

The proportion of cash and / or share components of the consideration that shareholders will receive under the Scheme will depend on the Elections that shareholders make, as Scheme Shareholders who choose Maximum Cash Consideration and Maximum Scrip Consideration may be subject to scale-back. The value of the consideration associated with the share component will depend on the market price of IPH Shares on ASX after the shares commence trading.

10.3.12 After-market

Eligible Xenith Shareholders in aggregate will hold between 4.4% and 7.3% (dependent on Elections) of IPH Shares if the Scheme is Implemented. Notwithstanding this relatively minor proportion of total IPH Shares, if a large number of shareholders in the Combined Group do not intend to continue to hold their IPH Shares (including, for Eligible Xenith Shareholders, those New IPH Shares received as Scheme Consideration) after Implementation and instead choose to sell, there is a risk that the trading price of IPH Shares will be adversely impacted by that selling. The Sale Agent will be issued New IPH Shares attributable to Ineligible Foreign Scheme Shareholders. The precise number of New IPH Shares issued to the Sale Agent will not be known until after the Scheme Record Date (being the date for determining a Xenith Shareholder's entitlement to receive the Scheme Consideration). However, on the basis of the recent composition of the Xenith Share Register, the New IPH Shares issued to the Sale Agent will depend on the Elections of all Scheme Shareholders. Based on Xenith's analysis of a large sample of its register, Ineligible Foreign Scheme Shareholders represent no less than 1.3% of Xenith Shares outstanding.

10. Potential risks

10.3.13 Tax consequences for Xenith Shareholders

If the Scheme proceeds, in some circumstances, it is possible that there may be tax consequences for Xenith Shareholders, including tax payable on any gain on the disposal of Xenith Shares, including for Ineligible Foreign Scheme Shareholders. Xenith Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme applicable to them.

See Section 11 for more information on the possible tax consequences of the Scheme.

10.3.14 Purchase price accounting

The Combined Group Pro Forma Historical Statement of Financial Position at 30 June 2018 has been prepared on the basis of the assumptions set out in Section 9.3. The actual values which will be attributable to each of these assumptions will only be determined at the Implementation Date. As part of integration, including through the process of purchase price allocation, the Combined Group will need to consider the carrying values of intangible assets created through the purchase price accounting of Xenith assets and liabilities. Accordingly, there will be a risk that the Combined Group Pro Forma Historical Statement of Financial Position may be materially different from that presented in Section 9.3.4.

10.4 Risks specific to investment

10.4.1 Stock market fluctuations

The New IPH Shares, which will be issued if the Scheme is Implemented, do not carry any guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. The value of the New IPH Shares will be determined by the share market and will be subject to a range of factors beyond the control of Xenith, IPH and the Combined Group.

These factors include the demand for and availability of IPH Shares, movements in domestic interest rates, exchange rates, fluctuations in Australian and international share markets and general domestic and economic activity. Returns from an investment in the New IPH Shares may also depend on general share market conditions, as well as the performance of the Combined Group.

10.4.2 Economic conditions

The performance of the Combined Group will be affected by domestic and global economic conditions. Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption, consumer spending and sentiment, employment levels, industrial disruption, and other conditions, are outside the control of the Combined Group and may result in material adverse impacts on the Combined Group's business and operating results.

10.4.3 Liquidity

The Combined Group's shares will only be listed on the ASX and will not be listed for trading on any other securities exchanges. There can be no guarantee that an active market in the IPH Shares will continue. If an active market for the IPH Shares is not sustained, it may be difficult for investors to sell their shares at the time or for the price they seek. If trading volume is low, significant price movements can be caused by the trading in a relatively small number of shares. Sales of a substantial number of shares following Implementation or the perception or expectation that such sales may occur, could cause the market price of the shares to decline. The Combined Group may also offer additional shares in subsequent offerings, which may adversely affect the market price for the shares.

10.4.4 Access to capital

The Combined Group may rely on access to debt and equity financing. The ability to secure financing on acceptable terms may be materially adversely affected by volatility in financial markets, either globally or impacting a particular geographic region, industry or economic sector, or by a downgrade in its credit rating. For these (or other) reasons, financing may be unavailable or the cost of financing may be significantly increased. Such inability to obtain, or such increase to the costs of obtaining, financing could materially adversely affect the Combined Group's operations or financial performance.

10.4.5 Ability to service or refinance debt

The Combined Group may become unable to service or refinance its existing debt, or obtain new debt, on acceptable terms or at all, depending on future performance and cash flows of the Combined Group which are affected by various factors, some of which are outside the Combined Group's control, such as interest and exchange rates, general economic conditions and global financial markets. If any of these scenarios materialise in an adverse way, the Combined Group may be unable to raise financing on acceptable terms to repay maturing indebtedness. This could adversely affect the longer term prospects and financial performance of the Combined Group's business.

10.4.6 Tax

Future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities, may affect taxation treatment of an investment in shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which the Combined Group will operate, may impact the future tax liabilities and performance of the company. Any changes to the current rates of income tax apply to individuals and trusts will similarly impact on shareholder returns.

10.4.7 Change in accounting or financial reporting standards

Australian Accounting Standards are set by the AASB and are outside the Combined Group's control. Changes to AASB accounting standards (including the introduction of AASB 16 Leases from periods beginning on or after 1 January 2019), or changes to any other financial reporting standards, could materially adversely affect the financial performance and position reported in the Combined Group's financial statements.

11. Potential taxation implications

11.1 Introduction

11.1.1 General

The following is an outline of the Australian income tax, stamp duty, and GST consequences that will generally apply for Xenith Shareholders who dispose of their Xenith Shares under the Scheme. It does not constitute tax advice and should not be relied on as such.

The comments set out below are relevant only to those Xenith Shareholders who hold their Xenith Shares on capital account. In particular, the general comments in this Section do not cover the Australian income tax, stamp duty and GST consequences that may arise for:

- Xenith Shareholders who hold their Xenith Shares for the purposes of short term profit, for speculation or as part of a business in dealing in securities (e.g. as trading stock);
- Xenith Shareholders who acquired their Xenith Shares pursuant to an employee share, option, or rights plan;
- Xenith Shareholders who are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**the 1997 Act**) in relation to gains and losses on their Xenith Shares;
- Xenith Shareholders who are non-residents of Australia and hold their Xenith Shares in carrying on a business at or through a permanent establishment in Australia; or
- Xenith Shareholders who, together with any associates, hold 30% or more of Xenith Shares (or are otherwise “significant stakeholder” or “common stakeholder” for the Scheme within the meaning of section 124-783 of the 1997 Act).

The comments below also do not apply to the holders of Xenith Performance Rights.

This Section is based on Xenith’s understanding of the Australian tax law and administrative practice in effect at the date of this Scheme Booklet. It does not take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of countries apart from Australia.

Xenith Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian tax law. These comments relate to Australian tax law only.

11.2 Australian Resident Shareholders

11.2.1 Introduction

The following discussion sets out the income tax consequences that will generally apply where you hold your Xenith Shares on capital account. Generally, Xenith Shareholders who hold their Xenith Shares with a view to deriving dividend income and / or generating long term capital growth will be considered to hold their Xenith Shares on capital account.

If the Scheme is Implemented, IPH will acquire all of the Xenith Shares from Xenith Shareholders. Eligible Xenith Shareholders will receive Standard Consideration for each Xenith Share they hold on the Scheme Record Date, or alternatively, Eligible Xenith Shareholders may elect to receive Maximum Scrip Consideration or Maximum Cash Consideration (subject to scale-back based on the aggregate Elections made by all Xenith Shareholders). Ineligible Foreign Scheme Shareholders will be entitled to make the same Elections in regard to the consideration, however they will receive the Sale Proceeds.

11.2.2 Capital Gains Tax

The disposal of the Xenith Shares by Xenith Shareholders to IPH under the Scheme will constitute a CGT event A1 for Australian tax purposes. The time of the CGT event will be when the Xenith Shares are transferred by the Xenith Shareholders to IPH under the Scheme (that is, the Implementation Date).

As discussed further below, if you are an Australian tax resident Xenith Shareholder who would otherwise make a capital gain on the disposal of your Xenith Shares under the Scheme, you should be eligible to choose scrip for scrip rollover relief for that part of the capital gain, that is referable to the receipt of New IPH Shares (i.e. Scrip Consideration) in exchange for their Xenith Shares. This means that the part of the capital gain that is referable to the Scrip Consideration on the disposal of your Xenith Shares under the Scheme should be disregarded. No rollover relief is available for that part of the any capital gain that is referable to the receipt of the Cash Consideration.

11.2.3 Calculation of capital gain or capital loss (apart from scrip for scrip rollover relief)

If you do not choose scrip for scrip rollover relief, you will make a capital gain on the disposal of your Xenith Shares if the capital proceeds you receive on disposal of your Xenith Shares via the Scheme exceed the cost base of those Xenith Shares. You will make a capital loss if the capital proceeds are less than the reduced cost base of your Xenith Shares. The calculation of the cost base or reduced cost base of the Xenith Shares will vary for each Xenith Shareholder. The reduced cost base is calculated in broadly the same way as the cost base but can differ in certain limited circumstances.

Capital gains and capital losses in a year of income are aggregated to determine if you made a net capital gain or net capital loss. A net capital gain for the year is included in your assessable income and is subject to income tax at your marginal tax rate. A capital loss may only be deducted against capital gains for income tax purposes. Net capital losses may be carried forward to offset against capital gains derived in future income years. Specific loss recoupment rules apply if you are a company or a trust. These rules may limit the ability to offset capital losses in a current or later income year.

Table 11.1 below is a guide as to how the capital gain or capital loss is calculated on the disposal of your Xenith Shares via the Scheme if you do not choose scrip for scrip rollover relief.

Disposal of Xenith Shares

Capital Proceeds	The capital proceeds for the disposal of Xenith Shares will be the aggregate of the market value of the Scheme Consideration, determined at the Implementation Date.
Cost Base	Generally, the CGT cost base for your Xenith Shares is equal to the cost of acquisition plus certain incidental costs of acquisition and disposal (such as brokerage and stamp duty) that are not otherwise deductible to you as a Xenith Shareholder. The reduced cost base of Xenith Shares will be similarly determined.
Capital Gain	If the capital proceeds received by you from the disposal of your Xenith Shares exceed the cost base, a capital gain will arise.
Capital Loss	If the capital proceeds received by you from the disposal of your Xenith Shares are less than the reduced cost base, a capital loss will arise. As outlined above, capital losses can only be used to reduce the capital gains in the year the loss is realised and future years, subject to certain conditions.
CGT Discount	You will be entitled to benefit from the CGT discount if: <ul style="list-style-type: none"> • you have held your Xenith Shares for at least 12 months prior to the timing of the CGT event, being the Implementation Date for the Scheme (excluding the day of acquisition and the day of the CGT event); and • you are an individual, the trustee of a trust, or a complying superannuation entity. <p>Where the CGT discount applies, you will be entitled to reduce your net capital gain realised on disposal of your Xenith Shares by 50% (for individuals holding Xenith Shares) or 33.33% (for complying superannuation entities).</p> <p>The CGT discount is applied only after available capital losses have been applied to reduce the capital gain. The CGT discount does not apply to capital losses.</p> <p>The rules for applying the CGT discount in relation to trusts are complex. Trustees should seek their own advice as to how the discount capital gains provisions apply to them and their beneficiaries, having regard to their own particular circumstances. If you are unsure about the eligibility of the above CGT concessions, you should consult with your tax adviser.</p> <p>The CGT discount will not be available to you if you are a company.</p>

Table 11.1: Summary of capital gain or loss calculation on disposal of Xenith Shares

Where you have not chosen scrip for scrip rollover relief, the first element of the cost base of the New IPH Shares you receive as Scheme Consideration should be equal to the market value of your original Xenith Shares as at the Implementation Date.

11.2.4 Calculation of capital gain or capital loss (choosing scrip for scrip rollover relief)

If you are an Australian tax resident, and the Scheme is Implemented, then you may choose to apply scrip for scrip rollover relief for that part of a capital gain that is referable to the receipt of the Scrip Consideration. If, and to the extent that scrip for scrip rollover relief is available and chosen by a Xenith Shareholder, the capital gain that would otherwise arise in relation to that component of the consideration should be disregarded.

Rollover relief is not available for that part of a capital gain that is referable to the receipt of the Cash Consideration. Further, rollover relief is not available if you make a capital loss on the disposal of your Xenith Shares.

IPH will not make a choice under section 124-795(4) of the 1997 Act to deny scrip for scrip rollover relief.

You must make a choice to apply scrip for scrip rollover relief before lodging your income tax return for the income year in which the Implementation Date occurs. You will provide sufficient evidence of having chosen scrip for scrip rollover relief by the way in which you prepare your income tax return (that is, by excluding the applicable capital gain from assessable income). There is no need to lodge a separate notice with the ATO.

11. Potential taxation implications

Where you have chosen scrip for scrip rollover relief, you will make a capital gain to the extent that the Cash Consideration that you receive exceeds a proportionate part of the cost base for your Xenith Shares. The capital gain will be calculated as follows:

$$\text{Capital gain on exchanging Xenith Shares} = \text{Cash Consideration} - \left(\frac{\text{Cash Consideration}}{\text{Cash Consideration} + \text{market value of Scrip Consideration at Implementation Date}} \times \text{Cost base of Xenith Shares} \right)$$

Where you have chosen scrip for scrip rollover relief, the first element of the cost base of the New IPH Shares received as Scrip Consideration should be equal to the cost base of your original Xenith Shares, reduced by the amount of the cost base that is reasonably attributable to the Cash Consideration, calculated as follows:

$$\text{Cost base of New IPH Shares} = \text{Cost base of Xenith Shares} \times \frac{\text{Market value of Scrip Consideration at Implementation Date}}{\text{Cash Consideration} + \text{market value of Scrip Consideration at Implementation Date}}$$

Where you have chosen scrip for scrip rollover relief, the New IPH Shares will be taken to be acquired at the time the Xenith Shares were originally acquired, for the purpose of any subsequent application of the CGT discount.

11.2.5 Where scrip for scrip rollover relief is not chosen or available

Where scrip for scrip rollover relief is not chosen or is not available in relation to your disposal of Xenith Shares under the Scheme:

- the capital gain or capital loss from the disposal of your Xenith Shares will be taken into account in calculating your net capital gain for the income year in which the Scheme is implemented; and
- the first element of the cost base of each New IPH Share (i.e. the Scrip Consideration) received should be an amount equal to the market value of the New IPH Share determined as at the Implementation Date.

The acquisition date of the New IPH Shares will be the Implementation Date. This date will be relevant for any future application of the CGT discount with respect to CGT events occurring in respect of the New IPH Shares.

11.2.6 Example

The following example illustrates how to calculate the potential capital gain arising in respect of the Scheme, how the cost base of New IPH Shares issued under the Scheme is determined, and the impact of choosing scrip for scrip roll over.

The figures in this example are for illustrative purposes only, address a hypothetical situation and are not necessarily indicative of the actual tax implications of the CGT regime to Xenith Shareholders. Xenith Shareholders should seek their own independent tax advice as to the tax implications of the Scheme. Xenith Shareholders who are not residents of Australia for tax purposes should also obtain specific independent tax advice on the application of the laws of their country of residence (for tax purposes) in determining the tax consequences of the disposal of their Xenith Shares.

Assume that an Eligible Xenith Shareholder:

- owns 1,000 Xenith Shares;
- has a cost base of \$1.50 per Xenith Share; and
- has a total cost base in Xenith Shares of \$1,500, being 1,000 Xenith Shares x \$1.50 cost base per Xenith Share.

Further, assume that the market value of New IPH Shares on the Implementation Date is \$6.90 (i.e. the same as the closing price of IPH Shares on 5 April 2019), and that an Eligible Xenith Shareholder accepts the Standard Consideration of \$1.28 cash and 0.1261 New IPH Shares for each Xenith Share they hold.

Capital Proceeds

The capital proceeds received by an Eligible Xenith Shareholder as a result of the Scheme Consideration would be, in this example:

= 1,000 Xenith Shares x \$2.15 capital proceeds per Xenith Share
= \$2,150 made up as follows:

Cash Consideration \$1.28 x 1,000 = \$1,280

Scrip Consideration \$0.87* x 1,000 = \$870

Total capital proceeds \$2.15 x 1,000 = \$2,150

* This figure is based on 0.1261 of the assumed market value of New IPH Shares on the Implementation Date (i.e. \$6.90 x 0.1261).

Scrip for scrip rollover chosen – capital gain recognised

If scrip for scrip rollover relief is chosen then, based on the first formula in Section 11.2.4, the capital gain that arises to the Eligible Xenith Shareholder in this example on the exchanging Xenith Shares is \$386.98, which is calculated as follows:

$$\begin{aligned} \text{Capital gain in exchanging Xenith Shares} &= \$1,280 - \left(\frac{\$1,280}{\$1,280 + \$870} \times \$1,500 \right) \\ &= \$386.98 \end{aligned}$$

Scrip for scrip rollover chosen – cost base of New IPH Shares

If scrip for scrip rollover relief is chosen, then, based on the second formula in Section 11.2.4, in this example the Xenith Shareholder's cost base of the New IPH Shares acquired under the Scheme is \$606.98, which is calculated as follows:

$$\begin{aligned} \text{Cost base of New IPH Shares} &= \$1,500 \times \frac{\$870}{\$1,280 + \$870} \\ &= \$606.98 \end{aligned}$$

Capital gain – apart from scrip for scrip rollover relief

If scrip for scrip rollover relief is not chosen or is not available, the capital gain is the capital proceeds less the cost base, which in this example is calculated as:

$$\begin{aligned} &= \$2,150 - \$1,500 \\ &= \$650 \end{aligned}$$

Cost base of New IPH Shares – apart from scrip for scrip rollover relief

If scrip for scrip rollover relief is not chosen or is not available, the cost base of the New IPH Shares should be an amount equal to the market value of the New IPH Shares received, which in this example is calculated as:

$$\begin{aligned} &= (\$6.90 \times 0.1261) \times 1,000 \\ &= \$0.87 \times 1,000 \\ &= \$870 \end{aligned}$$

11.3 Non-resident Shareholders (including Ineligible Foreign Scheme Shareholders)

For Australian tax purposes, you should disregard the whole of the capital gain or capital loss you make on the disposal of your Xenith Shares via the Scheme if you meet the following requirements:

- you are not a resident of Australia for income tax purposes just before the CGT event happens;
- you have not held the Xenith Shares as part of an enterprise carried on through an Australian permanent establishment; and
- broadly, you and your associates do not hold an interest of 10% or more in Xenith as at the Implementation Date, or for a 12 month period within the two years preceding the Implementation Date (a **non-portfolio interest**).

You should obtain independent tax advice if your Xenith Shares constitute a non-portfolio interest. However, we note that even if your shares do not constitute a non-portfolio interest in Xenith, then the capital gain or capital loss made on disposal of your Xenith Shares via the Scheme may still be disregarded if you meet the first two requirements and your Xenith Shares are not indirect Australian real property interests (very broadly, the Xenith Shares may be indirect Australian real property interests if the Xenith Shares principally derive their value from interests in Australian real property).

If you have previously resided in Australia and held the Xenith Shares when you left Australia, you should seek advice on the Australian income tax consequences which may arise from the disposal of your Xenith Shares.

You should also obtain specific advice on the application of the laws of your country of residence and any tax treaty between your country of residence and Australia in determining the tax consequences of the disposal of your Xenith Shares via the Scheme.

11. Potential taxation implications

11.4 Implications of holding IPH Shares

As a consequence of the Scheme, an Eligible Xenith Shareholder will cease to be a shareholder of Xenith and will become a shareholder of IPH. Dividends (and any attached franking credits) received by an Australian tax resident shareholder of IPH would generally be required to be included in the assessable income of such a shareholder.

11.5 GST

No GST should be payable by Xenith Shareholders in respect of the Scheme Consideration you receive for your Xenith Shares. If any GST is incurred on costs associated with the disposal of shares, each Shareholder should consider, with reference to their own circumstances, whether any entitlement exists to recover that GST.

11.6 Stamp duty

No Australian stamp duty will be payable by any Xenith Shareholder on the disposal of the Xenith Shares to IPH. IPH, as the transferee/acquirer of those shares will be the party who will be liable for any Australian stamp duty that is payable in respect of the acquisition of those shares.

11.7 Assumptions

The comments in this Section 11 assume that:

- Xenith will continue to have more than 300 members as at the Implementation Date and that there will not be a group of less than 20 individuals who own between them, or have rights the exercise of which would give them, directly or indirectly (through one or more interposed entities) 75% of Xenith Shares; and
- the New IPH shares will be quoted on the ASX at all relevant times (including for example the Effective Date, the Scheme Record Date and the Implementation Date) and the Scheme will not result in a Xenith Shareholder, together with associates, holding 90% or more of the New IPH Shares.

The information contained in this outline is of a general nature only. It does not constitute tax advice and should not be relied upon as such. You are advised to consult your own independent tax adviser regarding the consequences of disposing of Xenith Shares pursuant to the Transaction in light of Australian tax law, or other tax law applicable to you, and your particular circumstances.

12. Implementation of the scheme

12.1 Background to the Scheme

On 12 April 2019, IPH and Xenith announced that they had entered into the Scheme Implementation Deed under which IPH would acquire all of the Xenith Shares it does not already own. On Implementation of the Scheme, Eligible Xenith Shareholders will receive a combination of cash and / or shares for each Xenith Share they hold while Ineligible Foreign Scheme Shareholders will receive cash or their respective Sale Proceeds. The key terms of the Scheme Implementation Deed are summarised below.

12.2 Key terms of the Scheme Implementation Deed

12.2.1 Conditions Precedent

- a. The Conditions Precedent are summarised below and are set out in full in clause 3.1 of the Scheme Implementation Deed.
 - i. ASIC and ASX consents – before 8.00am on the Second Court Date, ASIC and ASX issue or provide such consents or approvals or have done such other acts which are reasonably necessary to implement the Scheme and such consent, approval or other act has not been withdrawn or revoked before 8.00am on the Second Court Date.
 - ii. Regulatory consents – no court or Regulatory Authority takes any action to restrain or prohibit the Scheme, as at 8:00am on the Second Court Date.
 - iii. ASX Quotation – the ASX approves the quotation of the New IPH Shares, subject to any customary conditions, and the approval is not revoked.
 - iv. Xenith Shareholder approval – the Requisite Majority of Xenith Shareholders approve the Scheme at the Scheme Meeting.
 - v. Court approval of Scheme – the Court approves the Scheme.
 - vi. Independent Expert's Report – the Independent Expert concluding that the Scheme is in the best interests of Xenith Shareholders and the Independent Expert maintains that opinion at all times up to 8.00am on the Second Court Date.
 - vii. Termination of Former Transaction – the scheme implementation deed for the Former Transaction is validly terminated.
 - viii. No Material Adverse Change – No IPH / Xenith Material Adverse Change occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
 - ix. No Prescribed Events – No IPH / Xenith Prescribed Event occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
 - x. Warranties – the IPH / Xenith Representations and Warranties being true and correct on the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
 - xi. Xenith Performance Rights – Xenith has satisfied its obligations under clause 4.7 of the Scheme Implementation Deed prior to 8.00am on the Second Court Date.
- b. The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.
- c. As at the date of this Scheme Booklet, the Xenith Directors are not aware of any circumstances which would cause the outstanding Conditions Precedent not to be satisfied or waived (as applicable).

12.2.2 Exclusivity

The Scheme Implementation Deed includes certain arrangements as to exclusivity. The parties agreed to an exclusivity period which is the period from and including the date of the Scheme Implementation Deed to the earlier of:

- the termination of the Scheme Implementation Deed;
- the Effective Date; and
- the End Date (**Exclusivity Period**).

The exclusivity provisions include, but are not limited to, the following;

No existing negotiations

- a. Other than in relation to the discussions between the parties in connection with the Transaction and the Scheme Implementation Deed, each party represents and warrants to the other, that as at the date of the Scheme Implementation Deed, it, its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate are not participating in negotiations with a third party that concern, or that could reasonably be expected to lead to a Competing Proposal or to a party abandoning or not proceeding with the Transaction.

12. Implementation of the scheme

No shop

- b. During the Exclusivity Period, each party must not, and must ensure that its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate do not, directly or indirectly, solicit, invite, initiate or encourage any Competing Proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal or to a party abandoning or not proceeding with the Transaction.

No talk

- c. Subject to certain exceptions, during the Exclusivity Period, each party must not, and must ensure that its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate do not, directly or indirectly:
 - i. negotiate or enter into or participate in negotiations or discussions with any person; or
 - ii. communicate any intention to do any of the things referred to above,in relation to (or which may reasonably be expected to lead to) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by a party or any of its Related Bodies Corporate, or that person has publicly announced the Competing Proposal.

Notification of approaches

- d. If either party is approached by any person to engage in any activity that would breach its 'no shop' and 'no talk' obligations under the Scheme Implementation Deed, each party must promptly inform the other party of that fact and give details of the relevant proposal and identity of the bidder.

No due diligence

- e. Subject to the terms of the Scheme Implementation Deed, during the Exclusivity Period, each party must not, and must ensure that its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate do not make available to any Third Party, or permit any Third Party, to receive any non-public information relating to any member of the XIP Group or the IPH Group in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

12.2.3 Matching right

- a. During the Exclusivity Period, each party must not, and must ensure that its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate do not, publicly recommend a Competing Proposal or enter into any legally binding agreement, arrangement or understanding to give effect to or implement a Competing Proposal unless the party (**Notifying Party**) has provided the other party (**Matching Party**) with full details of the Competing Proposal, including, without limitation, the identity of the relevant Third Party, the consideration offered under its Competing Proposal and any conditions to the Competing Proposal, and at least 3 Business Days to match the terms of the Competing Proposal.
- b. If the Notifying Party determines that the Matching Party matches or exceeds the terms of a Competing Proposal (**Counter Proposal**), then the Notifying Party and the Matching Party and each of their respective Representatives must use their best endeavours to agree the amendments to the Scheme Implementation Deed that are reasonably necessary to reflect the Counter Proposal and to enter into an amended deed to give effect to those amendments and to implement the Counter Proposal, and the Notifying Party must use its best endeavours to procure that its board unanimously recommends the Counter Proposal to its shareholders and does not recommend the applicable Competing Proposal.

12.2.4 Break Fee

Under clause 11 of the Scheme Implementation Deed:

Payment by Xenith to IPH

- a. Xenith agrees to pay IPH \$1.9 million if:
 - i. **Xenith Competing Proposal** - a Xenith Competing Proposal is publicly announced prior to the End Date and within twelve months from the date of the public announcement of such Xenith Competing Proposal the proponent of that Xenith Competing Proposal completes, implements and consummates that Xenith Competing Proposal; or acquires a relevant interest in at least 50% of the Xenith Shares under a transaction that is or has become unconditional or otherwise acquires Control of Xenith or the Xenith Group;
 - ii. **Termination** - IPH terminates the Scheme Implementation Deed in accordance with its rights under the Scheme Implementation Deed;
 - iii. **Xenith Material Adverse Change** - a Xenith Material Adverse Change condition is breached or not satisfied prior to 8.00am on the Second Court Date (except if that condition is breached as a sole result of a change in any applicable law) and IPH terminates the Scheme Implementation Deed;

- iv. **Xenith Prescribed Occurrence** - Xenith breaches or fails to satisfy a Xenith Prescribed Occurrence provision within the Scheme Implementation Deed prior to 8.00am on the Second Court Date and IPH terminates the Scheme Implementation Deed; or
 - v. **Termination of Former Transaction** - the Former Transaction scheme implementation deed condition is breached or not satisfied prior to 8:00am on the Second Court Date and IPH terminates the Scheme Implementation Deed,
- within five Business Days of receipt by Xenith of a demand for payment from IPH made after the occurrence of an event referred to above.

Payment by IPH to Xenith

- b. IPH agrees to pay Xenith \$1.9 million if:
 - i. **IPH Competing Proposal** - an IPH Competing Proposal is publicly announced prior to the End Date and within twelve months from the date of the public announcement of such IPH Competing Proposal the proponent of that IPH Competing Proposal completes, implements and consummates that IPH Competing Proposal; or acquires a relevant interest in at least 50% of the IPH Shares under a transaction that is or has become unconditional or otherwise acquires Control of IPH or the IPH Group;
 - ii. **Termination** - Xenith terminates the Scheme Implementation Deed in accordance with its rights under the Scheme Implementation Deed;
 - iii. **IPH Material Adverse Change** - an IPH Material Adverse Change condition is breached or not satisfied prior to 8.00am on the Second Court Date (except if that condition is breached as a sole result of a change in any applicable law) and Xenith terminates the Scheme Implementation Deed;
 - iv. **IPH Prescribed Occurrence** - IPH breaches or fails to satisfy a IPH Prescribed Occurrence provision within the Scheme Implementation Deed prior to 8.00am on the Second Court Date and Xenith terminates the Scheme Implementation Deed; or
 - v. **Scheme Consideration** - IPH does not provide the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Deed and the Deed Poll,

within five Business Days of receipt by IPH of a demand for payment from Xenith made after the occurrence of an event referred to above.

12.2.5 Termination

- a. Either party (**Non-Defaulting Party**) may terminate the Scheme Implementation Deed by written notice to the other at any time before 8.00am on the Second Court Date if:
 - i. the other party has breached any material provision of the Scheme Implementation Deed including any Xenith Representation and Warranty or IPH Representation and Warranty (as applicable);
 - ii. the party wishing to terminate has given written notice to the other in a timely manner setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed; and
 - iii. the relevant circumstances are not remedied within 5 Business Days after the time the notice of intention to terminate is given (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date).
- b. IPH or Xenith may terminate the Scheme Implementation Deed by written notice to the other in the circumstances set out in, and in accordance with, clause 3.7 of the Scheme Implementation Deed.
- c. IPH may terminate the Scheme Implementation Deed by written notice to Xenith if Xenith has materially breached any exclusivity provision of clause 10 of the Scheme Implementation Deed.
- d. Xenith may terminate the Scheme Implementation Deed by written notice to IPH if IPH has materially breached any provision of any clause of the Scheme Implementation Deed.
- e. IPH may terminate the Scheme Implementation Deed by written notice to Xenith at any time before 8.00am on the Second Court Date if XIP fails to issue the Xenith Public Announcement in accordance with clause 9.1 of the Scheme Implementation Deed or if, after issuing the Xenith Public Announcement, the board of Xenith:
 - i. makes a public statement withdrawing or adversely changing or modifying its or their recommendation that the Xenith Shareholders vote in favour of the Scheme Resolution or makes a recommendation or statement that is inconsistent with such recommendation or statement; or
 - ii. without limiting the foregoing, makes a public statement indicating that they no longer support the Scheme or that they support another transaction (including, without limitation, a Competing Proposal).

12. Implementation of the scheme

12.2.6 Deed Poll

- a. Under the terms of the Deed Poll, IPH agrees in favour of those persons who hold Scheme Shares at the Scheme Record Date to observe and perform all obligations under the Scheme which relate to it, including the obligation to pay the Scheme Consideration under the terms of the Scheme.
- b. A copy of the signed Deed Poll is at Annexure D.

12.2.7 Suspension of trading in Xenith Shares

- a. Xenith Shares will be suspended from trading on the ASX from close of trading on the Effective Date (Currently anticipated to be Thursday 1 August 2019).

12.3 Key steps required to implement the Scheme

12.3.1 Scheme Meeting

- a. On Tuesday 18 June 2019, the Court ordered that a Scheme Meeting be convened as specified in the Notice of Scheme Meeting at Annexure E and appointed Sibylle Krieger to chair the Scheme Meeting. The Scheme Meeting will begin at 10.30am on Thursday 25 July 2019.
- b. All Xenith Shareholders registered on the Xenith Share Register at 7.00pm on Tuesday 23 July 2019 may attend and vote at the Scheme Meeting, either in person or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed under section 250D of the Corporations Act. Voting at the Scheme Meeting is by poll.
- c. The resolution in favour of the Scheme must be passed at the Scheme Meeting by:
 - i. a majority in number (more than 50%) of Xenith Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or corporate representative); and
 - ii. at least 75% of the votes cast on the resolution at that Scheme Meeting.
- d. Instructions on how to attend and vote at the Scheme Meeting (in person or by proxy), are set out in the notes for the Notice of Scheme Meeting, included in Annexure E.

12.3.2 Second Court Hearing

- a. If:
 - i. the Scheme is approved by the Requisite Majority of Xenith Shareholders at the Scheme Meeting; and
 - ii. all Conditions Precedent have been satisfied, including all regulatory approvals required for the Scheme have been obtained,

Xenith will apply to the Court for orders approving the Scheme. Xenith expects the Second Court Date to be Wednesday 31 July 2019 at 9.30am. Each Xenith Shareholder has the right to appear at the Second Court Hearing.

12.3.3 Effective Date

- a. The Scheme will become effective on the Effective Date, being the date on which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such other date as the Court determines or specifies in the order. The Effective Date is currently anticipated to be Thursday 1 August 2019.
- b. If the Scheme becomes Effective, Xenith will immediately give notice of the event to the ASX.
- c. Once the Scheme becomes Effective, Xenith and IPH will become bound to implement the Scheme in accordance with its terms.

12.3.4 Scheme Record Date

- a. Scheme Shareholders are entitled to the Scheme Consideration for the Scheme Shares they hold at the Scheme Record Date.
- b. The Scheme Record Date is currently anticipated to be on Thursday 8 August 2019 at 7pm.

12.3.5 Persons entitled to Scheme Consideration

- a. Each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder in accordance with the terms of the Scheme Implementation Deed and the Scheme.
- b. IPH undertakes to Xenith (in its own right and as trustee on behalf of the Scheme Shareholders) that, in consideration of the transfer to IPH of each Scheme Share under the terms of the Scheme, on the Implementation Date it will accept that transfer and IPH will provide each Scheme Shareholder the Scheme Consideration in accordance with the terms of the Scheme.

- c. IPH will be under no obligation to provide or cause to be provided, and must not provide, any New IPH Shares under this Scheme to any Ineligible Foreign Scheme Shareholder and, instead, subject to clause 5.11 of the Scheme, must procure that those New IPH Shares (including fractions of New IPH Shares) which, but for clause 5.6 of the Scheme, would be required to be so provided are dealt with on behalf of the Ineligible Foreign Scheme Shareholders in accordance with clause 5.7 of the Scheme. Under clause 5.7 of the Scheme, the relevant New IPH Shares must be provided to the Sale Agent to be sold under the Sale Facility. New IPH Shares to which Small Parcel Holders are entitled will also be dealt with in this way, where the relevant Small Parcel Holder has not completed the appropriate section of the Election Form indicating that they wish to receive their total scrip component even where it comprises a number of New IPH Shares that is a Small Parcel.
- d. Any entitlement of a Scheme Shareholder under the Scheme (including under clause 5.3(a)(ii)(B) or clause 5.4(a)(ii)(A)) to be provided a fraction of a New IPH Share will be rounded down to the nearest whole number of New IPH Shares (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).
- e. Any cash amount payable to a Scheme Shareholder under the Scheme must be rounded to the nearest whole cent (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).

12.3.6 Implementation Date

- a. On the Implementation Date:
 - i. each Scheme Shareholder will be entitled to the Scheme Consideration for the number of Scheme Shares held, calculated and payable to each Scheme Shareholder in accordance with the Scheme; and
 - ii. the Scheme Shares will be transferred to IPH.
- b. The Implementation Date is five Business Days after the Scheme Record Date (currently anticipated to be on Thursday 15 August 2019).

12.3.7 Issue of Scheme Consideration

- a. If the Scheme becomes Effective, Xenith must procure that, in consideration for the transfer to IPH of the Xenith Shares, IPH issues to the Scheme Shareholder (or the Sale Agent on behalf of Ineligible Foreign Scheme Shareholders) the Scheme Consideration.

12.3.8 Fractional entitlements and rounding

- a. Any entitlement of a Scheme Shareholder under the Scheme (including under clause 5.3(a)(ii)(B) or clause 5.4(a)(ii)(A) of the Scheme) to be provided a fraction of a New IPH Share will be rounded down to the nearest whole number of New IPH Shares (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).
- b. Any cash amount payable to a Scheme Shareholder under the Scheme must be rounded to the nearest whole cent (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).

12.3.9 Trading in New IPH Shares

- a. Subject to the Scheme becoming Effective, IPH must:
 - i. allot and issue the New IPH Shares to Scheme Shareholders in accordance with the Scheme on terms such that each New IPH Share will rank equally in all respects with each existing IPH Share;
 - ii. do everything reasonably necessary to ensure that the New IPH Shares are approved for official quotation on ASX and that trading in the New IPH Shares commences as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary (T+2) settlement basis by the first Business Day after the Implementation Date; and
 - iii. ensure that on issue, each New IPH Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- b. To facilitate the issue of the New IPH Shares to Scheme Shareholders, Xenith must provide to IPH, or procure the provision to IPH of, a complete copy of the Xenith Share Register as at the Scheme Record Date (which must include the name, address and registered holding of each Scheme Shareholder as at the Scheme Record Date), within 1 Business Day after the Scheme Record Date. The details and information to be provided under this clause must be provided in such form as IPH, its Representatives or share registry may reasonably require.

12.3.10 Delisting of Xenith

- a. After the Scheme has been Implemented, Xenith will request that the ASX removes it from the official list of the ASX. The delisting is anticipated to occur shortly following the Implementation Date.

12.3.11 Stamp duty

- a. IPH will pay any stamp duty on the transfer of Xenith Shares under the Scheme.

13. Additional information

This Section 13 sets out additional information required pursuant to the Corporations Act and the Corporations Regulations in respect of the Scheme, as well as some other relevant information.

13.1 Marketable securities held by or on behalf of Xenith Directors

As at the date of this Scheme Booklet, the following Xenith Directors had Relevant Interests in Xenith Shares:

Name	Number of Xenith Shares	Number of Options
Sibylle Krieger	40,078 (<i>direct</i>)	nil
	12,185 (<i>indirect</i>)	
Craig Dower	nil	454,880 Performance Rights ¹⁸
Stuart Smith	1,250,469 (<i>direct</i>)	nil
	291,668 (<i>indirect</i>)	
Robert Alexander	nil	nil
Susan Forrester	72,046	nil
Kathryn Spargo	30,000	nil

Table 13.1: Marketable securities held by or on behalf of Xenith Directors

13.2 Xenith performance rights

Xenith currently has 454,880 Performance Rights on issue held by Craig Dower. As part of Implementing the Transaction, all Performance Rights held by Craig Dower will vest, subject to the Scheme becoming Effective.

13.3 Payments or other benefits to Directors, officers or executives of Xenith

Except as set out below or otherwise disclosed in this Scheme Booklet:

- there is no payment or other benefit that is proposed to be made or given to any Director, secretary or executive officer of Xenith (or any of its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Xenith (or any of its Related Bodies Corporate) as a consequence of or in connection with the Scheme and no Director, secretary or executive officer of Xenith (or any of its Related Bodies Corporate) has had or is to have the amount of any payment or benefit which may have been made to them upon their loss of office or retirement from office, materially affected by the Scheme;
- the Directors do not have any contracts or arrangements with any other person in connection with or conditional upon the outcome of the scheme;
- the Directors do not have any other interests in a contract entered into by IPH or any member of the IPH Group; and
- the Directors do not have a material personal interest in relation to the Scheme.

13.4 Creditors of Xenith

The Scheme, if Implemented, is not anticipated to materially prejudice Xenith's ability to pay its creditors as it involves the acquisition of securities in Xenith for consideration provided by a third party. No material new liability (other than transaction costs associated with the Transaction) is anticipated to be incurred by Xenith as a consequence of the Implementation of the Scheme. Xenith has paid and is paying all of its creditors within normal terms and is solvent and trading in an ordinary commercial manner.

13.5 International offer restrictions

No action has been taken to register or qualify the New IPH Shares or otherwise permit a public offering of such securities in any jurisdiction outside Australia.

Based on the information available to Xenith as at the date of this Scheme Booklet, Xenith Shareholders whose Registered Addresses on the Scheme Record Date are in the following jurisdictions will be entitled to have New IPH Shares issued to them pursuant to the Scheme, subject to the qualifications, if any, set out below or otherwise disclosed in this Scheme Booklet in respect of that jurisdiction:

¹⁸ Under the terms of the Scheme Implementation Deed, as part of the Transaction all of those performance rights will vest early, and the Xenith Shares that Craig Dower is entitled to in respect of those performance rights will be acquired by IPH for the Scheme Consideration.

- Australia;
- New Zealand;
- Singapore (provided they are an Institutional Shareholder); or
- the province of Ontario, Canada; and
- any other jurisdiction as may be agreed in writing by IPH and Xenith, provided that IPH is satisfied, acting reasonably, that it is permitted to allot and issue New IPH Shares to that Scheme Shareholder under the Scheme by the laws of that place either unconditionally or after compliance with conditions that IPH in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Nominees, custodians and other Xenith Shareholders who hold Xenith Shares on behalf of a beneficial owner resident in Australia, New Zealand, Singapore (provided they are an Institutional Shareholder) or the province of Ontario, Canada may forward this Scheme Booklet (or accompanying documents) to such beneficial shareholder but may not forward this Scheme Booklet to any person in any other country without the consent of Xenith.

This Scheme Booklet does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this Scheme Booklet may not be distributed to any person, and the New IPH Shares may not be offered or sold, in any country outside Australia except to the extent provided below.

13.5.1 New Zealand

The New IPH Shares are not being offered to the public within New Zealand other than to existing Xenith Shareholders with Registered Addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Scheme Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Scheme Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

13.5.2 Singapore

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the New IPH Shares have not been and will not be registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (**SFA**) will not apply.

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the New IPH Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the New IPH Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this document may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Xenith nor IPH is in the business of dealing in securities or hold itself out or purport to hold itself out to be doing so. As such, Xenith and IPH are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

13.5.3 Canada

The New IPH Shares will be issued by IPH in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada.

No securities commission in Canada has reviewed or in any way passed upon this document or the merits of the Scheme.

13. Additional information

13.6 ASX Waivers and Confirmations

Xenith has applied for, and ASX has granted, the following waivers and confirmations in relation to certain ASX Listing Rules as they apply to Xenith:

- confirmation under ASX Listing Rule 15.1.3 that ASX does not object to the draft Scheme Booklet; and
- confirmation that the timetable for the Implementation of the Scheme is acceptable to ASX.

13.7 Consents

13.7.1 Consent to be named

The following persons have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- a. Grant Thornton as auditor to Xenith;
- b. Investec Australia Limited (Investec) as financial adviser to Xenith;
- c. Lonergan Edwards & Associates Limited (Lonergan Edwards) as the Independent Expert;
- d. Hogan Lovells as the legal adviser to Xenith;
- e. KPMG Transaction Services (KPMG) as the investigating accountant and tax adviser to Xenith; and
- f. Computershare Investor Services Pty Limited as the Xenith Share Registry.

13.7.2 Consent to the inclusion of statements

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- a. IPH in respect of the IPH Information only;
- b. Lonergan Edwards as the Independent Expert; and
- c. KPMG as the investigating accountant and tax adviser to Xenith.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

13.7.3 Disclaimers of responsibility

Each person named in Sections 13.7.1 and 13.7.2:

- a. has not authorised or caused the issue of this Scheme Booklet;
- b. does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
 - i. IPH, in respect of the IPH Information;
 - ii. Lonergan Edwards, in relation to its Independent Expert's Report; and
 - iii. KPMG in relation to the Investigating Accountant's Report and Section 11; and
- c. to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in Sections 13.7.1 and 13.7.2.

13.8 Transaction fees

Each of the persons named in Section 13.7.1 and 13.7.2 (other than IPH) as performing a function in a professional, advisory or other capacity in connection with both the preparation or distribution of this Scheme Booklet and the Former Transaction will be entitled to receive professional fees charged in accordance with their normal basis of charging. Xenith has paid, or agreed to pay:

- Lonergan Edwards approximately \$200,000 (excluding GST);
- Investec approximately \$3,115,000 (excluding GST);
- KPMG approximately \$318,000 (excluding GST);
- Hogan Lovells approximately \$420,000 (excluding GST); and
- Baker McKenzie (in respect of the Former Transaction only) approximately \$490,000 (excluding GST).

13.9 Status of conditions

The Transaction is subject to a number of conditions. These are described in Section 12.2.1 of the Scheme Booklet. As at the date of this Scheme Booklet none of those conditions have been satisfied, but as far as Xenith is aware, none have been breached or are not capable of being satisfied.

13.10 No other information material to the making of a decision in relation to the Scheme

Other than as set out in this Scheme Booklet, as at the date of this Scheme Booklet, there is no information material to the making of a decision in relation to the Scheme, being information which is in the knowledge of Xenith, IPH, any Director of Xenith or IPH or any of their Related Bodies Corporate which has not been previously disclosed to Xenith Shareholders.

13.11 Supplementary information

Xenith will issue a supplementary document to this document if it becomes aware of any of the following between the date of lodgement of this document for registration by ASIC and the Scheme Meeting:

- a material statement in this document being misleading or deceptive;
- a material omission from this document;
- a significant change affecting a matter included in this document; or
- a significant new matter arising which would have been required to be included in this document.

The form which the supplementary document may take, and whether a copy will be sent to each Xenith Shareholder, will depend on the nature and timing of the new or changed circumstances. Any such supplementary document will be made available on Xenith's website at www.xenithip.com and released to the ASX (and accordingly, available from the ASX's website at www.asx.com.au).

13.12 Statements by Directors

The issue of the Scheme Booklet has been authorised by the Xenith Board. The Xenith Board has given (and not withdrawn) its consent to lodgement of this Scheme Booklet with ASIC.

13.13 Information lodged with ASIC

13.13.1 Xenith continuous disclosure

Xenith is an ASX listed public company and a 'disclosing entity' for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations. As a listed company, Xenith is also subject to the ASX Listing Rules, which require (subject to limited exceptions) continuous disclosure to the market of any information of which Xenith is aware that a reasonable person would expect to have a material effect on the price or value of its securities.

Documents lodged with ASIC about Xenith may be obtained from, or inspected at the offices of ASIC. Information publicly disclosed to ASX by Xenith is available from ASX at www.asx.com.au (ASX code: XIP).

To obtain further information, contact your broker or financial adviser.

14. Interpretation and glossary

14.1 Interpretation

In this Scheme Booklet (other than the Annexures):

- a. except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them in the Corporations Act;
- b. headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet;
- c. words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- d. a reference to dollars and \$ is to Australian currency;
- e. all dates and times are Sydney, Australia times, unless otherwise stated; and
- f. a reference to a Section or Annexure is to a Section in or Annexure to this Scheme Booklet, unless otherwise stated.

14.2 Glossary

Term	Meaning
ACCC	means the Australian Competition and Consumer Commission.
Adviser	means in relation to an entity: <ol style="list-style-type: none">a. a financier to the entity in connection with the Scheme; orb. a financial, corporate, legal, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Scheme by the entity.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the same meaning as in section 12 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or, if the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.
ASX Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while Xenith is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Board	means the board of Directors.
Break Fee	means the IPH Break Fee or the Xenith Break Fee (as the context requires).
Business Day	means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.
CGT	means capital gains tax.
Combined Group	means collectively the combined corporate group comprising the IPH Group and the Xenith Group arising from the Implementation of the Scheme.
Combined Group Board	means the board of Directors of the Combined Group.
Competing Proposal	means a Xenith Competing Proposal or an IPH Competing Proposal, as the context requires.
Competition Act	means the Competition and Consumer Act 2010 (Cth).
Conditions Precedent	means the conditions precedent in clause 3 and Schedule 2 of the Scheme Implementation Deed, a summary of which are set out in Section 12.2.1.
Control	has the meaning given under section 50AA of the Corporations Act.
Corporations Act	means the Corporations Act 2001 (Cth).
Corporations Regulations	means the Corporations Regulations 2001 (Cth).
Court	means the Federal Court of Australia or any other court of competent jurisdiction agreed between IPH and Xenith.
Court Approval Date	means the date the Court approves the Scheme for the purposes of section 411(4)(b) of the Corporations Act.
Deed Poll	means the deed poll dated and signed by IPH and at Annexure D.
Director	means a Director of Xenith (from time to time).
Effective	means, when used about the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act, but in any event at no time before an official copy of the Court order is lodged with ASIC.
Effective Date	means the date on which the Scheme becomes Effective.
Election	means a valid election as to the form of Scheme Consideration which an Eligible Xenith Shareholder as at the Scheme Record Date wishes to receive, made on and in accordance with the directions contained in the Election Form.
Election Date	means the Scheme Record Date.
Election Form	means the form accompanying this Scheme Booklet pursuant to which Eligible Xenith Shareholders as at the Scheme Record Date may elect the form of Scheme Consideration they wish to receive in consideration for the transfer of their Xenith Shares to IPH under the Scheme.

Term	Meaning
Eligible Xenith Shareholder	means a Scheme Shareholder other than an Ineligible Foreign Scheme Shareholder.
Excluded Shareholder	means any Xenith Shareholder who is IPH or an Associate of the IPH Group.
End Date	means 31 October 2019 (or such other date and time agreed in writing between IPH and Xenith).
First Court Date	means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Former Transaction	means the former scheme of arrangement between Xenith and QANTM.
GST	has the same meaning in A New Tax System (Goods and Services Tax) Act 1999 (Cth) and any other legalisation or regulation relating to the imposition of GST.
Groups	means the IPH Group and Xenith Group before Implementation.
ICT	means Information and Communications Technology.
Implementation	means the issuing and payment (as applicable) of the Scheme Consideration to Scheme Shareholder and the transfer of all Xenith Shares to IPH pursuant to the Scheme. A reference to Implement, Implemented, Implementing, or Implementation of the Scheme has a corresponding meaning.
Implementation Date	means the date which is five Business Days after the Scheme Record Date or such other date agreed to in writing between the parties.
Implied Offer Value	means \$2.15.
Independent Expert	means the independent expert in respect of the Scheme appointed by Xenith, being Lonergan Edwards.
Independent Expert's Report	means the report of the Independent Expert about the Scheme at Annexure A.
Ineligible Foreign Scheme Shareholder	means a Scheme Shareholder whose address in the Xenith Share Register is a place outside: <ul style="list-style-type: none"> • Australia and its external territories, • New Zealand; • Singapore, provided they are an Institutional Shareholder; • the province of Ontario, Canada; or • any other jurisdiction as may be agreed in writing by IPH and Xenith, provided that IPH is satisfied, acting reasonably, that it is permitted to allot and issue New IPH Shares to that Scheme Shareholder under the Scheme by the laws of that place either unconditionally or after compliance with conditions that IPH in its sole discretion regards as acceptable and not unduly onerous or impracticable.
Institutional Shareholder	means a shareholder as defined under the Securities and Futures Act (Singapore).
Investigating Accountant's Report	means a report prepared by KPMG Transaction Services on some or all of the financial information included in this Scheme Booklet.
IP	means intellectual property rights including patents, designs, trade marks, copyright, circuit layout rights and plant breeder's rights.
IPH	means IPH Limited ACN 169 015 838.
IPH Board	means the board of Directors of IPH and an IPH Board Member means any Director of IPH comprising part of the IPH Board.
IPH Break Fee	means \$1,900,000.
IPH Competing Proposal	means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly: <ol style="list-style-type: none"> a. acquire a relevant interest or voting power in or become the holder of more than 20% of the IPH Shares; b. acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of IPH or any member of the IPH Group; c. acquire Control of IPH; d. otherwise acquire or merge with IPH or amalgamate with, or acquire a significant shareholding or economic interest in IPH or any member of IPH Group or 20% or more by value of the total assets or business of any member of IPH Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchases, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for IPH or the IPH Group or other synthetic merger or any other transaction or arrangement; or e. IPH will cease to be admitted to the official list of ASX or the IPH Shares will cease to be officially quoted on the market operated by ASX, or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Transaction.

14. Interpretation and glossary

Term	Meaning
IPH Group	means IPH and each of its Related Bodies Corporate (excluding, at any time, XIP and its subsidiaries to the extent that XIP and its subsidiaries are subsidiaries of IPH at that time). A reference to a member of the IPH Group or an IPH Group Member is a reference to IPH or any such subsidiary.
IPH Information	means information about the IPH Group provided or approved by IPH or any of its Advisers to XIP contained in the FAQ titled "Who is IPH", Section 5.1.10, Section 8, Section 9.2, Section 9.4.1 and Section 10.2.12.
IPH Interim Dividend	means the cash dividend of \$0.12 per IPH Share paid by IPH on 13 March 2019 in respect of the half year ending 31 December 2018, as announced on ASX on 14 February 2019.
IPH Material Adverse Change	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
IPH Prescribed Occurrence	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
IPH Representation and Warranty	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
IPH Shareholder	means a person who is registered as the holder of at least one IPH Share.
IPH Shares	means a fully paid ordinary share in the capital of IPH.
IPH Superior Proposal	means a bona fide IPH Competing Proposal which in the determination of the IPH Board acting in good faith in order to satisfy what the IPH Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and, if appropriate, financial advisers): <ol style="list-style-type: none"> is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the IPH Competing Proposal; and would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to IPH Shareholders as a whole than the Transaction, taking into account all of the terms and conditions of the IPH Competing Proposal.
Maximum Cash Consideration	means the consideration determined in accordance with clause 5.3 of the Scheme.
Maximum Scrip Consideration	means the consideration determined in accordance with clause 5.4 of the Scheme.
New IPH Shares	means the new IPH Shares issued under the terms of the Scheme.
Notice of Scheme Meeting	means the notice of meeting for the Scheme Meeting at Annexure E.
NPATA	means statutory net profit after tax but before amortisation charge on acquired intangible assets.
PCT	means the Patent Co-operation Treaty, establishing a unified procedure for filing patent applications in each of its contracting states.
PSB	means the Trans-Tasman IP Attorneys Board.
QANTM or QIP	means QANTM Intellectual Property Limited ACN 612 441 326.
Regulatory Authority	means: <ul style="list-style-type: none"> the ACCC; any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity; a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or any regulatory organisation established under statute, in Australia whether federal, state, territorial or local or other applicable jurisdiction.
Related Bodies Corporate	has the meaning given to that term in section 50 of the Corporations Act.
Related Entity	means, for an entity or individual, any entity or individual (as applicable) which is related to that entity within the meaning of section 9 of the Corporations Act or which is an economic entity (as defined in any accounting standard in force under section 334 of the Corporations Act) that is controlled by that entity or individual (as applicable) (as 'control' is defined in section 50AA of the Corporations Act).
Representative	means in relation to IPH or Xenith: <ol style="list-style-type: none"> each other member of the IPH Group or the Xenith Group (as applicable); an officer or employee of a member of the IPH Group or the Xenith Group (as applicable); or an Adviser to a member of the IPH Group or the Xenith Group (as applicable).

Term	Meaning
Requisite Majority	means, in relation to the Scheme Resolution: <ol style="list-style-type: none"> a majority in number (more than 50%) of Xenith's Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Xenith Shareholders, by corporate representative); and at least 75% of the total number of votes cast on the Scheme Resolution.
Sale Agent	means a person nominated by IPH, in consultation with Xenith, to sell the Sale Facility Shares.
Sale Facility	means the facility provided for in clause 5.7 of the Scheme.
Sale Facility Shares	means New IPH Shares to which clause 5.7(a) of the Scheme applies, being New IPH Shares: <ol style="list-style-type: none"> that are a Small Parcel where the relevant Scheme Shareholder has not completed the appropriate section of the Election Form indicating that they wish to receive their total scrip component even where it comprises a number of New IPH Shares that is a Small Parcel; and that are required to be dealt with in accordance with clause 5.6 of the Scheme (Ineligible Foreign Scheme Shareholders).
Sale Proceeds	means the proceeds of sale of New IPH Shares by the Sale Agent payable to each Ineligible Foreign Scheme Shareholder.
Scheme	means the proposed acquisition of Xenith Shares by IPH as set out in the scheme of arrangement at Annexure C.
Scheme Booklet	means this scheme booklet, issued under section 412 of the Corporations Act.
Scheme Consideration	means, for each Xenith Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of: <ol style="list-style-type: none"> the Standard Consideration; the Maximum Cash Consideration; or the Maximum Scrip Consideration, (subject to the terms of the Scheme).
Scheme Implementation Deed	means the scheme implementation deed between Xenith and IPH dated 11 April 2019.
Scheme Meeting	means the meeting of Xenith Shareholders, ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and if thought fit approve the Scheme.
Scheme Record Date	means 7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between IPH and Xenith.
Scheme Resolution	means the resolution set out in the Notice of Scheme Meeting to approve the terms of the Scheme.
Scheme Share	means a Xenith Share held by a Scheme Shareholder at the Scheme Record Date.
Scheme Shareholder	means a Xenith Shareholder (other than Excluded Shareholders) at the Scheme Record Date.
Second Court Date	means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Second Court Hearing	means the hearing of an application made to the Court for an order approving the Scheme under section 411(4)(b) of the Corporations Act.
Small Parcel	means a parcel of New IPH Shares held by a Xenith Shareholder having a value of less than \$500 based on the closing price of IPH Shares on ASX on the trading day prior to the Scheme Record Date.
Small Parcel Holder	means a Scheme Shareholder that would receive a Small Parcel as Scheme Consideration.
Standard Consideration	Means: <ol style="list-style-type: none"> a cash amount equal to \$1.28; and 0.1261 New IPH Shares per Scheme Share.
Subsidiary	has the meaning given to that term in section 9 of the Corporations Act.
Superior Proposal	means a bona fide Xenith Competing Proposal which in the determination of the Xenith Board acting in good faith in order to satisfy what the Xenith Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and, if appropriate, financial advisers): <ol style="list-style-type: none"> is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transaction contemplated by the Xenith Competing Proposal; and would, if completed substantially in accordance with its terms, be reasonable likely to result in a transaction more favourable to Xenith Shareholders as a whole than the Transaction, taking into account all of the terms and conditions of the Xenith Competing Proposal.

14. Interpretation and glossary

Term	Meaning
Trading Day	means a day (not being a Saturday, Sunday or public holiday) on which the Australian Securities Exchange is open for trading.
Transaction	means the proposed combination of Xenith with IPH under which IPH will acquire all of the Xenith Shares by way of a scheme of arrangement under section 411 of the Corporations Act, the effect of which would be to make Xenith a wholly owned subsidiary of IPH.
Xenith or XIP	means Xenith IP Group Limited ACN 607 873 209.
Xenith Board	means the board of Directors of Xenith.
Xenith Break Fee	means \$1,900,000.
Xenith Competing Proposal	<p>means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement other than the Transaction) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly:</p> <ol style="list-style-type: none"> acquire a relevant interest or voting power in or become the holder of more than 20% of the Xenith Shares; acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of Xenith or any member of the Xenith Group; acquire Control of Xenith; otherwise acquire or merge with Xenith or amalgamate with, or acquire a significant shareholding or economic interest in Xenith or any member of Xenith Group or 20% or more by value of the total assets or business of any member of Xenith Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchases, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Xenith or the Xenith Group or other synthetic merger or any other transaction or arrangement; or Xenith will cease to be admitted to the official list of ASX or the Xenith Shares will cease to be officially quoted on the market operated by ASX, <p>or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Transaction.</p>
Xenith Group	means Xenith and each of its Subsidiaries.
Xenith Information	means the information in this Scheme Booklet, other than the IPH Information, the Investigating Accountant's Report and the Independent Expert's Report.
Xenith Interim Dividend	cash dividend of \$0.0325 per XIP Share paid by XIP on 29 March 2019 in respect of the half year ending 31 December 2018, as announced on ASX on 27 February 2019.
Xenith Material Adverse Change	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Xenith Performance Right	means a right to take up a specified number of Xenith Shares on satisfaction of specified performance conditions.
Xenith Prescribed Occurrence	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Xenith Public Announcement	means the public announcement in relation to the Scheme to be issued by Xenith to ASX in accordance with clause 9.1 of the Scheme Implementation Deed.
Xenith Registry	means Computershare Investor Services Pty Limited or any replacement provider of share registry services to Xenith.
Xenith Representation and Warranties	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Xenith Share	means a fully paid ordinary share in the capital of Xenith.
Xenith Share Plan	means the Xenith IP Employee Incentive Plan approved by the XIP Shareholders at the annual general meeting for Xenith held on 28 November 2018.
Xenith Share Register	means the register of members of Xenith maintained in accordance with the Corporations Act.
Xenith Shareholder	means a person who is the registered holder of Xenith Shares.
VWAP	means volume weighted average price.

Annexure A

Independent Expert's Report

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The Directors
Xenith IP Group Limited
Level 21, 60 Margaret Street
Sydney NSW 2000

21 May 2019

Subject: Proposed acquisition by IPH Limited by way of Scheme

Dear Directors

Background

- 1 On 27 November 2018, Xenith IP Group Limited (Xenith) and QANTM Intellectual Property Limited (QANTM) announced that they had signed a Scheme Implementation Deed under which the two companies proposed to merge via an all-scrip scheme of arrangement (the QANTM Scheme).
- 2 The Scheme Booklet in respect of the QANTM Scheme is dated 19 February 2019. This Scheme Booklet included our independent expert's report (IER) dated 13 February 2019, which assessed the QANTM Scheme as in the best interests of Xenith shareholders, in the absence of a superior proposal (the QANTM Scheme IER).
- 3 Subsequent to the release of the Scheme Booklet in respect of the QANTM Scheme, on 12 March 2019, IPH Limited (IPH) announced that it had submitted a proposal to acquire Xenith for a combination of cash and IPH shares. This initial IPH proposal was similarly structured as a proposed scheme of arrangement, but was assessed by the Xenith Board as not being superior to the proposed merger with QANTM.

Proposed transaction

- 4 On 12 April 2019, Xenith announced that (following the tabling by IPH of a revised proposal and related discussions between the parties) it and IPH had entered into a Scheme Implementation Agreement (the Agreement) under which IPH would acquire all of the shares in Xenith. The proposed acquisition of the shares in Xenith is to be implemented via a scheme of arrangement between Xenith and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 5 If the Scheme is approved by Xenith shareholders and the Court, Xenith shareholders will receive for each share in Xenith (unless they elect otherwise)¹:
 - (a) 0.1261 IPH shares plus
 - (b) \$1.28 in cash(the Standard Consideration).

¹ The consideration to be paid to Xenith shareholders pursuant to the Scheme reflects improved terms (from the perspective of Xenith shareholders) to those set out in the initial IPH proposal.

- 6 Xenith shareholders also have the option of electing one of two alternatives:
- (a) receiving 100% scrip consideration comprising approximately 0.3116 IPH shares for each Xenith share (the Maximum Scrip Consideration)
 - (b) receiving 100% cash consideration comprising \$2.15 cash for each Xenith share (the Maximum Cash Consideration).
- 7 Both the Maximum Scrip Consideration and the Maximum Cash Consideration are subject to scale-back provisions². Those Xenith shareholders who do not make an election will receive the Standard Consideration.
- 8 As a result of the IPH Proposal (which the Xenith Board concluded was superior to the proposed merger with QANTM), the Scheme Implementation Deed to implement the QANTM Scheme was terminated. Accordingly, this report does not consider the QANTM Scheme.

Purpose of report

- 9 There is no regulatory requirement for an IER to be prepared for Xenith shareholders pursuant to the *Corporations Act 2001* (Cth) (Corporations Act) or the Australian Securities Exchange (ASX) Listing Rules. However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Xenith shareholders.
- 10 In addition, the Directors' recommendation of the Scheme is provided on the basis that there is no superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Xenith shareholders.
- 11 Accordingly, the Directors of Xenith have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Scheme is in the best interests of Xenith shareholders and the reasons for that opinion.
- 12 LEA is independent of Xenith and IPH (and QANTM) and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 13 In our opinion, the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of Xenith shares

- 14 We have assessed the value of 100% of Xenith shares on a controlling interest basis as follows:

² The maximum number of IPH shares to be issued is 15.6 million and the maximum cash payable is \$91.3 million. The Scheme Consideration values the shares in Xenith not already held by IPH at approximately \$154 million.

Valuation of Xenith			
	Paragraph	Low \$m	High \$m
Enterprise value	184	180.0	200.0
Less net debt	185	(17.0)	(17.0)
Equity value		163.0	183.0
Fully diluted shares on issue (million)	187	89.2	89.2
Equity value per share (\$)		\$1.83	\$2.05

Value of Scheme Consideration

- 15 We have assessed the value of the Standard Consideration to be received by Xenith shareholders under the Scheme (unless they elect otherwise) as follows:

Value of Standard Consideration per Xenith share			
		Low \$ per share	High \$ per share
Assessed realisable value of IPH shares		\$6.70	\$7.10
Standard Consideration ratio		0.1261	0.1261
Assessed value of scrip consideration		\$0.84	\$0.90
Cash consideration		\$1.28	\$1.28
Assessed value of Standard Consideration		\$2.12	\$2.18

- 16 Xenith shareholders electing to receive the Maximum Cash Consideration will receive \$2.15 cash for each Xenith share held, subject to the potential exercise of the scale-back provision. We note that the cash consideration of \$2.15 per share lies within our assessed range of the value of the Standard Consideration payable under the Scheme.
- 17 Xenith shareholders electing to receive the Maximum Scrip Consideration will receive approximately 0.3116 IPH shares for each Xenith share held, subject to the potential exercise of the scale-back provision. We have assessed the value of the Maximum Scrip Consideration to be received by Xenith shareholders under the Scheme (assuming the scale-back provision does not apply) as follows:

Value of Maximum Scrip Consideration per Xenith share			
		Low \$ per share	High \$ per share
Assessed realisable value of IPH shares		\$6.70	\$7.10
Maximum Scrip Consideration ratio		0.3116	0.3116
Assessed value of Maximum Scrip Consideration		\$2.09	\$2.21

- 18 Based on the above, for the purpose of our evaluation of the Scheme, we have assessed the value of the Scheme Consideration in the range of \$2.10 to \$2.20 per Xenith share held.

Fair and reasonable opinion

- 19 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111), the Scheme is “fair” if the value of the Scheme Consideration is equal to, or greater than, the value of the securities the subject of the Scheme. The comparison for Xenith shares is shown below:

Comparison of Scheme Consideration to value of Xenith			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Scheme Consideration	2.10	2.20	2.15
Value of 100% of Xenith	1.83	2.05	1.94
Extent to which the Scheme Consideration exceeds the value of Xenith	0.27	0.15	0.21

- 20 As the Scheme Consideration to be received by Xenith shareholders exceeds our assessed valuation range for Xenith shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to Xenith shareholders when assessed based on the guidelines set out in RG 111.
- 21 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “reasonable” it must also be “in the best interests” of shareholders, in the absence of a superior proposal.
- 22 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Xenith shareholders in the absence of a superior proposal.

Assessment of the Scheme

- 23 We summarise below the likely advantages and disadvantages of the Scheme for Xenith shareholders.

Advantages

- 24 The Scheme has the following advantages for Xenith shareholders:
- (a) the Scheme Consideration to be received by Xenith shareholders exceeds our assessed value range of Xenith shares on a 100% controlling interest basis
 - (b) the Scheme Consideration represents a significant premium to the market prices of Xenith shares prior to the original announcement of the QANTM Scheme on 27 November 2018 and reflects an implied premium which exceeds observed premiums paid in successful takeovers generally³
 - (c) the Scheme provides Xenith shareholders with the opportunity to realise their investment in a company in which share trading has historically been relatively low in a cost effective manner.

Disadvantages

- 25 If the Scheme is implemented Xenith shareholders will no longer hold a direct interest in Xenith. In the event that future value is created by Xenith as a result of ongoing operations over and above that reflected in our assessed valuation of the Company:
- (a) those Xenith shareholders who elect to receive the Maximum Cash Consideration will therefore not participate in such future value⁴

³ In part this reflects subsequent upward movements in the share market generally.

⁴ Other than through IPH shares issued as consideration in the event of a scale back (as the maximum cash consideration is capped at \$91.3 million in total).

- (b) those Xenith shareholders that elect to receive the Maximum Scrip Consideration or who receive the Standard Consideration will retain exposure to such future value, albeit on a diluted basis.

Conclusion

- 26 Given the above analysis, we consider that the advantages of the Scheme significantly outweigh the disadvantages. Consequently, in our view, the acquisition of Xenith shares by IPH under the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a superior proposal.

General

- 27 In preparing this report we have considered the interests of Xenith shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 28 The impact of approving the Scheme on the tax position of Xenith shareholders depends on the individual circumstances of each investor. Xenith shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 29 The ultimate decision whether to approve the Scheme should be based on each Xenith shareholder's assessment of their own circumstances. If Xenith shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.
- 30 For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Xenith shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

- 31 On 12 April 2019, Xenith announced that (following the tabling by IPH of a revised proposal and related discussions between the parties) it and IPH had entered into a Scheme Implementation Agreement (the Agreement) under which IPH would acquire all of the shares in Xenith. The proposed acquisition of the shares in Xenith is to be implemented via a scheme of arrangement between Xenith and its shareholders (the Scheme) and is subject to a number of conditions precedent as summarised below.
- 32 If the Scheme is approved by Xenith shareholders and the Court, Xenith shareholders will receive for each share in Xenith (unless they elect otherwise)⁵:
- (a) 0.1261 IPH shares, plus
 - (b) \$1.28 in cash
- (the Standard Consideration).
- 33 Xenith shareholders also have the option of electing one of two alternatives:
- (a) receiving 100% scrip consideration comprising approximately 0.3116 IPH shares for each Xenith share (the Maximum Scrip Consideration)
 - (b) receiving 100% cash consideration comprising \$2.15 cash for each Xenith share (the Maximum Cash Consideration).
- 34 Both the Maximum Scrip Consideration and the Maximum Cash Consideration are subject to scale-back provisions⁶. Those Xenith shareholders who do not make an election will receive the Standard Consideration.

Conditions

- 35 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement⁷ between Xenith and IPH dated 11 April 2019:
- (a) all Australian regulatory consents and approvals (including from ASIC and the ASX) which are necessary to implement the Scheme are received
 - (b) Xenith shareholder approval by the requisite majorities is obtained at the Scheme meeting, in accordance with s411(4)(a)(ii) of the Corporations Act
 - (c) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act is obtained

⁵ The consideration to be paid to Xenith shareholders pursuant to the Scheme reflects improved terms (from the perspective of Xenith shareholders) to those set out in the initial IPH proposal.

⁶ The maximum number of IPH shares to be issued is 15.6 million and the maximum cash payable is \$91.3 million. The Scheme Consideration values the shares in Xenith not already held by IPH at approximately \$154 million.

⁷ Terms used in this paragraph are as defined in the Agreement.

- (d) an independent expert issues a report which concludes that the Scheme is in the best interests of Xenith shareholders and continues to hold that opinion at all times up to 8:00am on the Second Court Date
 - (e) the QANTM Scheme is validly terminated
 - (f) no Material Adverse Change occurs or becomes known to IPH or Xenith between 11 April 2019 and 8:00am on the Second Court Date
 - (g) no Xenith Prescribed Occurrence occurs between 11 April 2019 and 8.00am on the Second Court Date
 - (h) no IPH Prescribed Occurrence occurs between 11 April 2019 and 8.00am on the Second Court Date
 - (i) the Xenith Representations and Warranties are true and correct in all material respects as at the time they were given
 - (j) the IPH Representations and Warranties are true and correct in all material respects as at the time they were given
 - (k) all Xenith Performance Rights having been dealt with as contemplated by the Agreement prior to 8.00am on the Second Court Date.
- 36 The above conditions are a summary of the conditions precedent only. Xenith shareholders should therefore refer to the Scheme Booklet for further information on the Scheme conditions.

Exclusivity

- 37 In addition, during the “Exclusivity Period” (as defined in the Agreement), each of Xenith and IPH has agreed that they will not:
- (a) solicit, invite, encourage or initiate any “Competing Proposal” (as defined in the Agreement)
 - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a Competing Proposal
 - (c) negotiate, accept or enter into any agreement, arrangement or understanding in relation to a Competing Proposal
 - (d) provide any non-public information to a third party with a view to obtaining, or which would reasonably be expected to encourage, or lead to receipt of a Competing Proposal
 - (e) communicate to any person an intention to do anything referred to in the preceding paragraphs.
- 38 The “no-talk” exclusivity obligations set out in paragraphs 37(b), (c) and (d) above are subject to a fiduciary carve-out in circumstances where in the opinion of the Xenith Board or IPH Board (as applicable), formed in good faith after receiving advice from their respective external legal advisers, compliance with the no-talk obligations constitutes or would be likely to constitute a breach of any of the fiduciary or statutory duties of the directors of Xenith or IPH (as applicable), provided that the Competing Proposal was not directly or indirectly

brought about or facilitated by a breach of the “no-shop” obligation summarised in paragraph 37(a) above.

- 39 In addition, during the Exclusivity Period, each of Xenith and IPH must promptly notify the other party if it becomes aware of:
- (a) any approach, inquiry or proposal made to initiate any negotiations or discussions in relation to a Competing Proposal; or
 - (b) the provision of any non-public information to a third party about the business or affairs of Xenith or IPH (as applicable) in connection with a Competing Proposal.
- 40 If a party receives a Competing Proposal that is a “Superior Proposal” (as defined in the Agreement), it must notify the other party as soon as practicable as to all of the material terms of the Competing Proposal (including the identity of the person making the Competing Proposal, subject to the person having consented to disclosure of their identity).
- 41 A party may not enter into or agree to enter into any legally binding agreement with a third party to give effect to a Superior Proposal or to publicly recommend a Superior Proposal unless that party has given the other party at least three business days to provide a matching or superior proposal.

Break fee

- 42 A break fee of \$1.9 million (excluding goods and services tax (GST)) is payable either by Xenith to IPH or by IPH to Xenith in certain circumstances as specified in the Agreement.

Resolution

- 43 Xenith shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the Notice of Meeting accompanying the Scheme Booklet.
- 44 If the resolution is passed by the requisite majorities and the relevant conditions precedent are satisfied or waived, Xenith must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Scheme becomes effective, it will become binding on all Xenith shareholders who hold Xenith shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

II Scope of our report

Purpose

- 45 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 46 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 47 Whilst IPH currently holds a 19.99% interest in Xenith, it has no representation on the Xenith Board. Accordingly, there is no strict legal requirement under the Corporations Act or the Corporations Regulations for an IER in relation to the Scheme. However, it is both a condition precedent to the Scheme, and a qualification to the Xenith Directors' recommendation of the Scheme, that an independent expert concludes (and continues to conclude) that the Scheme is in the best interests of Xenith shareholders. In addition, as the Scheme (if approved and implemented) will result in 100% of the securities in Xenith being held by IPH, RG 111 requires that we provide an opinion on whether the consideration payable under the Scheme is "fair" and "reasonable" to the shareholders of Xenith.
- 48 Accordingly, the Directors of Xenith have requested LEA to prepare an IER stating whether the proposed acquisition of the shares in Xenith by IPH under the Scheme is fair and reasonable and in the best interests of Xenith shareholders and the reasons for that opinion.
- 49 This report has been prepared by LEA for the benefit of Xenith shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to Xenith shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Xenith shareholders.
- 50 The ultimate decision whether to approve the Scheme should be based on each Xenith shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 51 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 52 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the scheme consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company

- (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 53 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “*in the best interests of the members of the company*” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 54 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of Xenith shareholders.
- 55 Our report has therefore considered:
- (a) the market value of 100% of the shares in Xenith
 - (b) the value of the Scheme Consideration
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the extent to which a control premium is being paid to Xenith shareholders
 - (e) the extent to which Xenith shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (f) the listed market price of Xenith shares, both prior to and subsequent to the announcement of the proposed Scheme
 - (g) the likely market price of Xenith securities if the proposed Scheme is not approved
 - (h) the value of Xenith to an alternative offeror and the likelihood of a higher alternative offer being made for Xenith prior to the date of the Scheme meeting
 - (i) the advantages and disadvantages of the Scheme from the perspective of Xenith shareholders
 - (j) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 56 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 57 Our report is also based upon financial and other information provided by Xenith and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 58 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of Xenith securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 59 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 60 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 61 We in no way guarantee the achievability of any budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 62 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

III Profile of Xenith

Overview

- 63 Xenith is the holding company for a group of entities providing a broad range of intellectual property (IP) services and related innovation advisory services. Xenith's core business is to provide a range of IP services, including identification, registration, management, commercialisation and enforcement of IP rights (primarily patents, trade marks and designs) for clients in Australia, New Zealand and the rest of the world. Xenith's operating brands include Shelston IP, Griffith Hack, Watermark and Glasshouse Advisory.

History

- 64 Shelston IP is the oldest IP firm in Australia with a history dating back to its inception as Edward Waters & Sons in Melbourne in 1859. The expansion of industry and commerce in the developing Australian nation required a corresponding expansion in IP services. This resulted in the establishment of a Shelston IP Sydney branch in 1882. Ownership of the Sydney practice was transferred to the then Sydney partners in 1972, at which point the name was changed to Shelston Waters⁸. Shelston Waters continued to expand both organically and through a number of acquisitions, including the acquisitions of the practices of Sturt Griffith in 1977 and Starfield & Taylor in 1983.
- 65 An IP legal practice was established in 1999 to specialise in IP commercialisation and litigation, enabling the company to provide a comprehensive range of integrated IP services and advice. In 2004 the business was renamed Shelston IP.
- 66 Xenith was incorporated in August 2015 and acquired Shelston IP shortly thereafter. The company listed on the ASX in November 2015. It was the second specialist IP firm to list on the ASX⁹. During the year ended 30 June 2017 (FY17) Xenith acquired Watermark Group (Watermark) and Griffith Hack, details of which are as follows:
- (a) on 23 August 2016, Xenith announced the acquisition of the businesses and brands of Watermark for total estimated consideration of \$19.5 million. On 2 November 2016, Xenith revised the transaction structure to include total upfront consideration of \$15.5 million and earn-out consideration of up to a maximum payment of \$5.6 million¹⁰. Concurrent with this announcement, Xenith reiterated that it was confident the Watermark business would achieve maintainable annualised EBITDA¹¹ of \$2.5 million in FY17 (post-completion) and that the acquisition would be FY17 EPS¹² accretive (before synergies)
 - (b) on 25 November 2016, Xenith announced the acquisition of Griffith Hack¹³ for total upfront consideration of \$152 million with earn-out payments of up to \$20 million potentially payable based on a multiple of annualised earn-out EBITDA that exceeded

⁸ The Melbourne practice continued independently under the Watermark name.

⁹ IPH listed on the ASX in 2014.

¹⁰ Based on a formula of 8.0x each dollar of annualised EBITDA earned above \$2.0 million.

¹¹ Earnings before interest, tax, depreciation and amortisation (EBITDA).

¹² Earnings per share (EPS).

¹³ Prior to acquisition, Griffith Hack was one of Australia's largest privately owned IP firms with a history dating back over 100 years.

\$14.5 million for FY17 (up to a maximum capped annualised earn-out EBITDA of \$16.4 million). The acquisition completed on 2 February 2017 and the actual consideration was reported at \$137 million in the FY17 financial statements. The further \$20 million potential earn-out consideration was not paid given actual annualised earn-out EBITDA for the relevant period was \$14.2 million. At the time of acquisition, cost synergies of between \$4 million and \$6 million were expected to be achieved by the end of year three (post-acquisition).

Current operations

- 67 Xenith employs 390 staff, including approximately 200 IP professionals (patent attorneys, trade mark attorneys and IP lawyers, along with experts in specialist IP advisory services with expertise in the accounting, legal and finance disciplines, and specialist fee-earning operations personnel) in Sydney, Melbourne, Brisbane and Perth. Xenith operates under the Griffith Hack, Shelston IP, Watermark and Glasshouse Advisory brands. Each of these businesses has access to the full breadth and depth of professional skills and resources available across the group. In addition, Xenith IP Services Pty Ltd provides shared services across the group including human resources, finance, information technology, professional support and marketing.

Xenith – operations



- 68 Details of Xenith’s client facing businesses are as follows:
- Griffith Hack** – a multi-award winning IP firm with a heritage dating back more than 100 years. The business has offices in Sydney, Melbourne, Brisbane and Perth. Griffith Hack is one of Australia’s largest filers of patents and trade marks and provides a comprehensive range of domestic and international services relating to protection, management, commercialisation and enforcement of IP rights
 - Shelston IP** – one of the oldest and most respected specialist IP firms in Australia, having been established in 1859. The firm’s trade mark attorneys, patent attorneys and IP lawyers provide services and advice relating to the protection, management, commercialisation and enforcement of IP, both locally and internationally
 - Watermark** – provides expert advice on intellectual asset management, with the primary aim of extracting greater value from intellectual assets. The firm (which shares

a common origin with Shelston IP) was founded by Edward Waters, widely acknowledged as the “father” of the IP profession in Australia, and has offices in Melbourne, Sydney and Perth. Its lawyers and attorneys align the IP needs of clients with their business objectives to drive profit and growth

- (d) **Glasshouse Advisory**¹⁴ – a specialist intellectual asset advisory firm providing a unique combination of complementary services to help businesses identify and leverage the commercial potential of their intangible assets. It is focused on enhancing the value of clients’ IP through a range of avenues including valuation services, patent analytics, research and development (R&D) tax rebates and export market development grants.

69 Xenith’s locations across its client facing brands are shown below:

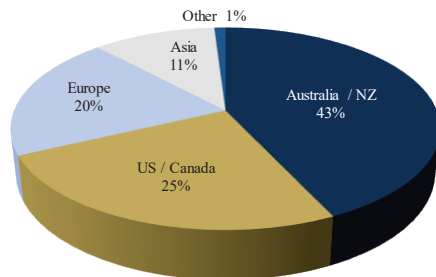


70 Xenith has an extensive client base made up of large multinational companies, universities and research groups, start-up firms and independent inventors. These clients are located in Australia, New Zealand, the United States of America (US), Canada, Europe and Asia. As a result of its clients’ locations, Xenith bills some 46% of its revenue in overseas currencies (predominantly in US dollars (US\$)).

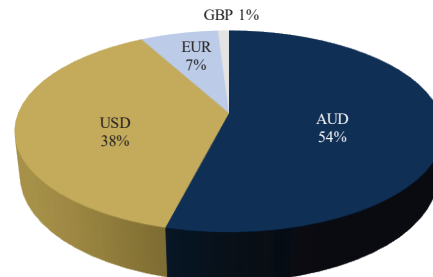
¹⁴ This business was originally named Griffith Hack Consulting and was a part of the Griffith Hack business acquired by Xenith. It was then consolidated with the Watermark consulting business, rebranded and launched as Glasshouse Advisory in May 2017.

Xenith – FY18 revenue split⁽¹⁾

Revenue by client geography



Revenue by currency



Note:

1 Based on FY18 service fee revenue exclusive of recoverable disbursements.

Services provided

- 71 Xenith’s businesses provide a comprehensive suite of specialist IP and ancillary services to its clients that serve to capture and maximise the value of their innovations, IP and other intangible assets. These services include the identification, registration, management, valuation, commercialisation and enforcement of IP rights for a broad spectrum of clients from around the world.
- 72 Xenith’s client facing businesses generally file, process and manage portfolios of patents, trade marks and designs for their clients at all stages of the respective IP lifecycles. Given the nature of IP lifecycles, this generally translates into a relatively consistent and transparent recurring revenue streams, for example:
- registered designs revenue generation can continue for up to 10 years
 - standard patents revenue generation can continue for up to 20 years (25 years for certain pharmaceutical patents eligible for extension of term)
 - trade mark revenue generation can continue indefinitely.
- 73 The majority of Xenith’s revenue derived from patents, trade marks and designs 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, maintenance and advisory stages of the IP lifecycle typically generate ongoing revenues at lower intensity throughout the life of the IP rights. Once the IP rights have been established, clients typically seek to commercialise and, if necessary, defend their IP rights through the use of specialised IP legal services.

Strategy

- 74 From Xenith’s inception in 2015, its vision has been to create the pre-eminent provider of specialist IP and innovation advisory services in the Asia Pacific region, through a combination of organic growth and the targeted strategic acquisition of the region’s best IP services firms and their personnel. This strategy has resulted in the acquisitions of the

Watermark and Griffith Hack businesses during FY17 and the related ongoing integration and consolidation of these businesses.

- 75 Xenith has also commenced implementing a comprehensive business transformation program that focuses on six key areas (governance, people, clients, digital, growth and shareholders), with completion expected in FY21. The transformation program is designed to reduce back office costs, optimise operational efficiencies across the group and position the business strategically for the future. It includes a proposed significant investment in new technology (cloud based) platforms¹⁵ over the next two to three years to replace the existing, disparate systems used by each of the businesses. The project aims to increase annual EBITDA by between \$6 million and \$8 million¹⁶ within three years of commencement at a one-off cost of between \$4 million and \$6 million.

Financial performance

- 76 The financial performance of Xenith for the three years to FY18 and the half year to 31 December 2018 (1HY19) is set out below:

Xenith – statement of financial performance⁽¹⁾				
	FY16	FY17	FY18	1HY19
	Pro forma⁽²⁾	Actual⁽³⁾	Actual	Actual
	\$m	\$m	\$m	\$m
Service fees	32.0	60.6	88.6	42.3
Recoverable disbursements	4.3	24.3	37.8	17.9
Other income	0.6	0.0	0.1	0.0
Total revenue	36.9	84.9	126.4	60.2
Employee benefit expenses	(13.3)	(33.8)	(52.4)	(25.1)
Disbursement expenses	(9.3)	(24.4)	(37.6)	(17.9)
Occupancy expenses	(1.5)	(4.7)	(7.5)	(3.9)
Other expenses	(3.6)	(6.5)	(10.8)	(5.1)
Operating expenses	(27.7)	(69.4)	(108.3)	(52.0)
EBITDA (before significant items)	9.2	15.5	18.1	8.2
Depreciation expense	(0.4)	(1.1)	(2.1)	(1.5)
EBITA⁽⁴⁾ (before significant items)	8.8	14.4	16.0	6.7
Amortisation of acquisition intangibles	-	(2.0)	(4.4)	(1.9)
EBIT⁽⁵⁾ (before significant items)	8.8	12.4	11.6	4.8
Significant (non-recurring) items ⁽⁶⁾	(1.8)	(5.6)	(22.4)	(1.6)
Net interest expense	(0.1)	(0.4)	(1.2)	(0.6)
Profit / (loss) before tax	6.8	6.4	(12.0)	2.6
Income tax expense	(0.3)	(2.4)	(2.7)	(1.0)
Profit / (loss) after tax	6.5	4.0	(14.7)	1.7
<i>EBITDA margin (EBITDA / Service fees)</i>	<i>28.8%</i>	<i>25.6%</i>	<i>20.4%</i>	<i>19.3%</i>

¹⁵ For example, management intend to standardise the enterprise resource planning system and case management platform across all businesses in the Xenith Group.

¹⁶ This estimate includes the cost savings referred to in paragraph 66(b), but excludes one-off implementation costs which management has estimated at between \$4 million and \$6 million.

Note:

- 1 Rounding differences exist.
- 2 Pro forma accounts restated assuming the business was operated as an ASX listed entity for the full year (including paying the principals a salary from 1 July 2015).
- 3 Includes five and eight month's respective contributions from the Griffith Hack and Watermark businesses.
- 4 Earnings before interest, tax and amortisation of acquired intangibles (EBITA).
- 5 Earnings before interest and tax (EBIT).
- 6 Significant (non-recurring) items are as follows:

Restructure, IPO costs and other adjustments	(1.5)	(1.8)	(1.7)	(0.6)
Acquisition related expenses	(0.3)	(2.4)	-	(1.0)
Fair value adjustment to contingent consideration	-	(1.4)	-	-
Impairment losses	-	-	(20.7)	-
	(1.8)	(5.6)	(22.4)	(1.6)

Results up to 30 June 2017 (FY17)

- 77 Xenith listed on the ASX on 19 November 2015 and completed the acquisitions of the Watermark business in November 2016 and the significantly larger Griffith Hack business in February 2017. As a result, the historical results prior to FY18 do not incorporate a full year contribution from the businesses that currently comprise the group.
- 78 Xenith's service revenue and underlying EBITDA for FY16 outperformed the forecasts provided in its initial public offering (IPO) prospectus by some 7.7% and 22.7% respectively. This reflected growth in revenue and core business activities due to, inter alia, the bring forward of revenue provided from the Raising the Bar legislation in Australia and the America Invents Act in the US.
- 79 Services revenue and EBITDA grew significantly in FY17 due to the addition of the Watermark and Griffith Hack businesses (from 2 November 2016 and 2 February 2017, respectively). Excluding these acquisitions and the investment in corporate team development, EBITDA from Xenith's pre-acquisition businesses declined by \$0.5 million to \$8.7 million, due to employee and other cost increases as well as the impact of foreign exchange (FX) headwinds.

Year ended 30 June 2018 (FY18)

- 80 FY18 reflects the first full year contribution from the Griffith Hack and Watermark businesses. As a result of these acquisitions, Xenith's service revenue and underlying EBITDA for FY18 increased by 46.2% and 16.8%, respectively. Excluding contributions from acquisitions, group service revenue reduced by \$1.2 million, reflecting a reduction in revenue of \$0.7 million for the Shelston IP business (attributed to softness in patent prosecution revenue) as well as foreign exchange headwinds of \$0.5 million.
- 81 The FY18 result was negatively impacted by a slowdown in activity in the Australian patents market (industry wide patent filing volumes declined 2.2% in the first half relative to the previous comparable period, but increased 1.7% in the second half relative to the previous comparable period), excess capacity and the suboptimal utilisation of professional staff. In the second half of FY18 steps were taken to reduce excess capacity and to refocus attention

on clients, business development and efficient service delivery. This resulted in a significantly improved performance compared to the first half.

- 82 Xenith's costs increased by \$2.5 million in FY18 due to annual salary increases in the Shelston IP business (\$0.6 million), as well as the higher expenses associated with the group executive team (\$1.9 million) to appropriately manage the transformation of the business post the acquisitions of Griffith Hack and Watermark. The costs of the business transformation program included, inter alia, the appointment of a Chief Transformation Officer.
- 83 Whilst the acquired Griffith Hack and Watermark businesses contributed additional EBITDA of \$6.3 million in FY18 (over FY17), after allowance for the revenue reduction and cost increases detailed above, underlying EBITDA for Xenith increased by only \$2.6 million.

Six months to 31 December 2018 (1HY19)

- 84 Service fee revenue decreased by \$2.1 million (4.7%) in comparison to the previous half year period, which reflected, inter alia, a soft start to the year from the Shelston IP business (noting that this business returned to normal levels in January 2019). Service fee revenue was also favourably impacted by the decline of the Australian dollar against both the US\$ and the Euro, with revenue for the period decreasing by 7.6% (or \$3.4 million) on a constant currency basis.
- 85 Notwithstanding the decline in revenue, underlying EBITDA for the period increased by 10.1% to \$8.2 million, which was due to:
- (a) improvements in the performance of the Griffith Hack business
 - (b) a reduction in employee costs of some \$2 million, primarily due to the restructuring of the Shelston and Griffith Hack businesses towards the end of FY18; and
 - (c) a reduction in other operating expenses.

Guidance for the year to 30 June 2019 (FY19)

- 86 In tandem with its half year results announcement on 27 February 2019, Xenith management provided the following FY19 earnings guidance:

“We are pleased with the progress we are making across many fronts. We expect to deliver a strong second half, with underlying EBITDA expected to be in the range of \$20m - \$21m”.

Financial position

87 The financial position of Xenith as at 30 June 2018 and 31 December 2018 is set out below:

Xenith – statement of financial position⁽¹⁾		
	30 Jun 18	31 Dec 18
	\$m	\$m
Debtors and prepayments	30.3	28.2
Work in progress	4.1	6.5
Creditors, accruals and provisions	(16.1)	(15.5)
Net working capital	18.4	19.3
Property, plant and equipment	6.0	8.3
Intangible assets	137.4	135.2
Other assets / (liabilities)	(7.1)	(9.1)
Income tax receivable / (payable)	0.3	1.7
Provisions (non-current)	(1.5)	(1.7)
Deferred tax liabilities (non-current)	(14.7)	(15.6)
Total funds employed	138.8	138.1
Cash and cash equivalents	2.8	3.8
Interest bearing liabilities	(15.8)	(18.9)
Derivative financial instruments (net)	(0.4)	(0.3)
Net cash / (borrowings)	(13.4)	(15.4)
Net assets attributable to Xenith shareholders	125.3	122.7

Note:

1 Rounding differences exist.

Intangible assets

88 The composition of Xenith's intangible assets is shown below:

Xenith – intangible assets		
	30 Jun 18	31 Dec 18
	\$m	\$m
Goodwill	60.1	60.1
Customer relationships	65.0	63.2
Brand names	9.1	9.1
Computer software	3.2	2.8
Total	137.4	135.2

89 The majority of Xenith's intangible assets including goodwill, customer relationships, brand names and computer software relate to acquisitions, noting that:

- (a) goodwill is tested annually for impairment using the value in use method. As at 30 June 2018, a pre-tax discount rate of 14.5% was adopted for impairment testing purposes
- (b) customer relationships are reported based on the assessed value of the acquired entities' customer relationships. In valuing the customer relationships, Xenith has regard to the existing customer revenue stream, growth rates, profitability, and attrition rates of customers at the time of acquisition

- (c) brand names are reported based on the assessed value at acquisition date of the acquired entities' brand names, including trade marks, using the royalty relief method
- (d) software assets are reported based on the assessed fair value determined by their replacement cost at the acquisition date. Internally generated software is recognised at cost, from the point that asset recognition criteria are satisfied.

- 90 During the second half of FY18, a comprehensive analysis of the IP industry was conducted by Xenith that resulted in a downward revision to the forecast cash flows used for impairment testing. The analysis highlighted that the impact of legislative changes that had occurred in prior years was more prolonged than initially anticipated (refer Section V for more detail). While Xenith considers the transient impacts of these legislative changes to have largely washed through the Australian patent process, current industry volumes support a (downward) rebasing of the Griffith Hack earnings, which emerged as part of the FY19 budgeting process. Additionally, Xenith has applied more modest longer-term revenue growth assumptions in the valuation of the Griffith Hack cash-generating unit (CGU). This resulted in an impairment of goodwill for the Griffith Hack CGU of \$20.3 million during FY18.
- 91 The forecast cash flows for the Glasshouse Advisory CGU were also adjusted down in the second half of FY18 due to lower than expected performance post its relaunch in May 2017. As a result, Xenith expects lower growth for this business over the next few years than previously expected. Impairment testing, taking into account these developments, resulted in a goodwill impairment adjustment of \$0.2 million during FY18.

Net debt

- 92 As at 31 December 2018, Xenith had bank loans outstanding of \$19 million¹⁷ drawn from total available loan facilities of \$50 million. The bank loan facilities had an effective interest rate of 5.7% (inclusive of a 1.0% per annum line fee payable on the facility limit of \$50 million). After inclusion of Xenith's cash and net derivative position, net debt for the group was \$15.4 million as at 31 December 2018.

Share capital and performance

- 93 As at 7 May 2019, Xenith had 88.7 million fully paid ordinary shares on issue. In addition, Xenith had 0.5 million performance rights on issue¹⁸.

Significant shareholders

- 94 As at 7 May 2019, Xenith had two substantial shareholders being IPH (owning 17.7 million Xenith shares representing a 19.9% interest in the company) and Credit Suisse (owning 5 million shares representing a 5.6% interest in the company).

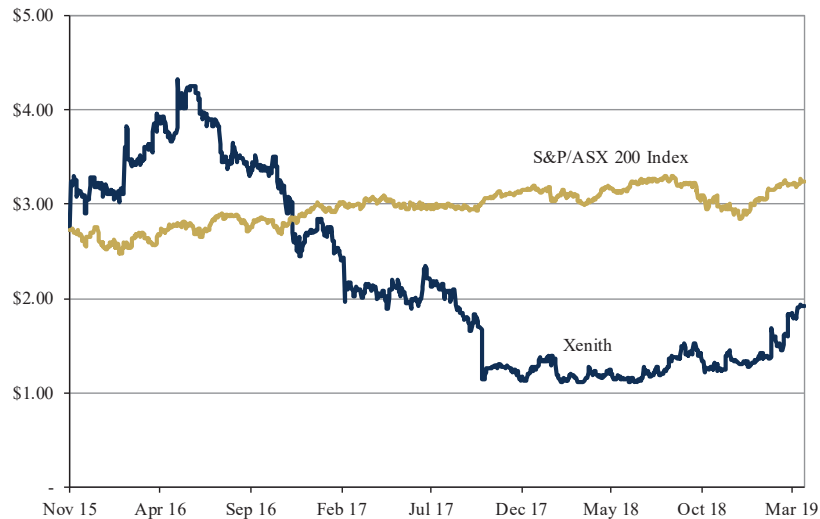
Share price performance

- 95 The following chart illustrates the movement in the share price of Xenith and the S&P/ASX 200 Index from 19 November 2015 (i.e. the date Xenith listed on the ASX) prior to the announcement of the Scheme by Xenith on 8 April 2019:

¹⁷ Net of capitalised borrowing costs of \$0.1 million.

¹⁸ All of these performance rights will vest under the Scheme.

Xenith – share price history⁽¹⁾
19 November 2015 to 8 April 2019



Note:

¹ Based on closing prices. The S&P/ASX200 Index has been rebased to the Xenith IPO price of \$2.72.

Source: Bloomberg.

- 96 Since listing on the ASX at a price of \$2.72, the Xenith share price spiked to over \$4.00 for a short period during mid-2016 and then reduced significantly over the subsequent year and a half. In our opinion, this has been attributable to:
- (a) Xenith reporting earnings that have failed to meet expectations, which was partially attributable to softer industry conditions post the spike in work associated with the changes to Australian IP legislation (refer Section V)
 - (b) the financial performance of the Griffith Hack business falling short of expectations
 - (c) an industry-wide de-rating for the listed IP companies as the level of available work has reduced and the implied earnings multiples have contracted.
- 97 The appreciation of Xenith's share price from around mid-February 2019 is attributable to the announcement of IPH's acquisition of a 19.9% interest in Xenith and the market's view of the increasing likelihood of a competing takeover offer for Xenith. Following discussions between the parties, on 8 April 2019, Xenith announced that IPH had offered to acquire Xenith at an approximate price of \$2.15 per Xenith share pursuant to a scheme of arrangement.

Liquidity in Xenith shares

98 The liquidity in Xenith shares based on trading on the ASX over the 12 month period to 26 November 2018¹⁹ is set out below:

Xenith – liquidity in shares						
Period	Start date	End date	No. of shares traded 000	WANOS⁽¹⁾ outstanding 000	Implied level of liquidity	
					Period⁽²⁾ %	Annual⁽³⁾ %
1 month	27 Oct 18	26 Nov 18	1,240	88,718	1.4	16.8
3 months	27 Aug 18	26 Nov 18	6,253	88,718	7.0	28.2
6 months	27 May 18	26 Nov 18	8,208	88,718	9.3	18.5
1 year	27 Nov 17	26 Nov 18	19,891	88,718	22.4	22.4

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

99 As indicated in the table above, over the last 12 months the implied level of liquidity in Xenith shares on an annualised basis has been relatively low.

¹⁹ Being the last trading day prior to the announcement of the QANTM Scheme.

IV Profile of IPH

Overview

100 IPH is the holding company of a group of intellectual property services companies, offering a wide range of services for the protection, commercialisation, enforcement, and management of intellectual property. It is the owner of the professional IP services firms operating under the names of Spruson & Ferguson, Practice Insight, Pizzeys Patent and Trade Mark Attorneys (Pizzeys) and AJ Park. These companies provide a wide range of IP services and products across Australia, New Zealand and Asia.

History

- 101 IPH's history dates back to the establishment of Spruson & Ferguson in 1887, which originated as a partnership between Mr Wilfred Spruson and Mr Charles Hepburn and was called Hepburn & Spruson. In 1923, Mr Spruson was joined by Mr Robert Ferguson, an engineer and former Commissioner of Patents, giving rise to the present name of Spruson & Ferguson.
- 102 Spruson & Ferguson was one of the first Australian IP services firms to expand its operations into Asia, opening a Singapore office in 1997. In 2001, the Spruson & Ferguson Singapore business merged with the Singaporean subsidiary of Ella Cheong (Hong Kong) to establish the joint venture firm Ella Cheong Mirandah & Sprusons. Following a staged buyout over a number of years, Spruson & Ferguson took full ownership of the joint venture in 2012, at which time the business was renamed Spruson & Ferguson.
- 103 The holding company IPH acquired Spruson & Ferguson during 2014, and in November 2014 listed on the ASX. The company has grown both organically (for example with the opening of additional offices) and through the acquisition of a number of complementary businesses which are detailed below:

Date ⁽¹⁾	Amount		Business overview
	\$m	Acquisition	
Apr 15	8.0	Practice Insight and WiseTime	Specialist providers of data analysis and software applications for IP and other professional services firms operating under recurring licence arrangements
May 15	26.5	Fisher Adams Kelly	Patent and trade mark attorneys firm with offices located in Brisbane, Sydney and Melbourne
Sep 15	86.9	Pizzeys ⁽²⁾	IP firm with offices in Brisbane and Canberra. At the time of acquisition Pizzeys was the fourth largest filer of patent applications at the Australian Patent Office
Oct 15	11.5	Callinans Patent and Trade Mark Attorneys ⁽²⁾	Established patent and trade mark attorney firm predominantly servicing corporate clients through its Melbourne office. This business was merged into the existing Fisher Adams Kelly business
May 16	42.7	Cullens Patent and Trade Mark Attorneys ⁽²⁾	Provider of comprehensive IP services with branch offices in Townsville and the Gold Coast and employing 18 IP legal professionals

Date ⁽¹⁾	Amount \$m	Acquisition	Business overview
Oct 16	27.0	Ella Cheong (Hong Kong)	Patent and trade mark advisory business based in Hong Kong (with an office in Beijing) with over 54 staff offering a wide range of IP services in Hong Kong and Greater China
Oct 17	60.9	AJ Park	Premier New Zealand full service IP firm employing over 205 staff and operating from offices in Auckland, Wellington and Sydney

Note:

- 1 Date the acquisition was announced.
- 2 Includes 100% of potential earn out payments.

- 104 In February 2018, IPH announced that the Spruson & Ferguson, Fisher Adams Kelly Callinans²⁰ and Cullens Patent and Trade Mark Attorneys businesses would merge to form one combined firm which would operate under the Spruson & Ferguson brand²¹. IPH now operates under four brands as shown below:



Current operations

- 105 IPH employs approximately 640 staff, including 80 principals, 167 IP professionals and 383 support staff. The company currently provides a range of IP services from its four client facing brands across 15 offices located throughout the Asia Pacific region.

²⁰ Fisher Adams Kelly Callinans was formed in October 2015 when Fisher Adams Kelly (a subsidiary of IPH) acquired Callinans Patent and Trade Mark Attorneys business.

²¹ Full brand integration of the merger was completed in July 2018.

IPH – office locations

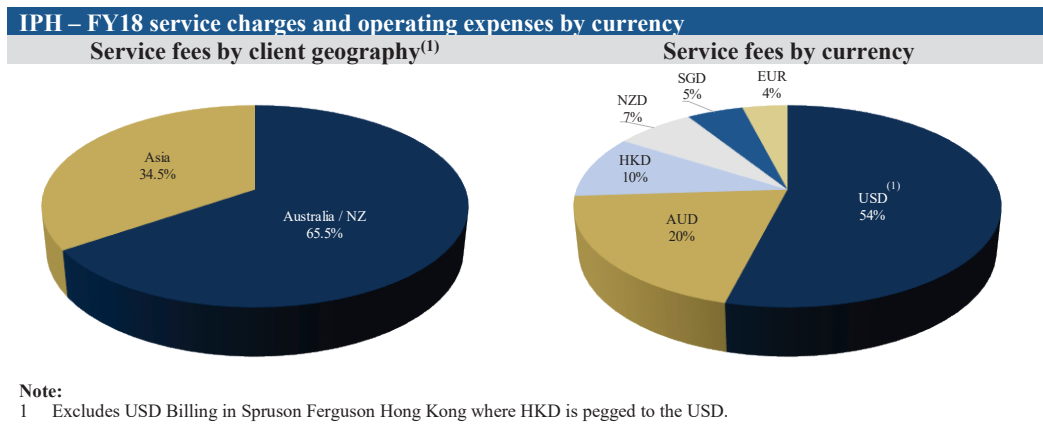


106 Details on IPH’s brands are as follows:

- (a) **Spruson & Ferguson** – established in 1887, Spruson & Ferguson has a team of over 400 staff and is the largest client facing brand within IPH. It is a leading provider of IP services associated with patents, trademarks, designs, IP litigation and commercialisation. Spruson & Ferguson has office locations in Bangkok, Beijing, Brisbane, Hong Kong, Jakarta, Kuala Lumpur, Melbourne, Singapore and Sydney
- (b) **Practice Insight / WiseTime²²** – a specialist provider of data analysis and software applications for IP and other professional services firms under recurring licence arrangements. The company is currently focused on autonomous time recording software
- (c) **Pizzeyes** – a specialist IP firm practicing in the field of patents, trademarks and designs with offices in Brisbane, Canberra and Singapore. The business is predominately focussed on in-bound work into Australia and Singapore from overseas IP associates and direct corporate clients. Pizzeyes is recognised as a leader in the protection of IP rights in Australia, New Zealand and Singapore
- (d) **AJ Park** – established in 1891, AJ Park is a leading provider of New Zealand IP services. With offices in located in Auckland and Wellington, AJ Park services a range of clients from large multinational corporates and universities to start-up companies and entrepreneurs.

²² On 15 August 2018, IPH announced the divestment of two IP data products within its data services business (i.e. Filing Analytics and Citation Eagle). The remaining data services business will now primarily focus on the development of its autonomous time-keeping platform WiseTime.

- 107 IPH services a diverse client base including Fortune Global 500 companies and other multinational companies, public sector research organisations, foreign associates and local clients. While the majority of IPH’s service fees are generated from its Australian and New Zealand operations, more than 80% of the company’s revenue is denoted in overseas currencies (predominantly in US\$):



Services provided

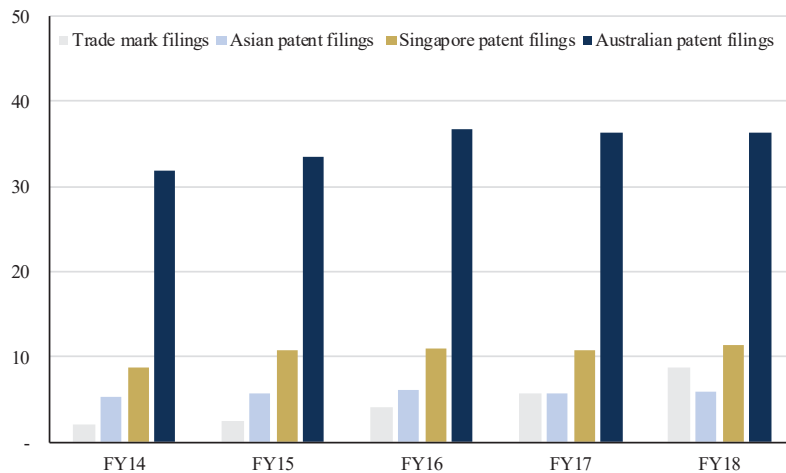
- 108 In IPH’s IP services businesses in Australia, New Zealand and Asia, revenue is derived from fees charged for the provision of professional IP services by each firm as related to securing, enforcing and managing IP rights in the country (directly or through an agent) in which registration is sought by the client. The business model allows IPH to generate recurring revenue streams throughout all stages of the IP lifecycle from its long-standing and diverse client base. The IP services provided by IPH include, inter alia:

- (a) drafting patent specifications for all technologies
- (b) filing and prosecuting patent, design and trademark applications
- (c) patent and trademark opposition proceedings
- (d) advice on infringement and validity of patents, trademarks and designs
- (e) assistance with copyright, domain names, plant breeder’s rights and other IP
- (f) advice on IP enforcement
- (g) IP portfolio management including IP audits and IP mapping
- (h) IP litigation and dispute resolution
- (i) IP commercialisation services including the drafting and negotiation of licenses, joint ventures and R&D collaborations; and
- (j) advice on the establishment and funding of new technology ventures.

- 109 The majority (more than 80%) of IPH’s revenue is derived from services related to patents, with trademarks accounting for approximately 12% of revenue and the remaining revenue relating to other IP services such as designs, copyright, domain names and legal services, etc.

The table below sets out the patent and trade mark filings by IPH over the five years to FY18 categorised by location of filing:

IPH – patent and trade mark filings (000s)



Strategy

- 110 From its listing on the ASX in November 2014, IPH has pursued a vision of becoming the leading IP group in secondary IP markets²³ and adjacent areas of IP. As at the date of this report, IPH held leading market positions for patent filings in Australia, New Zealand and Singapore (all of which are secondary IP markets).
- 111 IPH strategy is built around the implementation of strategic initiatives in five key areas:
- Australian and New Zealand IP businesses** – the key objective of the Australian and New Zealand businesses is to continue to organically grow filing volume, market share and revenue across all disciplines. The Australian and New Zealand businesses also provide a valuable source of filings and revenue into IPH’s Asian businesses
 - Asian IP businesses** – Asia has been a key part of IPH’s strategy since the opening of its Singapore office in 1997. The company’s Asian growth strategy has been supported through the opening of offices in Thailand, Indonesia and China as well as the acquisition of Ella Cheong (Hong Kong and Beijing) during 2016. The Asian business also provides a strong platform for IPH to extend its IP services into new geographical regions
 - other secondary IP markets** – IPH continually evaluates potential acquisition opportunities in the Asia-Pacific and other secondary IP markets to the extent to which any growth opportunities help achieve IPH’s strategic objectives

²³ The primary IP markets of the US, Japan and Western Europe generate the majority of IP rights and clients by value. Secondary IP markets are those countries outside the world’s core IP markets of the US, Europe, Japan and the Republic of Korea.

- (d) **adjacent IP markets**²⁴ – IPH has the ability to target adjacent non-traditional IP markets such as those that capitalise on technology and data driven business models
- (e) **business improvements and operations** – IPH intends to continually optimise all of its businesses to extract further operational efficiencies and improve the quality of its services for clients²⁵.

Financial performance

112 The financial performance of IPH for the three years to FY18 and 1HY19 is set out below:

IPH – statement of financial performance⁽¹⁾				
	FY16	FY17	FY18	1HY19
	Audited	Audited	Audited	Reviewed
	\$m	\$m	\$m	\$m
Service fees	112.7	131.0	156.0	82.8
Recoverable disbursements	41.7	51.0	66.0	38.8
Other income	3.1	4.0	4.1	3.4
Total revenue	157.5	186.0	226.0	124.9
Employee benefit expenses	(39.7)	(49.1)	(65.3)	(34.9)
Disbursement expenses	(41.7)	(51.0)	(66.0)	(35.7)
Occupancy expenses	(4.7)	(5.4)	(8.5)	(4.1)
Other expenses	(6.3)	(8.9)	(12.2)	(9.8)
Operating expenses	(92.5)	(114.4)	(152.0)	(84.5)
EBITDA (before significant items)	65.0	71.6	74.0	40.4
Depreciation expense	(2.1)	(2.6)	(3.7)	(1.6)
EBITA (before significant items)	62.9	69.0	70.3	38.9
Amortisation of acquisition intangibles	(5.0)	(7.7)	(9.4)	(4.7)
EBIT (before significant items)	57.9	61.3	60.9	34.2
Significant (non-recurring) items ⁽²⁾	(5.6)	(3.0)	(6.1)	0.2
Net interest expense	(1.0)	(1.1)	(1.5)	(1.0)
Profit before tax	51.3	57.2	53.3	33.3
Income tax expense	(12.5)	(14.3)	(12.6)	(9.2)
Profit after tax	38.8	42.9	40.7	24.2
<i>EBITDA margin (EBITDA / Service fees)</i>	<i>57.7%</i>	<i>54.7%</i>	<i>47.4%</i>	<i>48.8%</i>

²⁴ Over the past 40 years the IP industry observed the rise of non-traditional IP service providers offering alternative ways of servicing and delivering value to clients through technology and data driven business models.

²⁵ The Spruson & Ferguson business currently operates at industry leading efficiency levels.

Note:

- 1 Rounding differences exist.
2 Significant (non-recurring) items are as follows:

Impairment losses	-	-	(2.1)	-
Business acquisition costs	(2.1)	(2.6)	(1.0)	(0.2)
Business combination adjustments	(0.3)	1.2	0.6	-
New business establishment costs	(1.1)	(0.2)	(0.8)	-
Restructuring expenses	(1.2)	-	(2.1)	(0.6)
Share based payments	(0.8)	(1.3)	(0.7)	(1.1)
Profit on sale of Practice Insight business	-	-	-	2.1
	(5.6)	(3.0)	(6.1)	0.2

Historical results

113 A summary of the key items in the company's historical financial performance is as follows:

- (a) **FY16** – service revenue grew by 53.6% and underlying EBITDA grew by 53.1%, primarily due to the respective contributions from the acquisitions undertaken during the year (including Pizzeys, Callinans Patent and Trade Mark Attorneys). The number of patent filings also increased during the year due to demand emanating from a prior legislative change in the US (i.e. the America Invents Act, which essentially brought forward patent filings levels)
- (b) **FY17** – service revenue grew by 16.1% and underlying EBITDA grew by 10.1%, which was predominantly due to contributions from acquisitions undertaken during FY17 and the previous year. Whilst EBITDA growth lagged revenue growth, this result should be viewed in the context of the high levels of patent filings and associated financial performance related to the America Invents Act in FY16
- (c) **FY18** – service revenue increased 19.1% and underlying EBITDA rose 3.3%, which was primarily due to organic growth, the contribution from the AJ Park business acquired in October 2017 and a full year contribution from the Ella Cheong business (Hong Kong) business acquired in previous year. Excluding acquisitions, as well as the impact of FX, like-for-like FY18 revenue increased 2% and like-for-like FY18 EBITDA decreased 3% due to a decline in patent filings for the Australian and New Zealand businesses (particularly in the first half of the year)
- (d) **1HY19** – service fee revenue and underlying EBITDA increased 25.8% and 21.7% respectively in the half year to 31 December 2018 (in comparison to the previous half year period). This growth was primarily driven by the contribution from the AJ Park acquisition, organic growth, particularly in Asia, and a weaker Australian dollar.

Financial position

114 The financial position of IPH as at 30 June 2018 and 31 December 2018 is set out below:

IPH – statement of financial position⁽¹⁾		
	30 Jun 18	31 Dec 18
	\$m	\$m
Debtors and prepayments	57.1	56.1
Creditors, accruals and provisions	(24.8)	(24.2)
Net working capital	32.3	31.9
Plant and equipment	6.2	6.1
Intangible assets / goodwill	266.3	258.1
Other assets	4.2	7.4
Provisions (non-current)	(0.2)	(0.3)
Income tax assets / (liabilities)	(6.3)	(5.6)
Deferred tax assets / (liabilities)	(16.4)	(15.8)
Total funds employed	286.2	281.9
Cash and cash equivalents	26.2	29.4
Interest bearing liabilities	(40.1)	(32.6)
Other financial assets and liabilities	(4.7)	(4.8)
Net cash / (borrowings)	(18.6)	(8.1)
Net assets attributable to IPH shareholders	267.6	273.8

Note:

1 Rounding differences exist.

Intangible assets

115 The composition of IPH's intangible assets is shown below:

IPH – intangible assets		
	30 Jun 18	31 Dec 18
	\$m	\$m
Goodwill	185.2	184.2
Customer relationships	71.8	67.2
Patents and trademarks	4.2	4.2
Capitalised software development	4.2	2.6
Software acquired	0.8	-
Total	266.3	258.1

116 The majority of IPH's intangible assets including goodwill and customer relationships relate to IPH's various acquisitions of other patent and trademark practices. Goodwill is tested annually for impairment using the value in use method. As at 30 June 2018, a pre-tax discount rate of 15% (or a 10.5% post tax discount rate) was adopted for impairment testing purposes.

Share capital and performance

117 As at 7 May 2019, IPH had 197.3 million fully paid ordinary shares on issue. In addition, IPH had 1.5 million performance rights and 0.1 million retention rights on issue.

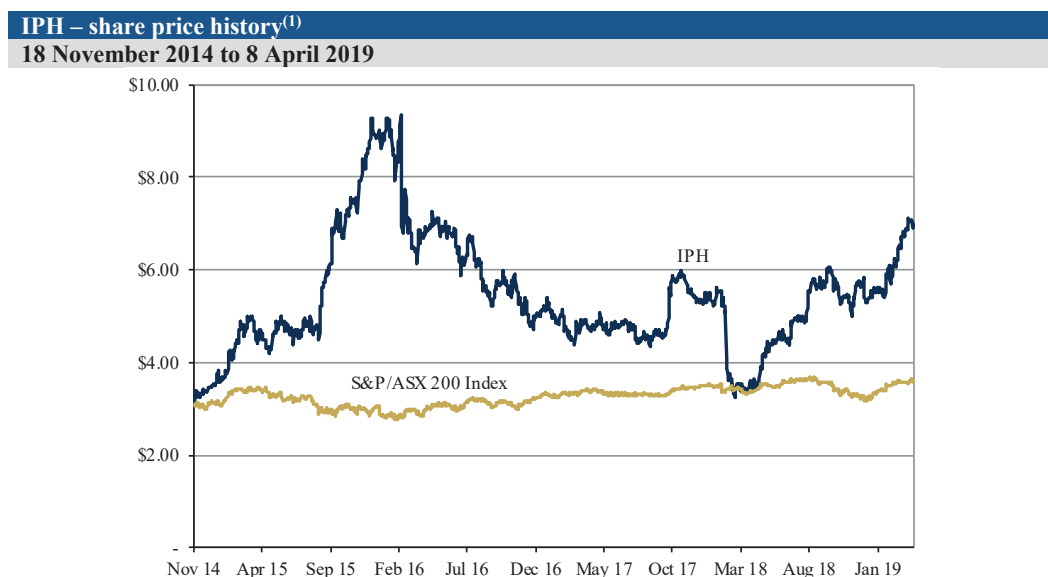
Significant shareholders

118 As at 7 May 2019 (based on disclosures in the FY18 annual report and substantial shareholder notices released to the ASX up to that date), there were four substantial shareholders in IPH that held a total of 27.4% of the ordinary shares on issue as detailed below:

IPH – substantial shareholders		
Shareholder	Shares held	
	million	% interest
Perpetual Limited and its related bodies corporate	17.3	8.8
Paradise Investment Management Pty Ltd	14.5	7.3
Marathon Asset Management LLP	11.8	6.0
Vinva Investment Management	10.5	5.3
Total	54.1	27.4

Share price performance

119 The following chart illustrates the movement in the share price of IPH and the S&P/ASX 200 Index from 19 November 2014 (i.e. the date the company first traded on the ASX) to 8 April 2019²⁶:



Note:

1 Based on closing prices. The S&P/ASX 200 Index has been rebased to IPH's last traded price on 19 November 2014, being \$3.10.

Source: Bloomberg.

120 The IPH share price closed at \$3.10 per share on its first day of listing on the ASX, which was a 48% premium to the \$2.10 offer price under the prospectus. Due to outperformance relative to prospectus forecasts and a strong contribution from its Asian operations, the IPH share price continued to increase into 2016.

²⁶ Being the last day of trading prior to the announcement of the Scheme by Xenith.

- 121 However, during 2016 and 2017 the IPH business (and hence share price) was impacted by an industry-wide de-rating for the listed IP companies, as the level of available work reduced and the implied earnings multiples contracted. Industry conditions have since stabilised and analysts' forecasts for IPH's future sales and earnings imply a return to meaningful growth, which appears to have been reflected in recent share price movements.

Liquidity in IPH shares

- 122 The liquidity in IPH shares based on trading on the ASX over the 12 month period prior to 8 April 2019²⁷ is set out below:

IPH – liquidity in shares						
Period	Start date	End date	No. of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Implied level of liquidity Annual ⁽³⁾ %
1 month	9 Mar 18	8 Apr 18	26,218	197,855	13.3	159.0
3 months	9 Jan 18	8 Apr 18	100,493	197,457	50.9	203.6
6 months	9 Oct 17	8 Apr 18	174,989	196,737	88.9	177.9
1 year	9 Apr 17	8 Apr 18	269,030	194,246	138.5	138.5

Note:

- 1 WANOS during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

- 123 As indicated in the table above, over the last 12 months the implied level of liquidity in IPH shares on an annualised basis has been relatively high.

²⁷ Being the last day of trading prior to the announcement of the Scheme by Xenith.

V Industry overview

Introduction

- 124 IP is generally considered to be the product of intellectual creativity and ingenuity. 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. IP rights allow inventors and entrepreneurs to have exclusive commercial control over their work. A number of these IP rights, including patents, trade marks, plant breeder's rights and industrial designs are subject to formal registration regimes, giving rise to limited term monopoly protection under the relevant statutes. Registered trade marks can however be renewed indefinitely.
- 125 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.

Types of IP

- 126 Some IP rights require registration with the applicable authority, such as patents, trade marks, plant breeder's rights and industrial designs. These rights must be registered with the prescribed IP authority in order for the owner to have the benefit of protection offered under the applicable IP legislation. There are also IP rights that do not require registration. The most common forms of non-registrable IP rights include copyright and circuit layouts, whereby rights are deemed to exist at the creation of the underlying IP, and trade secrets and confidential information, which are protected by contractual arrangements or common law²⁸. The most common forms of IP rights are summarised as follows:
- (a) **patents** – provide monopoly protection to safeguard technological innovation and grant the owner a legally enforceable right to exclude others from use of the invention²⁹. The scope of patentable subject matter includes machines and devices, products and processes, formulations and compositions, medical diagnostics and methods of treatment, computer implemented inventions, pharmaceuticals and biological materials. The subject matter capable of patent protection may vary from country to country. In Australia, there are currently two types of patents, being standard patents and innovation patents³⁰
 - (b) **trade marks** – a sign or other device used to indicate and distinguish the trade origin of goods or services that grants the owner a legally enforceable right that restrains others from use of the trade mark on specified goods or services. Trade marks may take a variety of forms including brand names, stylised letters or words, logos, aspects of packaging, sounds, scents, colours and shapes. In Australia, the initial protection period

²⁸ Both Xenith and IPH derive the majority of their revenue by providing services in relation to registrable IP rights.

²⁹ As defined in the patent claims within the relevant jurisdiction.

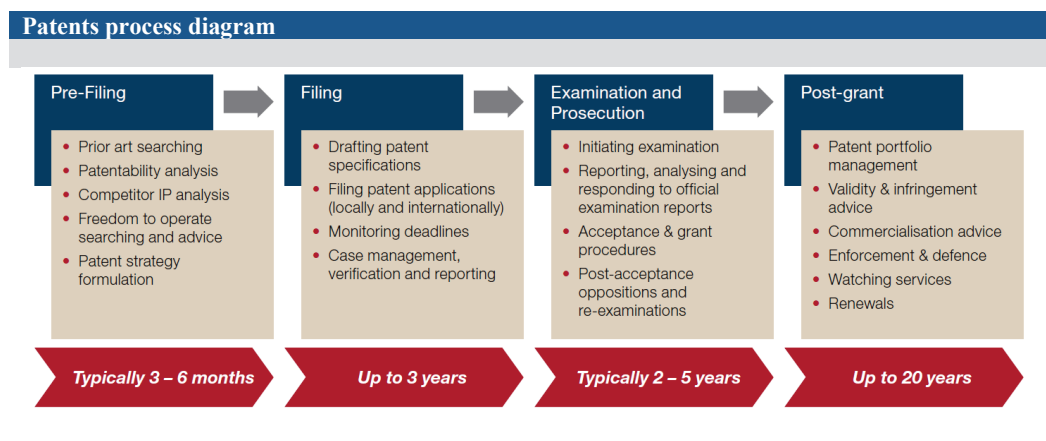
³⁰ Standard patents are used to protect most inventions for a period of up to 20 years (or 25 years for certain pharmaceutical inventions). Innovation patents are less common and have a maximum term of eight years and are typically used for inventions with a lower innovative threshold or shorter commercial life (or for strategic purposes in litigation).

for trade marks is 10 years, however unlike patents, the initial protection period can be renewed indefinitely, subject to continued use

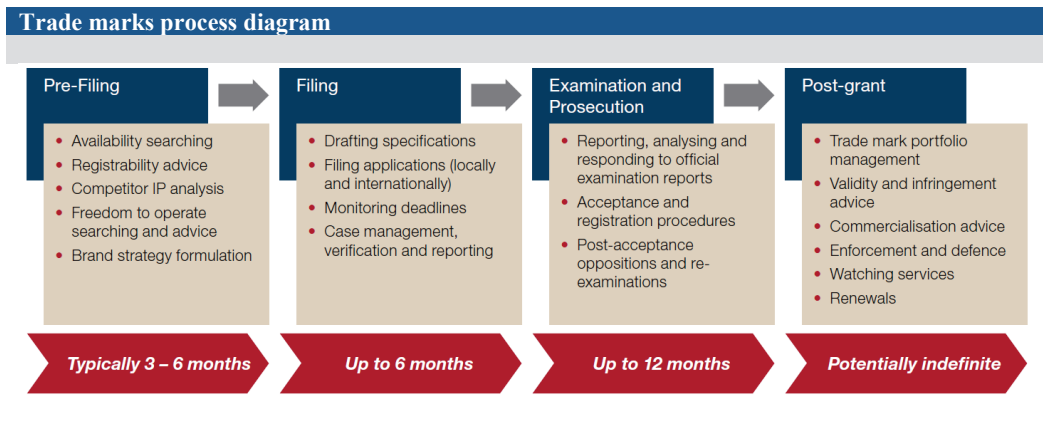
- (c) **designs** – protect product appearance by conferring a monopoly right in the shape and configuration, or surface pattern and ornamentation, applied to a product. The scope of registrable subject matter covers virtually any manufactured product or component part with some physical characteristic that is new and visually distinctive. In Australia, the protection period for registered designs is 10 years, subject to renewal after an initial registration period of five years.

The role of IP lawyers and attorneys

- 127 With spending on global R&D continuing to grow in both absolute terms and as a percentage of gross domestic product, businesses are increasingly seeking specialist advice to maximise returns on their investments in R&D, innovation and intellectual assets. Industry participants employ a range of highly specialised professional staff including patent attorneys, trade mark attorneys and IP lawyers with appropriate technical, legal and IP specific qualifications.
- 128 There are many steps in the patent and trade mark registration process in which IP professionals provide expertise including drafting and filing, examination or prosecution, acceptance and grant, and patent and trade mark renewal. IP lawyers and attorneys also provide services after IP has been established by assisting with the structuring and documentation of commercialisation arrangements, enforcement of IP rights against infringers, and advice and defence in response to IP infringement allegations.
- 129 The process from application, through substantive examination, to acceptance and grant extends over a number of years for patents, as indicated in the figure below:

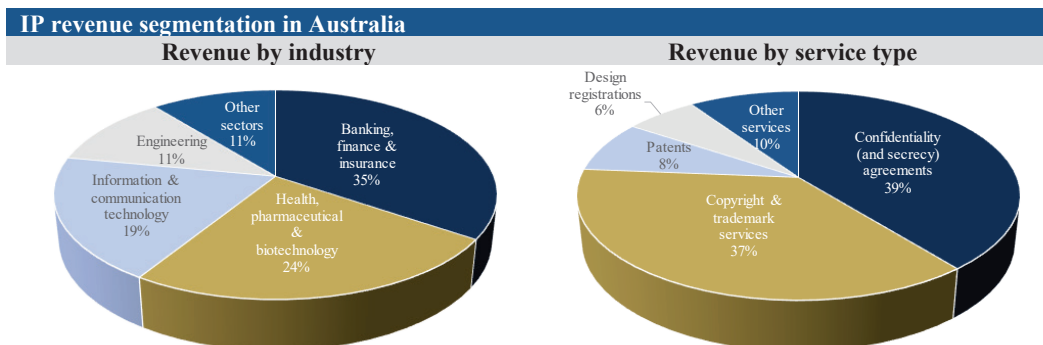


- 130 The process for trade marks is much shorter, and typically takes around 12 months from preparation and application, to acceptance and registration in Australia. This period can extend significantly if the application encounters objections from IP Australia or opposition by third parties.



The Australian market

131 IP lawyers and attorneys service a range of industries across Australia, generating total revenue of around \$970 million in FY18³¹. Demand for services tends to be stronger in specific industries, for example, the banking, finance, and insurance industries require additional services in relation to confidentiality agreements, whilst the health, pharmaceutical and biotechnology sectors require more comprehensive patent services.



Source: IBISWorld (June 2018) *Trademark and Patent Lawyers and Attorneys in Australia*.

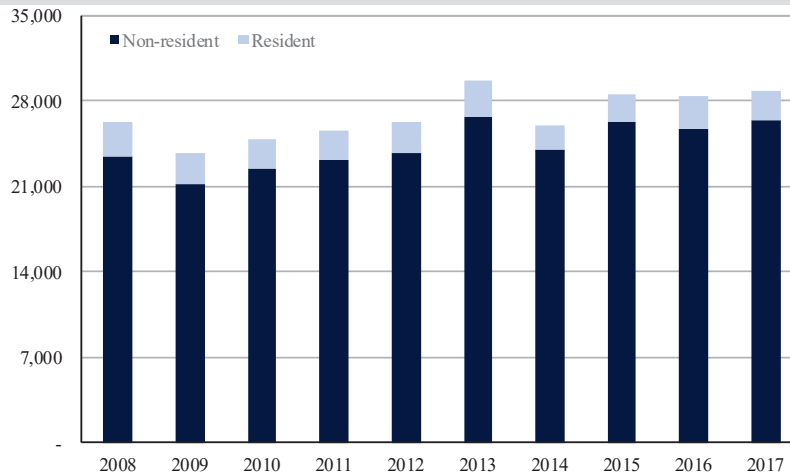
Patent applications

132 Approximately 29,000 patent applications were filed in Australia in 2017, bringing the total number of patents in force as at 31 December 2017 to approximately 145,000³². A summary of the number of patent applications in Australia over the 10 years to 2017 is as follows:

³¹ Source: IBISWorld (June 2018) *Trademark and Patent Lawyers and Attorneys in Australia*.

³² Source: World Intellectual Property Organization (WIPO) statistics database (last updated December 2018).

Patent applications filed in Australia
Year ended 31 Dec



Source: WIPO statistics database.

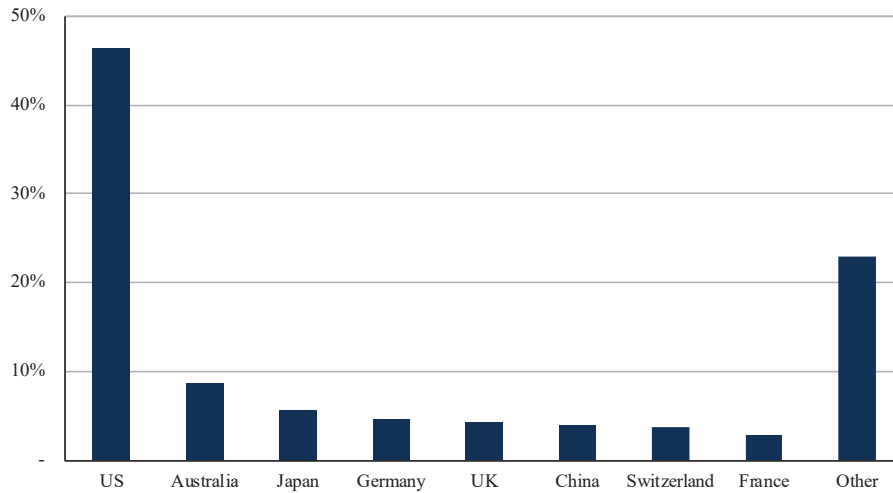
- 133 A change to IP laws in Australia, culminating in the implementation of the Raising the Bar Amendments³³, came into effect on 15 April 2013. This resulted in a significant number of Australian patent applications being brought forward to 2013 that would otherwise have been filed in 2014³⁴. The spike in application requests created a significant backlog in processing by IP Australia, which took longer than initially expected to clear, with the prolonged effect favourably impacting revenues for industry participants during this period. The transient impacts of the legislative changes are now believed to have largely washed through the Australian patent process and industry volumes have returned to a normal level. However, resident patent applications have experienced a brief downturn in the first half of FY18, with negative growth of 2.2% recorded for HY17 (representing an annual decline of 6.2%).
- 134 The majority of patent applications (some 91.3%) in Australia are filed by non-resident³⁵ applicants. The US is by far the largest source of patent filings, representing 46.3% of total Australian filings in 2017. The next largest sources of Australian patent filings in Australia in 2017 were Japan, with 5.6% of Australian patent filings, Germany (with 4.6%) and the United Kingdom (with 4.3%).

³³ The *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth) imposed changes on the key legislation governing patents, trade marks and registered designs in Australia. One of the key changes was to raise the standard and quality of patents to more closely align Australian legislation with international standards, effectively raising the requirements of “inventiveness” and level of support for the invention required to be set out in the patent application.

³⁴ The annual increase in applications filed in 2013 was approximately 14%, whereas the corresponding decrease in applications for 2014 was approximately 13%.

³⁵ Non-resident applications refer to applications filed with a patent office within Australia by an applicant residing overseas.

**Application country of origin for patent filings in Australia
12 months to 31 December 2017**

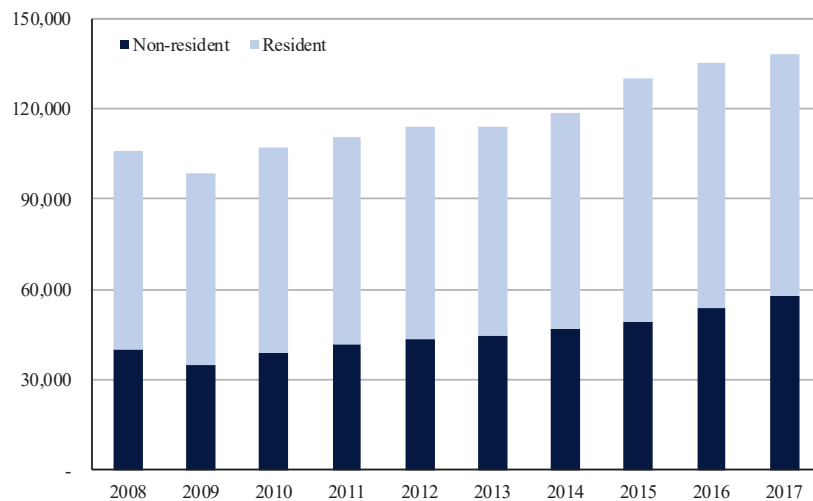


Source: WIPO statistics database.

Trade mark applications

135 Approximately 138,000 trade mark applications were filed in Australia in 2017, bringing the total number of registered trade marks in force as at 31 December 2018 to approximately 635,000³⁶. A summary of the number of trade mark applications in Australia over the 10 years to 2017 is as follows:

**Trade mark applications filed in Australia
Year ended 31 December**



Source: WIPO statistics database.

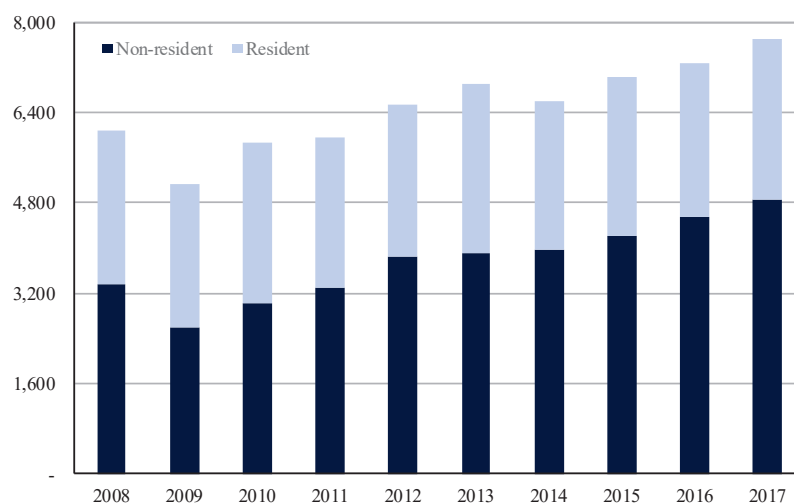
³⁶ Source: WIPO statistics database (last updated December 2018).

136 In the five years to 2017, resident and non-resident trade mark applications increased at compound annual growth rates (CAGRs) of 2.6% and 5.9%, respectively. During this period resident applications showed positive growth in three of the five years, whilst non-resident applications showed growth in each of the five years. Accordingly, over this five year period, the level of non-resident trade mark applications exhibited both higher growth and less volatility than resident applications.

Registered design applications

137 The total number of registered design applications filed in Australia in 2017 was approximately 7,700. A summary of the number of registered design applications in Australia over the 10 years to 2017 is as follows:

Registered design applications filed in Australia
Year ended 31 December



Source: WIPO statistics database.

138 The number of registered design applications has grown at a CAGR of 5.2% since 2009³⁷. Over this period, the share of non-resident applications has increased from around 55% in 2008 to 63% in 2017. This is primarily due to an overall upward trend in industrial design applications globally, which have grown at annual rate of 8% over the past 10 years³⁸.

139 In 2017, IP Australia undertook an economic analysis to explore the cost and benefits to Australia of joining the Hague Agreement, an international system that allows designers to file in 70 territories through a single application. The economic analysis report concluded that the net benefits to Australian applicants were outweighed by net costs to Australian consumers and IP service providers³⁹.

³⁷ The 2009 year was negatively impacted by the global financial crisis.

³⁸ Source: IP Australia (2018) *Australian Intellectual Property 2018*.

³⁹ Source: IP Australia (March 2018) *The Hague Agreement Concerning the International Registration of Industrial Designs: A cost-benefit analysis for Australia report*.

Growth drivers

140 IP revenue is influenced by macroeconomic factors that affect trends in capital expenditure (such as changes in business confidence), changes in R&D expenditure (increases in R&D expenditure typically result in higher expenditure on patents to protect new ideas etc.) and growth in downstream demand (for example, rising investment in financial technology projects in Australia has recently increased demand for trade mark and patent lawyers and attorneys).

Competitive environment

141 The major participants in the IP rights sector based on Australian patent filings in Australia include IPH with an estimated market share of 13.7% for FY18, Xenith (with a 10.5% market share) and QANTM (with a 9.7% market share)⁴⁰. The industry is characterised by a high level of sector fragmentation, with numerous firms of various sizes active all over Australia. Industry participants seek to gain a competitive advantage by keeping up-to-date with government policies and their implications, maintaining good client relationships and employing highly skilled and knowledgeable staff to produce high quality work for the benefit of clients.

Regulatory environment

142 IP Australia is the independent government agency that administers the grants of patents, registered designs, trade marks and plant breeder's rights in Australia. The Commonwealth Constitution sets out the Federal Government's legislative power in relation to IP, including a number of Acts that govern how IP can be protected in Australia. These Acts include provisions for:

- (a) the criteria and process for establishing and maintaining patents, trade marks, registered designs, plant breeder's rights, circuit layouts and copyright
- (b) the respective periods of exclusivity granted to the holders of IP rights
- (c) prescribing the means to undertake infringement proceedings to protect and enforce IP rights
- (d) outlining the exceptions and limitations to the exclusivity granted by IP rights.

International PCT applications

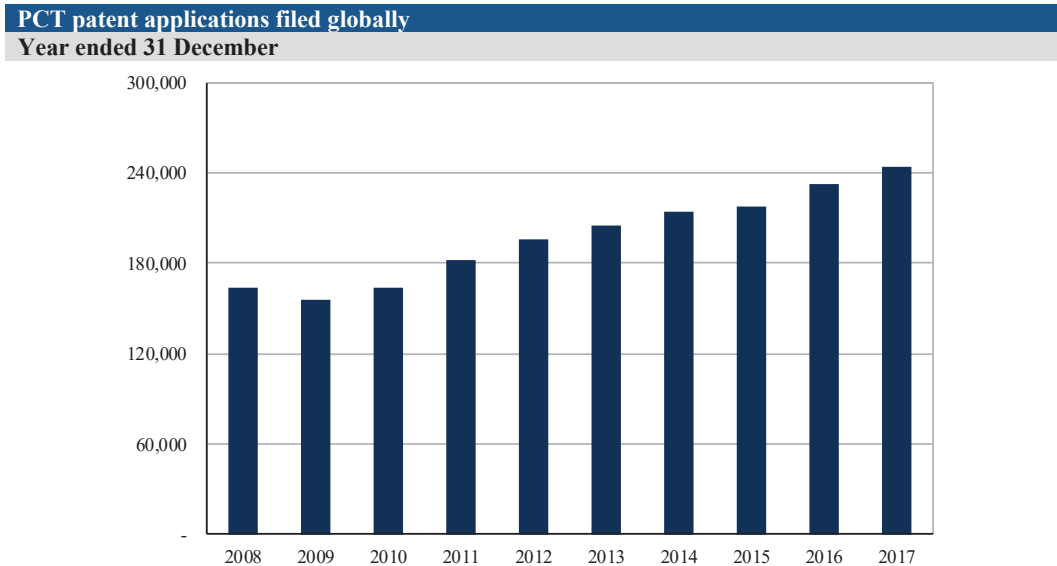
143 A PCT⁴¹ application is a single international patent application administered by WIPO. A PCT application has initial effect in over 150 countries (i.e. those countries which are signatories to the treaty), for a period of up to 31 months from the earliest filing date. At the conclusion of the international phase, the applicant for the PCT application is required to enter the national phase in each jurisdiction in which national or regional patent protection is sought⁴². While only a proportion of PCT applications proceed to national phase entry in Australia, PCT filing statistics nonetheless provide an indication of potential future non-resident patent applications in Australia.

⁴⁰ Source: IBISWorld (June 2018) *Trademark and Patent Lawyers and Attorneys in Australia*.

⁴¹ Patent Cooperation Treaty (PCT).

⁴² Thereafter, the national or regional patent applications proceed independently and patent protection effectively lapses in any jurisdiction in which protection has not been pursued.

144 A summary of the number of PCT applications globally over the 10 years to 2017 is as follows:



Source: WIPO statistics database.

145 Global PCT applications increased at a CAGR of 4.5% over the five years to 2017, which is broadly reflective of global growth in R&D, technological innovation and IP protection over this period.

VI Valuation methodology

Valuation approaches

- 146 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buybacks, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 147 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 148 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 149 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 150 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 151 The market value of Xenith has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings.
- 152 The valuation of the business operations has been made on the basis of market value as a going concern. The primary valuation method used to value Xenith's business operations is the capitalisation of future maintainable EBITDA. Under this methodology the value of the business is represented by its core underlying maintainable EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risks inherent in those earnings.
- 153 We have adopted this method when valuing the business operations of Xenith for several reasons:
- (a) Xenith has both a demonstrated history of profitability and an expectation of ongoing profitability
 - (b) Xenith's key business divisions operate in a mature industry and have well-established market positions
 - (c) we do not have long-term cash flow projections which we regard as sufficiently robust to enable a DCF valuation to be undertaken
 - (d) the EBITDA multiples for listed companies exposed to similar industry sectors as the business divisions of Xenith can be derived from publicly available information
 - (e) transaction evidence in the respective industry sectors is generally expressed in terms of EBITDA multiples.
- 154 Notwithstanding that share trading in Xenith has been relatively illiquid, we have also cross-checked our valuation of Xenith by considering the market price of Xenith shares prior to the announcement of the proposed QANTM Scheme, adjusted for a premium for control (and have considered market movements generally in the intervening period).
- 155 For the purpose of assessing the value of the Scheme Consideration we have had primary regard to the recent listed market prices of IPH shares. This is principally because the listed market prices of IPH shares are likely to represent a reasonable proxy for the amount that Xenith shareholders could expect to realise if they sold any IPH shares received as consideration either immediately or in the short term.

VII Valuation of Xenith

Overview

- 156 As stated in Section VI, we have adopted the capitalisation of EBITDA as our primary valuation method to assess the standalone equity value of Xenith. Under this method, the value of the business is represented by its underlying EBITDA capitalised at a rate (or EBITDA multiple) reflecting the growth and risk inherent in those earnings.
- 157 The value of the equity in Xenith is then derived by deducting net interest bearing debt. The resulting values have been cross-checked for reasonableness by reference to the share prices prevailing prior to the announcement of the QANTM Scheme, adjusted for a control premium.

Assessment of underlying EBITDA

- 158 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of the business, and discussed the financial performance, operating environment and prospects of the business with Xenith management.
- 159 The underlying results of Xenith for the three years ended FY18 and 1HY19 are shown below. These results are before significant items (including impairment losses, restructuring expenses, integration costs, acquisition expenses and IPO related expenses).

Xenith – summary of underlying financial performance				
	FY16 Pro forma ⁽¹⁾ \$m	FY17 Actual ⁽²⁾ \$m	FY18 Actual \$m	1HY19 Actual \$m
Service fees	32.0	60.6	88.6	42.3
Underlying EBITDA	9.2	15.5	18.1	8.2
<i>Underlying EBITDA margin</i>	<i>28.8%</i>	<i>25.6%</i>	<i>20.4%</i>	<i>19.3%</i>

Note:

- 1 Pro forma accounts restated assuming the business was operated as an ASX listed entity for the full year (including paying the principals a salary from 1 July 2015).
- 2 Includes five and eight month's respective contributions from the Griffith Hack and Watermark businesses.

Historical results

- 160 Xenith made two significant acquisitions during FY17:
- (a) Watermark Group – acquired 2 November 2016; and
 - (b) Griffith Hack – acquired 2 February 2017.
- 161 As shown below these acquisitions significantly increased the scale of the Xenith business, accounting for some 67% of underlying EBITDA (before incremental corporate costs) in FY18:

Xenith – EBITDA contribution by business			
	FY16	FY17	FY18
	\$m	\$m	\$m
Base business pre-acquisitions	9.2	8.7	7.0
Watermark Group / Griffith Hack	-	8.2	14.4
Incremental corporate costs ⁽¹⁾	-	(1.4)	(3.3)
Total EBITDA	9.2	15.5	18.1

Note:

1 Compared to the level of corporate costs incurred in FY16.

162 In relation to the above we note that:

- (a) the business prior to the FY17 acquisitions principally reflected Shelston IP and Shelston IP Lawyers. The EBITDA contribution from these businesses has declined over the period principally due to:
 - (i) employee cost increases
 - (ii) relatively flat professional service revenues over the period, which fell 2.5% in FY18 on a constant currency basis, primarily due to lower patent prosecution revenues
 - (iii) the impact of FX headwinds, as approximately 38% of revenue is denominated in US\$
- (b) FY18 reflects the first full year contribution from Watermark and Griffith Hack. However, the FY18 result was negatively impacted by a slowdown in activity in the Australian patents market (industry wide patent filing volumes declined 2.2% in the first half, but increased 1.7% in the second half), excess capacity and the suboptimal utilisation of professional staff
- (c) in the second half of FY18 steps were taken to reduce excess capacity and to refocus attention on clients, business development and efficient service delivery. This resulted in a significantly improved performance compared to the first half, as shown below:

Xenith – summary of underlying financial performance			
	1HY18	2HY18	FY18
	\$m	\$m	\$m
Service fees	44.5	44.1	88.6
Underlying EBITDA	7.8	10.3	18.1
<i>Underlying EBITDA margin</i>	<i>17.5%</i>	<i>23.4%</i>	<i>20.4%</i>

- (d) at the date of acquisition the Watermark and Griffith Hack businesses were expected to generate EBITDA on a pro forma basis of around \$17 million (prior to expected synergy benefits). The actual EBITDA contribution from these businesses subsequent to acquisition has therefore been below expectations. Xenith also recognised a goodwill impairment charge of \$20.3 million in FY18 in relation to the Griffith Hack business (which is not shown in the table above)

- (e) since the acquisition of the Watermark and Griffith Hack businesses, additional corporate costs⁴³ of \$3.3 million have been incurred. These higher corporate costs have been necessary due to the increased scale and diversity of the business, and have been incurred in advance of the realisation of costs savings / synergies. In this regard we understand that the Griffith Hack business was restructured during FY18, resulting in a 20% reduction in headcount at Griffith Hack.

Transformation projects

- 163 Prior to the announcement of the QANTM Scheme, Xenith management publicly announced a number of business transformation projects to reduce back office costs and improve operating efficiency. These include a proposed significant investment in new technology (cloud based) platforms⁴⁴ over the next two years to replace the existing, disparate systems used by each of the businesses.
- 164 Management have estimated that these transformation projects will boost EBITDA within three years by between \$6 million and \$8 million per annum compared to the level of EBITDA achieved in FY18. This estimate includes the cost savings referred to in paragraph 162(e), but excludes one-off implementation costs which management has estimated at between \$4 million and \$6 million.
- 165 However, as these transformation projects are at a very early stage (and have been placed on hold due to the proposed schemes first with QANTM and now IPH), in our view, it is premature to incorporate the benefits expected to accrue from their implementation into the level of earnings adopted for valuation purposes. Accordingly, the incremental value that would arise on achievement of the potential cost savings from these transformation projects (which would be in addition to those already achieved as discussed in paragraph 162(e)) has been reflected in our EBITDA multiple.

FY19 earnings guidance

- 166 On 27 February 2019, Xenith announced its results for the six months ended 31 December 2018 (1HY19). The headline announcement referenced a 10% increase in underlying EBITDA (compared to 1HY18), attributable to a combination of strong cost management and continued progress on innovation.
- 167 In respect of FY19 overall Xenith management stated that:
- (a) *“we are pleased with the progress we are making across many fronts”*
 - (b) *“we expect to deliver a strong second-half, with underlying EBITDA expected to be in the range of \$20m to \$21m”.*

⁴³ Compared to the level of corporate costs incurred in FY16.

⁴⁴ For example, management intend to standardise the enterprise resource planning system and case management platform across all businesses in the Xenith Group.

EBITDA adopted for valuation purposes

168 Based on the above we have adopted EBITDA for valuation purposes of \$20.0 million. This recognises the impact of cost savings made to date, and is consistent with both the annualised level of underlying EBITDA achieved in 2HY18 and Xenith management expectations for underlying EBITDA in FY19⁴⁵.

EBITDA multiple

169 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- | | |
|---|---|
| <ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors | <ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc. • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings |
|---|---|

170 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Xenith.

Listed company multiples

171 The following table summarises the EBITDA multiples implied from share market trading in the shares of ASX listed companies which provide IP services:

Listed company EBITDA multiples ⁽¹⁾				
	Enterprise value \$m	EBITDA multiple FY18 x	EBITDA multiple FY19 x	EBITDA margins ⁽²⁾ %
IPH Limited	1,080	14.6	12.6	46.3
QANTM	186	9.6	8.5	26.3
Xenith	124	6.8	5.8	20.4

⁴⁵ In preparing this report LEA has reviewed the management accounts of Xenith for the nine months to 31 March 2019.

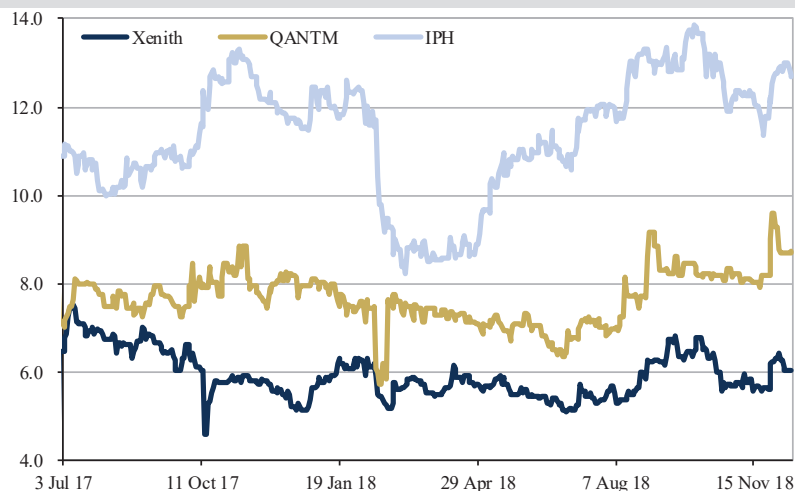
Note:

- 1 Enterprise value (EV) and EBITDA multiples calculated as at 26 November 2018 (being the day prior to the announcement of the previously proposed QANTM Scheme).
- 2 Underlying EBITDA as a percentage of service fees (i.e. excluding recoverable client expenses).
- 3 FY19 forecast earnings are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts).

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

- 172 As the level of EBITDA adopted for valuation purposes exceeds the level of underlying EBITDA achieved in FY18, in our opinion more regard should be placed on the listed company EBITDA multiples for FY19.
- 173 As indicated above, as at 26 November 2018, IPH was trading on substantially higher implied EBITDA multiples than QANTM, which in turn was trading on substantially higher implied EBITDA multiples than Xenith. As set out below, these EBITDA multiple differences had persisted for some time:

EV / EBITDA – Australian IP firms



- 174 Based on discussions with Xenith management and our review of market commentary (including broker research) it appears that:
- (a) the higher implied EBITDA multiples at which IPH trades compared to QANTM and Xenith is likely to be due to (inter-alia):
 - (i) IPH's greater exposure to the growth markets of Asia (IPH's Asian businesses generated approximately 34% of IPH's external sales in FY18)
 - (ii) IPH's much larger size, consistent financial performance and superior EBITDA margins (shown above)⁴⁶

⁴⁶ IPH is also considered less comparable to Xenith and QANTM due to its greater focus on patent filing services.

- (b) the lower implied EBITDA multiple at which Xenith trades compared to QANTM is likely to be due to:
- (i) the integration risks associated with Xenith’s recently acquired businesses (the related business transformation process has yet to reach the implementation phase); and
 - (ii) the recent underperformance of Xenith’s acquired businesses since acquisition, which lead to an impairment write down (predominantly in relation to Griffith Hack) of \$20.5 million in FY18.

175 It should also be noted that the listed company multiples are based on the listed market price of each company’s shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

IPO multiple

176 A summary of the EBITDA multiples implied by the IPOs of IPH, Xenith and QANTM is shown below:

Acquisition multiples – IPOs			
Prospectus date	Company	Enterprise value \$m	EBITDA multiple⁽¹⁾ x
9 Oct 14	IPH	350.9	10.6 F
28 Oct 15	Xenith	92.1	12.3 F
9 Aug 16	QANTM	309.7	11.3 F

Note:

1 F= forecast (i.e. the EBITDA multiple is based on forecast EBITDA).

177 We note that as at 26 November 2018⁴⁷, IPH was trading on a higher forecast implied EBITDA multiple than at its IPO. However, at that date the implied EBITDA multiples for Xenith and QANTM had fallen since their respective IPOs. Further:

- (a) the listed market price of QANTM shares on 26 November 2018 of \$1.31 was 41.0% below its IPO price of \$2.22 per share; and
- (b) the listed market price of Xenith shares on 26 November 2018 of \$1.245 was 54.2% below its IPO price of \$2.72 per share.

⁴⁷ Being the day prior to the announcement of the previously proposed QANTM Scheme.

- 178 Based on discussions with Xenith management and our review of market commentary (including broker research), the poor share price performance of QANTM and Xenith shares since their respective IPOs is likely to reflect a combination of (inter-alia):
- (a) the slowdown in the Australian patents market in FY18⁴⁸
 - (b) reductions in earnings growth expectations generally, due to (inter-alia) (a) above and the lack of significant expansion to date by Xenith and QANTM into the Asian market⁴⁹
 - (c) challenges associated with the transition of some of the businesses from private professional services partnerships to listed company structures
 - (d) in the case of Xenith, the performance of Griffith Hack which has underperformed expectations at the time of the acquisition.
- 179 Given the subsequent market related factors above, in our view, no significant reliance should be placed on the above IPO multiples when assessing the current value of Xenith.

Transaction evidence

- 180 IPH, Xenith and QANTM have also made a number of acquisitions since their respective IPOs. The implied EBITDA multiples based on these transactions are summarised below:

Acquisition multiples			
Date⁽¹⁾	Target	Enterprise value \$m	EBITDA multiple⁽⁵⁾ x
Xenith acquisitions			
25 Nov 16	Griffith Hack ⁽²⁾⁽³⁾	137.0	9.4 F
23 Aug 16	Watermark	18.7	7.5 F
QANTM acquisitions			
14 Jun 18	Advanz ⁽³⁾	3.1	6.5 H
IPH acquisitions			
11 Oct 17	AJ Park	60.9	7.5 H
26 Oct 16	Ella Cheong	27.0	6.8 H
30 May 16	Cullens Patent and Trademark Attorneys ⁽³⁾	35.6	7.9 H
18 Sep 15	Pizzey's Patent and Trade Mark Attorneys ⁽⁴⁾	86.9	7.9 F

⁴⁸ On 13 October 2017, Xenith informed the market that due to this slowdown and other factors the financial performance of the Group would fall materially below analyst consensus estimates (which resulted in the listed market price of Xenith shares falling some 32% on that date).

⁴⁹ We note that on 14 June 2018, QANTM announced that it had acquired a small IP company (Advanz) in Malaysia for an upfront cash payment of A\$3.05 million.

Note:

- 1 Date of announcement.
 - 2 At the announcement date of the acquisition, the total upfront consideration was stated to be \$152 million, which represented an EV / EBITDA multiple of 10.5 times the “*annualised pro forma EBITDA from Completion to 30 June 2017 of \$14.5 million (pre synergies)*”. However, in the subsequent financial statements the actual consideration was stated to be \$137 million (on an EV basis). A further \$20 million in earn-out consideration was also potentially payable, and was to equal 10.5 times the extent to which annualised EBITDA in the period from Completion to 30 June 2017 exceeded \$14.5 million. This earn-out consideration was ultimately not paid as actual annualised EBITDA for that period was \$14.2 million. In addition, following a downward revision to the forecast cash flows, a \$20.3 million goodwill impairment charge was taken in FY18 in relation to Griffith Hack. Cost synergies of between \$4 million and \$6 million were expected to be achieved by the end of Year 3. Including the benefit of expected cost synergies would reduce the implied EBITDA multiple to 7.0.
 - 3 Advanz Fidelis IP Sdn Bhd (Advanz). Upfront consideration only.
 - 4 Expected consideration at date of announcement, including earn-out (which was payable at 7.9 times the extent to which FY16 normalised EBITDA exceeded FY15 normalised EBITDA).
 - 5 H = EBITDA multiple based on historical EBITDA. F = EBITDA multiple based on forecast EBITDA.
-

181 In relation to the transaction evidence it should be noted that:

- (a) the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a (takeover) premium for control
- (b) with the exception of Griffith Hack, the transactions are in respect of businesses / entities significantly smaller than Xenith
- (c) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company’s “maintainable” earnings.

Conclusion on appropriate EBITDA multiple

182 Based on the above, in our opinion, an EBITDA multiple range of 9.0x to 10.0x is appropriate when applied to the level of operating EBITDA adopted for valuation purposes. This range incorporates a premium for control.

183 In adopting this range we have considered in particular, that whilst Xenith consistently traded on lower implied EBITDA multiples than QANTM over the 12 months period prior to the announcement of the QANTM Scheme, in our view, the size of this discount was unwarranted, particularly given the potential benefits to be derived under Xenith’s transformation projects.

Enterprise value

184 Given the above, we have assessed the value of Xenith's business (before net debt) as follows:

Xenith – value of business			
	Paragraph	Low \$m	High \$m
EBITDA	168	20.0	20.0
EBITDA multiple (x)	182	9.0	10.0
Enterprise value		180.0	200.0

Net debt

185 As at 31 December 2018 Xenith had net debt of \$15.4 million. Having regard to the more recent net debt position (which incorporates the payment of the 1HY19 interim dividend), including the break fee of \$1.6 million payable to QANTM, we have adopted net debt of \$17 million for valuation purposes.

Share capital

186 Xenith has 88.7 million shares and 0.5 million performance rights on issue (all of which vest under the Scheme).

187 Consequently, for valuation purposes we have adopted 89.2 million fully diluted shares on issue.

Valuation summary

188 Given the above, we have assessed the value of 100% of Xenith shares on a controlling interest basis as follows:

Valuation of Xenith			
	Paragraph	Low \$m	High \$m
Enterprise value	184	180.0	200.0
Less net debt	185	(17.0)	(17.0)
Equity value		163.0	183.0
Fully diluted shares on issue (million)	187	89.2	89.2
Equity value per share (\$)		\$1.83	\$2.05

Comparison with listed market price

189 We have cross-checked our assessed value of the equity in Xenith against the listed market prices of Xenith shares in the three month period up to 26 November 2018 (being the last trading day prior to the announcement of the QANTM Scheme), adjusted for a premium for control. The relevant trading in Xenith shares is summarised below:

Xenith – share price trading range					
	High	Low	VWAP ⁽¹⁾	Value \$000	Volume 000
3 months to 26 Nov 18	\$1.53	\$1.20	\$1.37	8,549	6,253

Note:

1 Volume weighted average price (VWAP).

-
- 190 Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).
- 191 Adding a 30% to 35% premium for control to the Xenith VWAP above would therefore result in a theoretical “control” value of \$1.78 to \$1.85 per share.
- 192 Our assessed underlying valuation range (as determined on a controlling interest basis) is higher than the observed listed market prices, adjusted for a premium for control. We consider this reasonable given the significant implied discount (measured in terms of trading multiples) at which Xenith shares traded prior to the announcement of the QANTM Scheme compared to QANTM and IPH (which, in our opinion, was unwarranted). In addition, we note the upward movement in the share market generally subsequent to the announcement of the QANTM Scheme.

VIII Valuation of Scheme Consideration

Approach

- 193 As set out in Section I, if Xenith shareholders approve the Scheme and all conditions are satisfied, then Xenith shareholders (unless they elect otherwise) will receive the Standard Consideration being \$1.28 cash and 0.1261 IPH shares for every Xenith share held⁵⁰.
- 194 It is customary in transactions where scrip is offered as consideration (or part thereof) to rely upon the listed market price of the bidder's shares⁵¹ as the primary reference point for estimating the realisable value of the consideration offered. This is principally because:
- (a) the listed market prices of IPH shares are likely to represent a reasonable proxy for the amount that Xenith shareholders could expect to realise if they sold any IPH shares received as consideration either immediately, or in the short term
 - (b) any decision to continue to hold IPH shares beyond the immediate to short term is a separate investment decision which should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. It is also not possible to accurately predict future share price movements
 - (c) whilst there may be a future opportunity for Xenith shareholders to share in a control premium in the event IPH was subsequently acquired, this is not a scenario that we consider likely in the short term.
- 195 Accordingly, in our opinion, the recent market prices of IPH shares are the appropriate reference point for estimating the realisable value of the scrip component of the consideration offered. However, in doing so, we have also considered the depth of the market for those securities and the volatility of the share price.

Recent share trading history

- 196 The following table sets out the prices at which IPH shares have traded in the period subsequent to the announcement of the QANTM Scheme on 27 November 2018 up to 7 May 2019:

IPH – share price history (post announcement of QANTM Scheme)					
Time period	Low \$	High \$	VWAP \$	Number traded (m)	Value traded \$m
27 November 2018 to 12 February 2019 ⁽¹⁾	5.22	6.07	5.63	42.2	238.0
13 February 2019 to 11 March 2019 ⁽²⁾	5.51	6.64	6.20	28.4	176.4
12 March 2019 to 8 April 2019 ⁽³⁾	6.56	7.18	6.89	24.9	171.3
9 April 2019 to 7 May 2019	6.78	7.43	7.05	23.7	166.7

⁵⁰ We have considered the Maximum Scrip Consideration and the Maximum Cash Consideration later in this section.

⁵¹ Provided there is sufficient market liquidity in the bidder's shares.

Note:

- 1 On 13 February 2019, IPH announced that it had acquired a 19.9% interest in Xenith at a price of \$1.85 per Xenith share.
 - 2 On 12 March 2019, IPH announced the initial IPH proposal.
 - 3 After the market closed on 8 April 2019 IPH announced the revised proposal to acquire Xenith, consistent with the Scheme.
-

- 197 As indicated above, the VWAP at which shares in IPH have traded in the period subsequent to the announcement of the QANTM Scheme has steadily increased, notwithstanding the related corporate activity. Accordingly, for the purpose of assessing the value of the IPH shares offered as part consideration under the Scheme we believe more regard should be given to the prices at which IPH shares have recently traded.

Share trading restrictions and liquidity

- 198 We are not aware of any significant shareholding restrictions on trading in IPH which would prevent sufficient trading (on a day-to-day basis) to produce an unbiased share price.
- 199 Furthermore, the volume and value of shares traded in IPH in the above periods indicates a reasonably high level of share market liquidity. In addition, IPH is included in the ASX 200 Index.

Information disclosures

- 200 IPH has a market capitalisation of around \$1.4 billion⁵² and is well researched and analysed by share broking firms⁵³ and institutional investors.
- 201 Significant information in relation to the operations of IPH has been disclosed in its financial reports and ASX announcements. Further, IPH has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning IPH which a reasonable person would expect to have a material effect on the price or value of IPH shares.

Number of IPH shares to be issued as consideration

- 202 As at 7 May 2019, IPH had 197.3 million ordinary shares on issue. The number of shares to be issued by IPH as part consideration under the Standard Consideration will be approximately 9.0 million⁵⁴, which will represent approximately 4.4% of the enlarged capital base of IPH.
- 203 Pursuant to the Maximum Scrip Consideration option, a scale-back provision will operate to the effect that the maximum number of shares to be issued by IPH is 15.6 million (which, if applicable, would represent approximately 7.3% of the enlarged capital base of IPH).

⁵² As at 7 May 2019.

⁵³ As at 7 May 2019, there were seven share broking firms provided earnings forecasts for IPH on Bloomberg.

⁵⁴ Based on 71.5 million shares on issue (89.2 million fully diluted Xenith shares on issue less the 17.7 million Xenith shares held by IPH) and the proposed ratio of 0.1261 IPH shares for each Xenith share.

204 In the circumstances, having regard to both the market capitalisation of IPH and historical share trading liquidity, we would not expect the issue of IPH shares to Xenith shareholders pursuant to either the Standard Consideration or the Maximum Scrip Consideration to have any material impact on the IPH share price.

Conclusion

205 In summary, in assessing the value of the IPH shares offered as part consideration under the Scheme, we have had regard to:

- (a) the recent trading range of IPH shares
- (b) the potential and maximum number of shares to be issued by IPH pursuant to the Scheme compared to both the existing and potential enlarged capital base of IPH
- (c) the likely level of on-market trading in IPH shares subsequent to implementation of the Scheme, having regard to factors including:
 - (i) any potential oversupply of IPH shares from those shareholders in Xenith not wishing to retain the IPH shares received as part consideration (for example, IPH shares received by those Xenith shareholders that elected the Maximum Cash Consideration option pursuant to the exercise of the scale-back provision)
 - (ii) the dilution effect implicit in any control premium effectively being paid by IPH (which, to the extent applicable, we would expect to be modest given the much larger size of IPH compared to Xenith)
 - (iii) expected synergies from a combination of the business operations of IPH and Xenith⁵⁵
- (d) recent stock market conditions.

206 Based on the above we have assessed the value of the IPH shares offered as part consideration pursuant to the Scheme at between \$6.70 and \$7.10 per share. This range reflects the more recent trading range in IPH shares since the announcement of the revised IPH proposal.

Assessed value of Standard Consideration

207 We have therefore assessed the value of the Standard Consideration to be received by Xenith shareholders under the Scheme (unless they elect otherwise) as follows:

Value of Standard Consideration per Xenith share		
	Low \$ per share	High \$ per share
Assessed realisable value of IPH shares	\$6.70	\$7.10
Standard Consideration ratio	0.1261	0.1261
Assessed value of scrip consideration	\$0.84	\$0.90
Cash consideration	\$1.28	\$1.28
Assessed value of Standard Consideration	\$2.12	\$2.18

⁵⁵ Whilst not specifically identified or quantified, IPH has indicated that it expects to derive synergy benefits from the elimination of duplicated functions over a (conservatively estimated) period of three years.

Maximum Cash Consideration

208 Xenith shareholders electing to receive the Maximum Cash Consideration will receive \$2.15 cash for each Xenith share held, subject to the potential exercise of the scale-back provision. We note that the cash consideration of \$2.15 per share lies within our assessed range of the value of the Standard Consideration payable under the Scheme.

Maximum Scrip Consideration

209 Xenith shareholders electing to receive the Maximum Scrip Consideration will receive 0.3116 IPH shares for each Xenith share held, subject to the potential exercise of the scale-back provision.

210 We have assessed the value of the Maximum Scrip Consideration to be received by Xenith shareholders under the Scheme (assuming the scale-back provision does not apply) as follows:

Value of Maximum Scrip Consideration per Xenith share		
	Low \$ per share	High \$ per share
Assessed realisable value of IPH shares	\$6.70	\$7.10
Maximum Scrip Consideration ratio	0.3116	0.3116
Assessed value of Maximum Scrip Consideration	\$2.09	\$2.21

211 Based on the above, for the purpose of our evaluation of the Scheme, we have assessed the value of the Scheme Consideration in the range of \$2.10 to \$2.20 per Xenith share held.

Other considerations

212 Xenith shareholders should note that the listed market price of IPH shares is subject to daily fluctuation. The price at which IPH shares may be sold may therefore be greater or less than our assessed realisable value of IPH shares of \$6.70 to \$7.10 per share.

213 Xenith shareholders should also note that any decision to hold IPH shares beyond the short term is a separate investment decision⁵⁶. As it is not possible to accurately predict future share price movements, any decision to hold IPH shares should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

⁵⁶ As noted in Section VII, IPH shares have consistently traded on higher EBITDA multiples than both Xenith and QANTM. Whilst we consider there to be reasonable commercial grounds for these higher multiples, Xenith shareholders who wish to retain their IPH shares received as consideration should be aware that this premium relative market rating may not be sustainable.

IX Evaluation of the Scheme

214 In our opinion, the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Value of Xenith

215 As set out in Section VII we have assessed the value of 100% of Xenith on a controlling interest basis at between \$1.83 and \$2.05 per share.

Value of Scheme Consideration

216 As set out in Section VIII we have assessed the value of the Scheme Consideration at between \$2.10 and \$2.20 per share.

Fair and reasonable opinion

Assessment of fairness

217 Pursuant to RG 111 the Scheme is “fair” if the value of the Scheme Consideration is equal to, or greater than, the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scheme Consideration to value of Xenith			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Scheme Consideration	2.10	2.20	2.15
Value of 100% of Xenith	1.83	2.05	1.94
Extent to which the Scheme Consideration exceeds the value of Xenith	0.27	0.15	0.21

218 As the Scheme Consideration exceeds our assessed valuation range for Xenith shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to Xenith shareholders when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

219 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.

220 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Xenith shareholders in the absence of a superior proposal.

221 In assessing whether the Scheme is reasonable and in the best interests of Xenith shareholders LEA has also considered, in particular:

- (a) the extent to which a control premium is being paid to Xenith shareholders
- (b) the extent to which Xenith shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction

- (c) the listed market price of the shares in Xenith, both prior to and subsequent to the announcement of the proposed Scheme
- (d) the likely market price of Xenith securities if the proposed Scheme is not approved
- (e) the value of Xenith to an alternative offeror and the likelihood of a higher alternative offer being made for Xenith prior to the date of the Scheme meeting
- (f) the advantages and disadvantages of the Scheme from the perspective of Xenith shareholders
- (g) other qualitative and strategic issues associated with the Scheme.

222 These issues are discussed in detail below.

Extent to which a control premium is being paid

223 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares⁵⁷ three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

224 We have calculated the premium implied by the Scheme Consideration by reference to the market prices of Xenith shares prior to the announcement of the QANTM Scheme on 27 November 2018⁵⁸. For the purposes of calculating the implied offer premium we have adopted the mid-point of \$2.15 per share of our assessed value of the Scheme Consideration.

225 The implied offer premium relative to Xenith share prices up to 26 November 2018 is shown below:

⁵⁷ After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

⁵⁸ Subsequent to 26 November 2018 trading in Xenith shares has been impacted by both the announcement of the QANTM Scheme and the subsequent proposals from IPH.

Implied offer premium relative to recent share prices ⁽¹⁾		
	Xenith share price	Implied control premium
	\$	%
Closing share price on 26 November 2018 ⁽²⁾	1.25	72.0
3 months VWAP to 26 November 2018	1.37	56.9
6 months VWAP to 26 November 2018	1.33	61.7

Note:

- 1 Rounding differences may exist.
- 2 Being the closing price on the last day of trading prior to the announcement of the QANTM Scheme.

- 226 As indicated above, the Scheme Consideration represents a significant premium to the market price of Xenith shares prior to the announcement of the QANTM Scheme. The Scheme Consideration also reflects an implied premium which exceeds observed premiums paid in successful takeovers generally.
- 227 The implied premium has been calculated adopting the mid-point of our assessed value of the Scheme Consideration, which in turn reflects (primarily) trading in IPH shares subsequent to the announcement of the revised IPH proposal. In contrast the Xenith share prices adopted reflect share market trading prior to the announcement of the QANTM Scheme (and accordingly prior to the subsequent proposals from IPH). In addition, the Scheme Consideration reflects the outcome of the competitive bidding process that has effectively taken place in respect of Xenith in the period subsequent to 26 November 2018.
- 228 Given the elapsed time since the announcement of the QANTM Scheme we have also considered the extent to which (if any) the implied offer premium reflects subsequent stock market trading generally. In the period subsequent to 26 November 2018 to 7 May 2019:
- (a) the ASX All Ordinaries Index increased by around 11.0%
 - (b) the S&P/ASX 200 Index increased by around 11.0%.
- 229 Given these market movements, we have concluded that the control premiums implied by the Scheme Consideration under the Scheme reflect an offer premium which is:
- (a) consistent with and arguably above the average premiums paid in successful takeovers generally (reflecting the competitive bidding process that has transpired)
 - (b) in part, inflated in a comparison sense by subsequent upward movements in the share market generally.

Extent to which Xenith shareholders are being paid a share of synergies

- 230 Whilst not specifically identified or quantified, IPH has indicated that by combining the business operations of IPH and Xenith it expects to derive synergy benefits from the elimination of duplicated functions over a (conservatively estimated) period of three years.

- 231 As the value of the Scheme Consideration exceeds our assessed value of Xenith shares on a standalone basis, we have concluded that a share of these synergy benefits is being paid to Xenith shareholders.

Recent share prices subsequent to the announcement of the revised IPH proposal

- 232 Shareholders should note that Xenith shares have traded on the ASX in the range of \$1.945 to \$2.18 per share in the period since the revised IPH proposal was announced up to 7 May 2019. The VWAP during this period was \$2.12 per Xenith share (which is consistent with the lower end of our assessed value of the Scheme Consideration).
- 233 In our view, this trading range suggests that, in the absence of a superior proposal, the consensus market view is that the Scheme is likely to be successful. This view is also consistent with the Scheme reflecting the outcome of what has effectively been a competitive bidding process for Xenith since the announcement of the QANTM Scheme on 27 November 2018.

Likely price of Xenith shares if the Scheme is not implemented

- 234 In our opinion, if the Scheme is not approved, it is likely (at least in the immediate short term) that Xenith shares will trade relative to (and probably at a slight discount to) the value implied under the previous QANTM Scheme. In this regard we note that the Board of Xenith (prior to receipt of the revised IPH proposal) indicated that the QANTM Scheme was considered superior to the initial IPH proposal.

Likelihood of a superior proposal

- 235 As previously noted, the Scheme is the outcome of what has effectively been a competitive bidding process for Xenith between IPH and QANTM.
- 236 Given the elapsed time since the initial announcement of the QANTM Scheme, we consider it unlikely that a party other than those that have tabled proposals to acquire and/or merge with Xenith will emerge at this stage.

Assessment of the Scheme

- 237 We summarise below the likely advantages and disadvantages of the Scheme for Xenith shareholders if the Scheme proceeds.

Advantages

- 238 In our opinion, the Scheme has the following benefits for Xenith shareholders:
- (a) the Scheme Consideration to be received by Xenith shareholders exceeds our assessed value range of Xenith shares on a 100% controlling interest basis
 - (b) the Scheme Consideration represents a significant premium to the market prices of Xenith shares prior to the original announcement of the QANTM Scheme on 27 November 2018 and reflects an implied premium which exceeds observed premiums paid in successful takeovers generally⁵⁹

⁵⁹ In part this reflects subsequent upward movements in the share market generally.

- (c) the Scheme provides Xenith shareholders with the opportunity to realise their investment in a company in which share trading has historically been relatively low in a cost effective manner.

Disadvantages

239 If the Scheme is implemented Xenith shareholders will no longer hold a direct interest in Xenith. In the event that future value is created by Xenith as a result of ongoing operations over and above that reflected in our assessed valuation of the company:

- (a) those Xenith shareholders who elect to receive the Maximum Cash Consideration will therefore not participate in such future value⁶⁰
- (b) those Xenith shareholders that elect to receive the Maximum Scrip Consideration or who receive the Standard Consideration will retain exposure to such future value, albeit on a diluted basis.

Conclusion

240 Given the above analysis, we consider that the advantages of the Scheme significantly outweigh the disadvantages. Consequently, in our view, the acquisition of Xenith shares by IPH under the Scheme is fair and reasonable and in the best interests of Xenith shareholders in the absence of a superior proposal.

⁶⁰ Other than through IPH shares issued as consideration in the event of a scale back (as the maximum cash consideration is capped at \$91.3 million in total).

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001* (Cth) (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Xenith shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

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

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$220,000 plus GST⁶¹.

⁶¹ Including the cost of the report on the proposed merger with QANTM.

Appendix A

- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 25 years and 33 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of Xenith to accompany the Scheme Booklet to be sent to Xenith shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Xenith shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Xenith agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Xenith which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

Appendix C

Glossary

Term	Meaning
1HY18	Six months ended 31 December 2017
1HY19	Six months ended 31 December 2018
2HY18	Six months ended 30 June 2018
A\$	Australian dollar
Advanz	Advanz Fidelis IP Sdn Bhd
AFCA	Australian Financial Complaints Authority
Agreement	The Scheme Implementation Agreement entered into between IPH and Xenith
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
CGU	Cash generating unit
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	<i>Corporations Regulations 2001</i>
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
EPS	Earnings per share
EV	Enterprise value
FSG	Financial Services Guide
FX	Foreign exchange
FY	Financial year ended 30 June
GST	Goods and services tax
IER	Independent expert's report
IP	Intellectual property
IPH	IPH Limited
IPO	Initial public offering
LEA	LonerGAN Edwards & Associates Limited
Maximum Cash Consideration	\$2.15 cash per Xenith share (subject to scale back)
Maximum Scrip Consideration	Approximately 0.3116 IPH shares for each Xenith share (subject to scale back)
NPV	Net present value
PCT	Patent Cooperation Treaty
QANTM	QANTM Intellectual Property Limited
QANTM Scheme	The scheme to implement the proposed merger of Xenith and QANTM (which has now been superseded by the Scheme)
R&D	Research and development
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Standard Consideration	0.1261 IPH shares plus \$1.28 in cash per Xenith share
US	United States of America
US\$	United States dollar
VWAP	Volume weighted average price
WANOS	Weighted average number of shares outstanding
Watermark	Watermark Group
WIPO	World Intellectual Property Organization
Xenith	Xenith IP Group Limited

Annexure B

Investigating Accountant's Report



KPMG Transaction Services

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000

ABN: 43 007 363 215
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

PO Box H67
Australia Square 1213
Australia

The Directors
Xenith IP Group Limited
Level 21, 60 Margaret St
SYDNEY NSW 2000

18 June 2019

Dear Directors

Limited Assurance Investigating Accountant’s Report and Financial Services Guide

Investigating Accountant’s Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) (“KPMG Transaction Services”) has been engaged by Xenith IP Group Limited (“XIP”) to prepare this report for inclusion in the scheme booklet to be dated 18 June 2019 (“Scheme Booklet”), and to be issued by XIP, in respect of the proposed merger of IPH and XIP (together, the “Combined Group”) (the “Transaction”).

Expressions defined in the Scheme Booklet have the same meaning in this report.

This Investigating Accountant’s Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Scheme Booklet.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Scheme Booklet.

The Combined Group pro forma historical financial information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Combined Group Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the Combined Group pro forma historical financial information of IPH and XIP (the responsible parties) included in the Scheme Booklet.

The Combined Group pro forma historical financial information has been derived from the historical financial information of IPH and XIP, after adjusting for the effects of pro forma adjustments (as applicable) described in sections 9.3.3, 9.3.5 and 9.3.7 of the Scheme Booklet. The Combined Group pro forma historical financial information consists of:

- the Combined Group Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2018 and half year ended 31 December 2018;
- the Combined Group Pro Forma Historical Statement of Cash Flows for the year ended 30 June 2018 and half year ended 31 December 2018; and
- the Combined Group Pro Forma Historical Statement of Financial Position as at 30 June 2018 shown with pro forma adjustments to show the effect of events and transactions related to the Transaction,

and together, the “Combined Group Pro Forma Historical Financial Information”.

The Combined Group Pro Forma Historical Statement of Financial Position as at 30 June 2018 consists of the IPH historical consolidated statement of financial position as at 30 June 2018, the XIP historical consolidated statement of financial position as at 30 June 2018 and certain pro forma adjustments as described in section 9.3.5 of the Scheme Booklet.

The Combined Group Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2018 and half year ended 31 December 2018 consists of the aggregation of the IPH historical consolidated statement of profit or loss for the year ended 30 June 2018 and half year ended 31 December 2018 and the XIP historical consolidated statement of profit or loss for the year ended 30 June 2018 and half year ended 31 December 2018.

The Combined Group Pro Forma Historical Statement of Cash Flows for the year ended 30 June 2018 and half year ended 31 December 2018 consists of the aggregation of the IPH historical consolidated statement of cash flows for the year ended 30 June 2018 and half year ended 31 December 2018, and the XIP historical consolidated statement of cash flows for the year ended 30 June 2018 and half year ended 31 December 2018.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 9.3.3, 9.3.5 and 9.3.7 of the Scheme Booklet. Due to its nature, the Combined Group Pro Forma Historical Financial Information does not represent IPH's or XIP's actual or prospective financial position, financial performance, and/or cash flows.

The Combined Group Pro Forma Historical Financial Information has been compiled by XIP to illustrate the impact of the Transaction on IPH's and XIP's financial position as at 30 June 2018

and IPH's and XIP's financial performance and cash flows for the year ended 30 June 2018 and half year ended 31 December 2018.

As part of this process, information about IPH's and XIP's financial position, financial performance and cash flows has been extracted by IPH and XIP from IPH's financial statements for the year ended 30 June 2018 and half year ended December 2018 and from XIP's financial statements for the year ended 30 June 2018 and the half year ended 31 December 2018.

The financial statements of IPH for the year ended 30 June 2018 were audited by IPH's external auditor in accordance with Australian Auditing Standards. The financial statements of IPH for the half year ended 31 December 2018 were reviewed by IPH's external auditor in Accordance with Australian Auditing Standards applicable to Review Engagements. The audit and review opinions issued to the members of IPH relating to those financial statements were unqualified. The financial statements of XIP for the year ended 30 June 2018 were audited by XIP's external auditor in accordance with Australian Auditing Standards. The financial statements of XIP for the half year ended 31 December 2018 were reviewed by XIP's external auditor in Accordance with Australian Auditing Standards applicable to Review Engagements. The audit and review opinions issued to the members of XIP relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Combined Group Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Combined Group Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 9.3.1 of the public document.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Combined Group Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of XIP are responsible for the preparation of the Combined Group Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Combined Group Pro Forma Historical Information (save to the extent it relates to the IPH historical consolidated statement of profit or loss and the IPH historical consolidated statement of cash flows for the year ended 30 June 2018 and half year ended 31 December 2018, or the IPH historical consolidated statement of financial position as at 30 June 2018).

The directors of IPH are responsible for the IPH historical consolidated statement of profit or loss and historical consolidated statement of cash flows for the year ended 30 June 2018 and half year ended 31 December 2018, and the IPH historical consolidated statement of financial

position as at 30 June 2018 (the "IPH Historical Financial Information"), and for properly compiling the Combined Group Pro Forma Historical Financial Information (to the extent it relates to IPH Historical Financial Information).

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Combined Group Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 9 of the Scheme Booklet, comprising:

- the Combined Group Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2018 and half year ended 31 December 2018;
- the Combined Group Pro Forma Historical Statement of Cash Flows for the year ended 30 June 2018 and half year ended 31 December 2018; and
- the Combined Group Pro Forma Historical Statement of Financial Position as at 30 June 2018;

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 9 of the Scheme Booklet, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and XIP's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed merger, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

General advice warning

This report has been prepared, and included in the Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 9 of the Scheme Booklet, which describes the purpose of the financial information, being for inclusion in the Scheme

Booklet. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Steven Shirtliff', written in a cursive style.

Steven Shirtliff
Authorised Representative

Financial Services Guide Dated 18 June 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Steven Shirliff as an authorised representative of KPMG Transaction Services, authorised representative number 1276015 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;

- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Xenith IP Group Limited ("XIP") to provide general financial product advice in the form of a Report to be included in scheme booklet (**Scheme Booklet**) prepared by XIP in relation to proposed merger between IPH and XIP (**Transaction**).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services in the range of \$50,000 to \$75,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your

complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Steven Shirliff
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Annexure C

Scheme of Arrangement

Execution Version

Scheme of Arrangement

Xenith IP Group Limited ABN 88 607 873 209
Scheme Shareholders

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Scheme of Arrangement

Xenith IP Group Limited ABN 88 607 873 209

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Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

Xenith IP Group Limited ABN 88 607 873 209 Level 21, 60 Margaret Street, Sydney NSW 2000 (**XIP**)

and

Each Scheme Shareholder

Agreed terms

1. Defined terms & interpretation

1.1 Definitions

In this Scheme:

Available Cash Consideration the amount of cash determined by subtracting from the Maximum Cash Pool the aggregate amount of cash consideration payable by IPH under this Scheme to Scheme Shareholders who elect, or are deemed to have elected, Standard Consideration.

Available Scrip Consideration means the number of New IPH Shares determined by subtracting from the Maximum Scrip Pool the aggregate number of New IPH Shares to which Scheme Shareholders who elect, or are deemed to have elected, Standard Consideration are entitled under this Scheme.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Scheme and XIP or IPH (as the context requires) was the designated body.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.

CHES means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHES Holdings has the meaning given in the Settlement Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed in writing between XIP and IPH.

Deed Poll means the deed poll executed by IPH under which IPH covenants in favour of the Scheme Shareholders to perform the actions attributed to it under this Scheme.

Delivery Time means, in relation to the Second Court Date, 8am before the commencement of the hearing or, if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

Election has the meaning given in clause 5.1(a).

Election Form means the election form provided with the Scheme Booklet under which each XIP Shareholder (other than an Excluded Shareholder) may elect to receive either Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of all of their XIP Shares.

Election Time means the Scheme Record Date (unless ASIC requires an earlier date, in which case such earlier date shall apply) or any other date agreed between XIP and IPH.

End Date means:

- (a) 31 October 2019; or
- (b) such other date and time agreed in writing between IPH and XIP.

Excluded Shareholder means any XIP Shareholder who is IPH or an Associate of the IPH Group.

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Fixed Value of an IPH Share means \$6.90.

Gross Proceeds has the meaning given in clause 5.7(c).

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date after the Scheme Record Date agreed to in writing between XIP and IPH.

Implied Offer Value means \$2.15.

Ineligible Foreign Scheme Shareholder means a Scheme Shareholder whose address in the XIP Share Register as at the Scheme Record Date is a place outside:

- (a) Australia or its external territories.
- (b) New Zealand;
- (c) Singapore, provided they are an Institutional Shareholder;
- (d) the province of Ontario, Canada; or
- (e) any other jurisdiction as may be agreed in writing by IPH and XIP, provided that IPH is satisfied, acting reasonably, that it is permitted to allot and issue New IPH Shares to that Scheme Shareholder under the Scheme by the laws of that place either unconditionally or after compliance with conditions that IPH in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Institutional Shareholder means a shareholder as defined under the Securities and Futures Act (Singapore).

IPH means IPH Limited ACN 169 015 838.

IPH Group means IPH and each of its Related Bodies Corporate (excluding, at any time, XIP and its Subsidiaries to the extent that XIP and its Subsidiaries are subsidiaries of IPH at that time). A reference to a **member of the IPH Group** or a **IPH Group Member** is a reference to IPH or any of its Related Bodies Corporate.

IPH Share means a fully paid ordinary share in the capital of IPH.

Issuer Sponsored Holdings has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX as amended from time to time.

Market Integrity Rules means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which shares are quoted.

Maximum Cash Consideration means the consideration determined in accordance with clause 5.3.

Maximum Cash Pool means \$113,558,951.68:

- (a) less the result of multiplying the number (if any) of XIP Shares held by any Excluded Shareholder on the Scheme Record Date by \$1.28;
- (b) plus the result of multiplying the number (if any) of XIP Performance Rights which are satisfied by the issue of new XIP Shares in accordance with the Scheme Implementation Deed by \$1.28.

Maximum Scrip Consideration means the consideration determined in accordance with clause 5.4.

Maximum Scrip Pool means 19,350,795 New IPH Shares:

- (a) less the result of multiplying the number (if any) of XIP Shares held by any Excluded Shareholder on the Scheme Record Date by 70% of the Scrip Equivalent of the Implied Offer Value;
- (b) plus the result of multiplying the number (if any) of XIP Performance Rights which are satisfied by the issue of new XIP Shares in accordance with the Scheme Implementation Deed by 70% of the Scrip Equivalent of the Implied Offer Value.

New IPH Shares means the new IPH Shares to be issued under the terms of the Scheme.

Registered Address means, in relation to a XIP Shareholder, its address shown in the XIP Share Register as at the Scheme Record Date.

Regulatory Authority means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
- (c) any regulatory organisation established under statute, in Australia whether federal, state, territorial or local.

Sale Agent means the sale agent appointed by IPH, in consultation with XIP, to sell the Sale Shares pursuant to clause 5.7 of this Scheme (and where appropriate in relation to holdings by it of securities, includes a nominee or custodian holding for it).

Sale Facility means the facility provided for in clause 5.7.

Sale Shares has the meaning given in clause 5.7(a).

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between XIP and the Scheme Shareholders, subject to any alterations or conditions agreed or any alterations or conditions that are:

- (a) agreed to in writing by XIP and IPH, and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by XIP and IPH.

Scheme Booklet means the scheme booklet issued by XIP in connection with the Scheme.

Scheme Consideration means, for each XIP Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of:

- (a) the Standard Consideration;
- (b) the Maximum Cash Consideration; or
- (c) the Maximum Scrip Consideration,

subject to the terms of this Scheme.

Scheme Implementation Deed means the Scheme Implementation Deed dated on or about 11 April 2019 between XIP and IPH.

Scheme Meeting means the meeting of XIP Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Record Date means 7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between XIP and IPH.

Scheme Share means a XIP Share held by a Scheme Shareholder as at the Scheme Record Date.

Scheme Shareholder means a XIP Shareholder at the Scheme Record Date (other than an Excluded Shareholder).

Scrip Equivalent of Implied Offer Value means the Implied Offer Value divided by the Fixed Value of an IPH Share.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Selling Scheme Shareholder a Scheme Shareholder in respect of whom New IPH Shares are provided to the Sale Agent in the circumstances referred to in clause 5.7(a).

Settlement Rules means the ASX Settlement Operating Rules.

Small Parcel is a parcel of New IPH Shares having a value of less than \$500 based on the closing price of IPH Shares on ASX on the trading day prior to the Scheme Record Date.

Standard Consideration means the consideration described in clause 5.2.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Trust Account means an Australian dollar denominated trust account operated by XIP as trustee for the benefit of Scheme Shareholders.

XIP Performance Rights means the XIP performance rights granted under the Xenith IP Employee Incentive Plan the issue of rights under which was approved by XIP Shareholders at the annual general meeting for Xenith held on 28 November 2018.

XIP Registry means Computershare Investor Services Pty Limited or any replacement provider of share registry services to XIP.

XIP Share means an issued fully paid ordinary share in the capital of XIP.

XIP Shareholder means a person who is registered in the XIP Share Register as the holder of at least one XIP Share.

XIP Share Register means the register of members of XIP maintained in accordance with the Corporations Act.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.
- (f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this Scheme or an agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to dollars and \$ is to Australian currency.
- (l) All references to time are to Melbourne, Australia time.
- (m) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (n) Unless otherwise defined, a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 XIP

- (a) XIP is a public company limited by shares, registered in New South Wales and admitted to the official list of ASX.
- (b) The XIP Shares are officially quoted on ASX. As at the date of the Scheme Implementation Deed:
 - (i) 88,717,931 XIP Shares were on issue which are officially quoted on ASX; and
 - (ii) 593,240 XIP Performance Rights were on issue which are not quoted on any financial market.

2.2 IPH

IPH is a publicly listed company limited by shares registered in Victoria, Australia.

2.3 General

- (a) XIP and IPH have agreed by executing the Scheme Implementation Deed to implement this Scheme.
- (b) This Scheme attributes actions to IPH but does not itself impose an obligation on it to perform those actions, as IPH is not a party to this Scheme. IPH has agreed, by executing the Deed Poll, to perform the actions attributed to IPH under this Scheme, including the provision of the Scheme Consideration to the Scheme Shareholders.

2.4 Consequence of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) IPH will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme; and
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to IPH, and XIP will enter IPH in the XIP Share Register as the holder of the Scheme Shares with the result that XIP will become a wholly-owned subsidiary of IPH.

3. Conditions

- (a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
 - (i) all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(e)) of the Scheme Implementation Deed (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by no later than the Delivery Time on the Second Court Date;
 - (ii) neither the Scheme Implementation Deed nor the Deed Poll having been terminated in accordance with their terms by no later than the Delivery Time on the Second Court Date;
 - (iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by XIP and IPH;
 - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the parties, having been satisfied; and

- (v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date XIP and IPH agree in writing).
- (b) The satisfaction of the conditions referred to in clause 3(a) of this document is a condition precedent to the operation of clauses 4 and 5.
- (c) On the Second Court Date:
 - (i) IPH and XIP must give the Court a joint certificate confirming whether or not the conditions precedent set out in clauses 3.1(a) to 3.1(f) of the Scheme Implementation Deed (other than the condition in clause 3.1(e) of the Scheme Implementation Deed (Court approval)) have been satisfied or waived as at the Delivery Time;
 - (ii) IPH and XIP must give the Court a joint certificate confirming whether the condition in clause 3(a)(ii) of this document has been satisfied as at the Delivery Time;
 - (iii) XIP must give the Court a certificate confirming whether or not the conditions set out in clauses 3.1(g) to 3.1(k) of the Scheme Implementation Deed have been satisfied or waived as at the Delivery Time; and
 - (iv) IPH must give the Court a certificate confirming whether or not the conditions set out in clauses 3.1(l) to 3.1(n) of the Scheme Implementation Deed have been satisfied or waived as at the Delivery Time.
- (d) The certificates referred to in clause 3(c) will constitute conclusive evidence of whether the conditions precedent referred to in clause 3(a) of this document (other than the conditions precedent in clause 3(a)(iii) and clause 3(a)(iv) of this document) have been satisfied or waived as at the Delivery Time.

4. Implementation

4.1 Lodgement of Court orders

XIP must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to IPH, without the need for any further act by any Scheme Shareholder (other than acts performed by XIP or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:
 - (i) XIP delivering to IPH a duly completed and executed share transfer form to transfer all the Scheme Shares to IPH, executed on behalf of the Scheme Shareholders by XIP; and
 - (ii) IPH duly executing such transfer form and delivering it to XIP for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 4.2(a)(ii), XIP must enter, or procure the entry of, the name of IPH in the XIP Share Register in respect of the Scheme Shares transferred to IPH in accordance with this Scheme.

5. Scheme Consideration

5.1 Election

- (a) A Scheme Shareholder may make an election (**Election**) to receive one of:
 - (i) Standard Consideration;

- (ii) Maximum Cash Consideration; or
 - (iii) Maximum Scrip Consideration,
- for all of their Scheme Shares by completing the Election Form, such Election being subject to the terms of this Scheme including without limitation clauses 5.5, 5.6, 5.7 and 5.11.
- (b) A Scheme Shareholder will be deemed to have elected to have the total scrip component of the Scheme Consideration to which it will become entitled in accordance with the terms of this Scheme sold on its behalf pursuant to the Sale Facility, if:
 - (i) that total scrip component comprises a number of New IPH Shares that is a Small Parcel; and
 - (ii) the Scheme Shareholder has not completed the appropriate section of the Election Form indicating that they wish to receive their total scrip component even where it comprises a number of New IPH Shares that is a Small Parcel.
 - (c) Subject to clause 5.1(j), for an Election to be valid:
 - (i) the Scheme Shareholder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and on the Election Form; and
 - (ii) the Election Form must be received by the XIP Registry before the Election Time at the address specified by XIP in the Scheme Booklet and on the Election Form.
 - (d) An Election made by a Scheme Shareholder, whether valid or not, will be irrevocable unless IPH in its discretion agrees to the revocation of the Election (such discretion to be exercised fairly and equitably having regard to the circumstances at the time).
 - (e) If:
 - (i) a valid Election is not made by a Scheme Shareholder; or
 - (ii) no Election is made by a Scheme Shareholder,

then that Scheme Shareholder will be deemed to have elected to receive Standard Consideration in respect of all of their Scheme Shares.
 - (f) Subject to clause 5.1(g), an Election made or deemed to be made by a Scheme Shareholder under this clause 5.1 will be deemed to apply in respect of the Scheme Shareholder's entire registered holding of Scheme Shares at the Scheme Record Date, regardless of whether the Scheme Shareholder's holding of Scheme Shares at the Scheme Record Date is greater or less than, or the same as, the Scheme Shareholder's holding at the time it made its Election.
 - (g) A Scheme Shareholder who is noted on the XIP Share Register as holding one or more parcels of XIP Shares as trustee or nominee for, or otherwise on account of, another person, may in the manner considered appropriate by XIP and IPH (acting reasonably including after consultation with the XIP Registry), make separate Elections under this clause 5.1 in relation to each of those parcels of XIP Shares (subject to it providing to XIP and IPH any substantiating information they reasonably require), and an Election made in respect of any such parcel, or an omission to make an Election in respect of any such parcel, will not be taken to extend to the other parcels.
 - (h) Subject to clauses 5.1(i) and 5.1(j), an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 5.1(c).
 - (i) IPH will determine, in its sole discretion, all questions as to the correct completion of an Election Form, and time of receipt of an Election Form. IPH is not required to communicate with any Scheme Shareholder prior to making this determination. The determination of IPH will be final and binding on the Scheme Shareholder.
 - (j) Notwithstanding clause 5.1(c), IPH may, in its sole discretion, at any time and without further communication to Scheme Shareholder, deem any Election Form it receives from a Scheme Shareholder to be a valid Election in respect of the relevant Scheme Shares, even if a requirement for a valid Election has not been complied with.

5.2 Standard Consideration

If a Scheme Shareholder elects or is deemed to have elected to receive Standard Consideration then, subject to clauses 5.5, 5.6, 5.7 and 5.11, the Scheme Shareholder will be entitled to receive for each Scheme Share held by that Scheme Shareholder at the Scheme Record Date:

- (a) a cash amount equal to \$1.28; and
- (b) 0.1261 New IPH Shares.

5.3 Maximum Cash Consideration

(a) If a Scheme Shareholder elects to receive Maximum Cash Consideration, the Scheme Shareholder will be entitled to receive for each Scheme Share held by that Scheme Shareholder at the Scheme Record Date:

- (i) if the Available Cash Consideration is not required by clause 5.3(b) to be pro rated amongst Scheme Shareholders who elect Maximum Cash Consideration, the Implied Offer Value in cash per Scheme Share; and
- (ii) if the Available Cash Consideration is required by clause 5.3(b) to be pro rated amongst Scheme Shareholders who elect Maximum Cash Consideration:

- (A) an amount of cash per Scheme Share calculated as follows (which shall include any fraction of a cent arising from the calculation), provided that such amount is not to exceed the Implied Offer Value per Scheme Share:

$$A \div B$$

Where:

A = the Available Cash Consideration; and

B = the total number of Scheme Shares held at the Scheme Record Date by all Scheme Shareholders who elect Maximum Cash Consideration; and

- (B) a number of New IPH Shares per Scheme Share calculated as follows (which shall include any fraction of a New IPH Share arising from the calculation):

$$(\text{Implied Offer Value} - X) \div Y$$

Where:

X = the amount of cash per Scheme Share determined in accordance with clause 5.3(a)(ii)(A); and

Y = the Fixed Value of an IPH Share.

- (b) For the purpose of this clause 5.3, the Available Cash Consideration is required to be pro rated amongst Scheme Shareholders who elect Maximum Cash Consideration if the amount determined by multiplying the Implied Offer Value by the total number of Scheme Shares held by all Scheme Shareholders who elect Maximum Cash Consideration exceeds the Available Cash Consideration.

5.4 Maximum Scrip Consideration

(a) If a Scheme Shareholder elects to receive Maximum Scrip Consideration then, subject to clauses 5.5, 5.6, 5.7 and 5.11, the Scheme Shareholder will be entitled to receive for each Scheme Share held by that Scheme Shareholder at the Scheme Record Date:

- (i) if the Available Scrip Consideration is not required to be pro rated by clause 5.4(b) amongst Scheme Shareholders who elect Maximum Scrip Consideration, a number of New IPH Shares per Scheme Share equal to the Scrip Equivalent of the Implied Offer Value; and
- (ii) if the Available Scrip Consideration is required by clause 5.4(b) to be pro rated amongst Scheme Shareholders who elect Maximum Scrip Consideration:
 - (A) a number of New IPH Shares per Scheme Share calculated as follows (which shall include any fraction of a New IPH Share arising from the calculation), provided that such number is not to exceed the Scrip Equivalent of the Implied Offer Value:

$$A \div B$$

Where:

A = the Available Scrip Consideration; and

B = the total number of Scheme Shares held at the Scheme Record Date by all Scheme Shareholders who elect Maximum Scrip Consideration; and

- (B) an amount of cash per Scheme Share calculated as follows (which shall include any fraction of a cent arising from the calculation):

$$\text{Implied Offer Value} - (X \times Y)$$

Where:

X = the number of New IPH Shares per Scheme Share determined in accordance with clause 5.4(a)(ii)(A); and

Y = the Fixed Value of an IPH Share.

- (b) For the purpose of this clause 5.4, the Available Scrip Consideration is required to be pro rated amongst Scheme Shareholders who elect Maximum Scrip Consideration if the number of New IPH Shares determined by multiplying the Scrip Equivalent of the Implied Offer Value by the total number of Scheme Shares held by all Scheme Shareholders who elect Maximum Scrip Consideration exceeds the Available Scrip Consideration.

5.5 Fractions and splitting

- (a) Any entitlement of a Scheme Shareholder under this Scheme (including under clause 5.3(a)(ii)(B) or clause 5.4(a)(ii)(A)) to be provided a fraction of a New IPH Share will be rounded down to the nearest whole number of New IPH Shares (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).
- (b) Any cash amount payable to a Scheme Shareholder under this Scheme must be rounded to the nearest whole cent (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).
- (c) If IPH is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of XIP Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, or otherwise in connection with the Scheme, IPH may direct XIP to give notice to those Scheme Shareholders:
- (i) setting out the names and Registered Addresses of all of them;
 - (ii) stating that opinion; and
 - (iii) attributing to one of them specifically identified in the notice the XIP Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those XIP Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no XIP Shares.

5.6 Ineligible Foreign Scheme Shareholders

IPH will be under no obligation to provide or cause to be provided, and must not provide, any New IPH Shares under this Scheme to any Ineligible Foreign Scheme Shareholder and, instead, subject to clause 5.11, must procure that those New IPH Shares (including fractions of New IPH Shares) which, but for this clause 5.6, would be required to be so provided are dealt with on behalf of the Ineligible Foreign Scheme Shareholders in accordance with clause 5.7.

5.7 Sale Facility

- (a) New IPH Shares:
- (i) to which a Scheme Shareholder is entitled, but in respect of which an Election, or deemed Election, under clause 5.1(b) has been made or otherwise operates; or

(ii) that are required to be dealt with under this clause by clause 5.6,

must not be provided to the relevant Scheme Shareholder and, instead, must be provided to the Sale Agent by IPH, or caused to be provided to the Sale Agent by IPH, on or before the Implementation Date (rounded down after being aggregated, if necessary, to the nearest whole number) (together, the **Sale Shares**) and subsequently sold in accordance with this clause 5.7.

- (b) The Sale Facility will only be available in respect of New IPH Shares provided to the Sale Agent in the circumstances referred to in clause 5.7(a). Any purported election by a Scheme Shareholder to participate in the Sale Facility in any other circumstance will, unless IPH elects otherwise, be invalid and not recognised for any purpose.
- (c) IPH must procure that as soon as practicable after the Implementation Date and, in any event, not more than 15 Business Days after the Implementation Date, the Sale Agent, in consultation with IPH, sells or procures the sale of all the Sale Shares in the ordinary course of trading on ASX in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith, and remits to XIP the proceeds of the sale (**Gross Proceeds**).
- (d) Promptly after receiving the Gross Proceeds in respect of the sale of all of the New IPH Shares referred to in clause 5.7(a), XIP must pay, or procure the payment, to each Selling Scheme Shareholder (in accordance with this clause 5.7) an amount calculated as follows:
- A ÷ B × C**
- Where:
- A = the Gross Proceeds (less any applicable brokerage, taxes, duty and other costs and charges incurred by IPH or the Sale Agent);
- B = the total number of New IPH Shares provided to the Sale Agent under clause 5.7(a); and
- C = the number of New IPH Shares provided to the Sale Agent under clause 5.7(a) in respect of that Selling Scheme Shareholder (which, for the avoidance of doubt, may be or include a fraction of a New IPH Share).
- (e) None of IPH, XIP or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New IPH Shares described in clause 5.7(a). The sale of New IPH Shares under this clause 5.7 will be at the risk of the Selling Scheme Shareholder.
- (f) XIP must make or procure the making of payments to Selling Scheme Shareholders under clause 5.7(d) by either (in the absolute discretion of XIP):
- (i) where a Selling Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the XIP Registry to receive dividend payments from XIP by electronic funds transfer to a bank account nominated by the Selling Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
- (ii) otherwise, whether or not the Selling Scheme Shareholder has made an election referred to in clause 5.7(f)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Selling Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Selling Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.11).
- (g) If XIP receives professional advice that any withholding or other tax is required by law to be withheld from a payment to a Selling Scheme Shareholder, XIP is entitled to withhold the relevant amount before making the payment to the Selling Scheme Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.7(d)). XIP must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Selling Scheme Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Selling Scheme Shareholder.

- (h) Payment of an amount to a Selling Scheme Shareholder in accordance with this clause 5.7 will be in full satisfaction of the obligations of IPH and XIP to the Selling Scheme Shareholder under the Scheme in respect of:
 - (i) in the case of an Ineligible Foreign Scheme Shareholder or a Scheme Shareholder who is deemed to have made the election in clause 5.1(b), the scrip component of that Selling Scheme Shareholder's Scheme Consideration; and
 - (ii) otherwise, any entitlement to a fraction of a New IPH Share comprising part of the scrip component of that Selling Scheme Shareholders' Scheme Consideration.
- (i) Where the provision of New IPH Shares to which a Scheme Shareholder would otherwise be entitled under this Scheme would result in a breach of law:
 - (i) IPH will provide the maximum possible number of New IPH Shares to the Scheme Shareholder without giving rise to such a breach; and
 - (ii) any further New IPH Shares to which that Scheme Shareholder is entitled, but the provision of which New IPH Shares to the Scheme Shareholder would give rise to such a breach, will instead be provided to the Sale Agent and dealt with under the preceding provisions in this clause 5.7, as if a reference to Selling Scheme Shareholders also included that Scheme Shareholder and references to that person's New IPH Shares in that clause were limited to the New IPH Shares provided to the Sale Agent under this clause.
- (j) Each Selling Scheme Shareholder appoints XIP as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Selling Scheme Shareholders under the Corporations Act.

5.8 Provision of Scheme Consideration

- (a) The Scheme Consideration in respect of each Scheme Share is either:
 - (i) Standard Consideration;
 - (ii) Maximum Cash Consideration; or
 - (iii) Maximum Scrip Consideration.
- (b) Each Scheme Shareholder is entitled to receive one of Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of each Scheme Share held by that Scheme Shareholder, subject to the terms of this Scheme (including the operation of the Sale Facility).

5.9 Provision of cash component of Scheme Consideration

- (a) IPH must, and XIP must use its best endeavours to procure that IPH does, by no later than the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to Scheme Shareholders into the Trust Account (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to IPH's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.9(a), XIP must pay or procure the payment, from the Trust Account, to each Scheme Shareholder such amount of cash from the cash component of the Scheme Consideration as that Scheme Shareholder is entitled under this clause 5 (if any).
- (c) The obligations of XIP under clause 5.9(b) will be satisfied by XIP (in its absolute discretion):
 - (i) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the XIP Registry to receive dividend payments from XIP by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.9(c)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Selling Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme

Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.11).

- (d) If XIP receives professional advice that any withholding or other tax is required by law to be withheld from a payment to a Scheme Shareholder, XIP is entitled to withhold the relevant amount before making the payment to the Scheme Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.7(d)). XIP must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Scheme Shareholder.
- (e) To the extent that, following satisfaction of XIP's obligations under clause 5.9(b), there is a surplus in the amount held by XIP as trustee for the Scheme Shareholders in the Trust Account (after taking into account any funds required to satisfy any outstanding cheques issued in accordance with this clause 5.9 and any obligations under clause 5.12), that surplus shall be paid by XIP to IPH.

5.10 Provision of scrip component of Scheme Consideration in the form of New IPH Shares

IPH must, subject to clauses 5.5, 5.6, 5.7 and 5.11:

- (a) procure that on the Implementation Date:
 - (i) the New IPH Shares to which each Scheme Shareholder is entitled under this clause 5 (if any, and taking into account the impact of the Sale Facility) are provided to such Scheme Shareholder; and
 - (ii) the name and address of each such Scheme Shareholder is entered in IPH's register of members as the holder of the New IPH Shares issued to that Scheme Shareholder on the Implementation Date (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares, and in CHESSE Holdings if the relevant Scheme Shares were held in the CHESSE Holdings and in Issuer Sponsored Holdings if the relevant Scheme Shares were held in Issuer Sponsored Holdings); and
- (b) procure that on or before the date that is five Business Days after the Implementation Date, a holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder to whom New IPH Shares are provided in accordance with clause 5.10(a) representing the number of New IPH Shares provided to that Scheme Shareholder pursuant to this Scheme,

except that in the case of New IPH Shares comprising Sale Shares to be issued under this clause 5 in respect of Scheme Consideration due to Selling Scheme Shareholders, IPH must:

- (c) on or before the Implementation Date provide or procure the provision of the Sale Shares to the Sale Agent and procure that the name and address of the Sale Agent is entered in IPH's register of members in respect of those Sale Shares;
- (d) procure that on or before the date that is five Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Sale Agent representing the number of Sale Shares provided pursuant to this Scheme; and
- (e) procure that the Sale Agent sells those Sale Shares on behalf of the Selling Scheme Shareholders in accordance with clause 5.7.

5.11 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clauses 5.7(h) and 5.9(c), any amount comprising the cash component of the Scheme Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of XIP, the holder whose name appears first in the XIP Share Register as at the Scheme Record Date or to the joint holders;
- (b) any New IPH Shares to be provided under this Scheme must be provided to and registered in the names of the joint holders; and

- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of XIP, the holder whose name appears first in the XIP Share Register as at the Scheme Record Date or to the joint holders.

5.12 Unclaimed monies

- (a) XIP may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to XIP; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to XIP (or the XIP Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), XIP must reissue a cheque that was previously cancelled under this clause 5.12.
- (c) The *Unclaimed Moneys Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes “unclaimed money” (as defined in section 7 of the *Unclaimed Moneys Act 1995* (NSW)).

5.13 Orders of a court or Government Agency

If written notice is given to XIP (or the XIP Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be provided to that Scheme Shareholder by XIP in accordance with this clause 5, then XIP shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents XIP from providing consideration to any particular Scheme Shareholder in accordance with clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, XIP shall be entitled to (as applicable):
 - (i) retain an amount equal to the cash component of the Scheme Consideration to which that Scheme Shareholder would otherwise be entitled to under this clause 5; and
 - (ii) direct IPH not to issue to that Scheme Shareholder such number of New IPH Interests that Scheme Shareholder would otherwise be entitled to under this clause 5,until such time as provision of the consideration in accordance with this clause 5 is permitted by that order or direction or otherwise by law.

5.14 Status of New IPH Shares

Subject to this Scheme becoming Effective, IPH must:

- (a) issue the New IPH Shares required to be issued by it under this Scheme on terms such that each such New IPH Share will rank equally in all respects with each existing IPH Shares;
- (b) ensure that each such New IPH Share is duly and validly issued in accordance with all applicable laws and IPH’s constituent documents, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under IPH’s constituent documents);
- (c) use all reasonable endeavours to ensure that such New IPH Shares are approved for official quotation on ASX and that trading in the New IPH Shares commences as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary (T+2) settlement basis by the first Business Day after the Implementation Date.

5.15 Total Scheme Consideration

- (a) Subject to clause 5.15(b), to avoid doubt and notwithstanding any other provision of this Scheme, the aggregate value of:
 - (i) the aggregate amount of the cash component of the Scheme Consideration to which all Scheme Shareholders are entitled under this clause 5; and

- (ii) the multiple of the Fixed Value of an IPH Share and the aggregate number of New IPH Shares to which all Scheme Shareholders are entitled under this clause 5, (collectively, the **Total Scheme Consideration**) must not exceed the multiple of the aggregate number of Scheme Shares and the Implied Offer Value (the **Maximum Scheme Consideration**), and if for any reason the Total Scheme Consideration would (but for this clause 5.15) exceed the Maximum Scheme Consideration, the requirement (or requirements) for provision of the same will be reduced (in such manner as XIP and IPH consider equitable) to ensure that no more than the Total Scheme Consideration is provided.
- (b) The limitation in clause 5.15(a) will not apply to the extent that the Total Scheme Consideration exceeds the Maximum Scheme Consideration due to any rounding applied in the application of the formulae contained in the definitions of Scrip Equivalent of Implied Offer Value or in accordance with clause 5.5 and the requirement (or requirements) for provision of Scheme Consideration will be increased (in such manner as XIP and IPH consider equitable) to take account of such issues.

6. Dealings in XIP Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in XIP Shares or other alterations to the XIP Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the XIP Share Register as the holder of the relevant XIP Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received at the place where the XIP Share Register is kept, on or before the Scheme Record Date,

and XIP will not accept for registration, nor recognise for any purpose (except a transfer to IPH under this Scheme and any subsequent transfer by IPH or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) **(Registration of transfers)** XIP must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after the Scheme Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires XIP to register a transfer that would result in a XIP Shareholder holding a parcel of XIP Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules).
- (b) **(No registration after Scheme Record Date)** XIP will not accept for registration or recognise for any purpose any transmission application or transfer in respect of XIP Shares received after the Scheme Record Date, other than to IPH in accordance with this Scheme and any subsequent transfer by IPH or its successors in title.
- (c) **(Maintenance of XIP Share Register)** For the purpose of determining entitlements to the Scheme Consideration, XIP must maintain the XIP Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders. The XIP Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) **(No disposal after Scheme Record Date)** From the Scheme Record Date until registration of IPH in respect of all Scheme Shares under clause 4, no XIP Shareholder may dispose or otherwise deal with XIP Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and XIP shall be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Scheme Record Date)** All statements of holding for XIP Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those shares (other than statements of holding in favour of any Excluded Shareholders). As from the Scheme Record Date, each entry current at that date on the XIP Share Register (other than entries in respect of any Excluded Shareholder) will cease to

have effect except as evidence of entitlement to the Scheme Consideration in respect of the XIP Shares relating to that entry.

- (f) **(Provision of Scheme Shareholder details)** As soon as practicable after the Scheme Record Date and in any event within one Business Day after the Scheme Record Date, XIP will ensure that details of the names, Registered Addresses and holdings of XIP Shares for each Scheme Shareholder are available to IPH in the form IPH reasonably requires.

7. Quotation of XIP Shares

- (a) XIP will apply to ASX to suspend trading on the ASX in XIP Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by IPH, and only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(b), XIP will apply:
 - (i) for termination of the official quotation of XIP Shares on ASX; and
 - (ii) to have itself removed from the official list of ASX.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) XIP may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which IPH has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for XIP has consented.

8.2 Binding effect of Scheme

This Scheme binds XIP and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of XIP.

8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their XIP Shares together with all rights and entitlements attaching to those XIP Shares in accordance with this Scheme;
- (b) agrees to any variation, cancellation or modification of the rights attached to their XIP Shares constituted by or resulting from this Scheme;
- (c) agrees to, on the direction of IPH, destroy any share certificates relating to their XIP Shares;
- (d) agrees to become a shareholder of IPH and to be bound by its constitution; and
- (e) acknowledges and agrees that this Scheme binds XIP and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting).

8.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to XIP, in its own right and for the benefit of IPH, that as at the Implementation Date:
 - (i) all of its XIP Shares which are transferred to IPH under this Scheme, including any rights and entitlements attaching to those XIP Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

- (ii) all of its XIP Shares which are transferred to IPH under this Scheme will, on the date on which they are transferred to IPH, be fully paid;
 - (iii) it has full power and capacity to transfer its XIP Shares to IPH together with any rights attaching to those XIP Shares; and
 - (iv) it has no existing right to be issued any XIP Shares, options exercisable into XIP shares, options, convertible notes or any other securities, other than, in the case of any Scheme Shareholder who is also the holder of XIP Performance Rights, the right to be issued XIP Shares on the exercise of those XIP Performance Rights before the Scheme Record Date in accordance with their terms.
- (b) XIP undertakes that it will provide the warranties in clause 8.4(a) to IPH as agent and attorney of each Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, IPH will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by XIP of IPH in the XIP Share Register as the holder of the Scheme Shares.

8.6 Authority given to XIP

- (a) Scheme Shareholders will be deemed to have authorised XIP to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints XIP and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
- (i) enforcing the Deed Poll against IPH, and XIP undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against IPH on behalf of and as agent and attorney for each Scheme Shareholder; and
 - (ii) executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares,
- and XIP accepts each such appointment.

8.7 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5 until XIP registers IPH as the holder of all Scheme Shares in the XIP Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed IPH as its attorney and agent (and directed IPH in such capacity) to appoint an officer or agent nominated by IPH as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of XIP, exercise the votes attaching to the Scheme Shares registered in its name and sign any Shareholders' resolution;
- (b) undertakes not to otherwise attend Shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as IPH reasonably directs; and

- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), IPH and any officer or agent nominated by IPH under clause 8.7(a) may act in the best interests of IPH as the intended registered holder of the Scheme Shares.

8.8 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Shareholder to XIP binding or deemed binding between the Scheme Shareholder and XIP relating to XIP or XIP Shares (including any email addresses, instructions relating to communications from XIP, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from XIP) will be deemed from the Implementation Date (except to the extent determined otherwise by IPH in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to IPH until that instruction, notification or election is revoked or amended in writing addressed to IPH at its registry.

9. General

9.1 Stamp duty

IPH must pay all stamp duty payable in connection with the transfer of the Scheme Shares to IPH pursuant to this Scheme.

9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to XIP, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at XIP's registered office or at the office of XIP Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non receipt of such a notice by any XIP Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further assurances

- (a) XIP must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to XIP doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

9.4 Governing law and jurisdiction

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme

9.5 No liability when acting in good faith

Each Scheme Shareholder agrees that neither XIP nor IPH nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure D

Deed Poll

Execution version

Deed poll

IPH Limited ACN 169 015 838 (IPH)
In favour of each Scheme Shareholder

Deed poll

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Details

Date 17 June 2019

Parties

Name	IPH Limited
ACN	169 015 838
Short form name	IPH
Notice details	Level 24, Tower 2, Darling Park, 201 Sussex Street, Sydney NSW 2000 Email: pheuzenroeder@iphltd.com.au Attention: Philip Heuzenroeder

Name	In favour of each Scheme Shareholder
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Background

- A IPH and XIP entered into the Scheme Implementation Deed to provide for (among other matters) the implementation of the Scheme.
- B The effect of the Scheme will be to transfer all Scheme Shares to IPH in return for the Scheme Consideration.
- C IPH enters this deed poll to covenant in favour of Scheme Shareholders to:
 - (i) perform the actions attributed to it under the Scheme; and
 - (ii) provide the Scheme Consideration in accordance with the Scheme.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this document:

Scheme means the scheme of arrangement which forms schedule 7 to the Scheme Implementation Deed.

Scheme Implementation Deed means the Scheme Implementation Deed dated on or about 11 April 2019 between IPH and XIP.

XIP means Xenith IP Group Limited ABN 88 607 873 209.

Trust Account has the meaning given in the Scheme.

1.2 Terms defined in Scheme Implementation Deed

Words and phrases defined in the Scheme Implementation Deed or the Scheme have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.1 (if not otherwise defined in this deed poll), 1.2 and 1.3 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with 'deed poll' substituted for 'deed' and with any reference to 'party' being taken to include the Scheme Shareholders.

2. Nature of this deed poll

2.1 Reliance

IPH agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

2.2 Enforcement

IPH agrees that under the Scheme, each Scheme Shareholder irrevocably appoints XIP and each of its directors and officers of XIP (jointly and severally) as its agent and attorney to enforce this Deed Poll against IPH on behalf of each Scheme Shareholder.

3. Conditions

3.1 Conditions

IPH's obligations under clause 4 are subject to the Scheme becoming Effective.

3.2 Termination

This deed poll and the obligations of IPH under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms prior to the Scheme becoming Effective; or
- (b) the Scheme is not Effective by the End Date or any later date as the Court, with the consent of IPH and XIP, may order,

unless XIP and IPH otherwise agree in writing.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) IPH is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against IPH in respect of any breach of this deed poll which occurred before it terminated.

4. Performance of obligations

4.1 Generally

Subject to clause 3, IPH covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if it were a party to the Scheme.

4.2 Provision of Scheme Consideration

- (a) Subject to clause 3, IPH undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme, including by:
 - (i) depositing (or procuring the deposit), in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to all Scheme Shareholders under the Scheme into the Trust Account (except that the amount of any interest on the amount deposited will be to IPH's account);
 - (ii) issuing, on or before the Implementation Date the New IPH Shares required to be issued under the Scheme and procuring that the name of each Scheme Shareholder entitled to receive New IPH Shares under the Scheme is entered in the IPH's register of members as the holder of those New IPH Shares (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares, and in CHESS Holdings if the relevant Scheme Shares were held in the CHESS Holdings and in Issuer Sponsored Holdings if the relevant Scheme Shares were held in Issuer Sponsored Holdings); and
 - (iii) procure that the name of the Sale Agent is entered in IPH's register of members as the holder of the Sale Shares (with such holding details as the Sale Agent notifies).
- (b) On or before the date that is 5 Business Days after the Implementation Date, IPH must send or procure the sending of an allotment advice or holding statement (or equivalent document) to each Scheme Shareholder entitled to receive IPH Shares under this Scheme, reflecting the issue of such New IPH Shares in accordance with clause 4.2(a).

5. Warranties

IPH represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
 - (ii) its constitution or other constituent documents; or

- (iii) any other document which is binding on it or its assets; and
- (f) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. Continuing Obligations

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) IPH having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

6.2 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by XIP; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by XIP and is approved by the Court,

in which event IPH will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

7. Notices

Any notice, demand or other communication (a **Notice**) to IPH in respect of this deed poll:

- (a) must be in writing;
- (b) must be sent to the address for service of the addressee specified in the Details;
- (c) must be signed by the sender or a person duly authorised by it;
- (d) must be delivered to the intended recipient or posted by prepaid post (if posted to an address in another country, by registered airmail), or sent by email to the email address, of the addressee, in accordance with the Details;
- (e) will be conclusively taken to be duly given or made:
 - (i) **(in the case of delivery by prepaid post)**, on the third Business Day after the date of posting (if posted to an address within Australia) or the fifth Business Day after the date of posting (if posted to an address outside Australia); or
 - (ii) **(in the case of delivery in hand)**, on delivery at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made before 9.00am or after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on that or the next Business Day (as the context requires); and
 - (iii) **(in the case of email)**, immediately after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, unless that local time is not a Business Day, or is before 9.00am or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on that or the next Business Day (as the context requires).

8. General Provisions

8.1 Assignment

- (a) The rights and obligations of IPH and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of IPH and XIP.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of IPH and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 No waiver

- (a) IPH may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on words or conduct of IPH as a waiver of any right unless the waiver is in writing and signed by IPH.
- (d) The meanings of the terms used in this clause 8.3 are set out below.

conduct includes delay in the exercise of a right.

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

IPH must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll.

8.5 Further assurances

IPH will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters IPH irrevocably:

- (a) submit to the non-exclusive jurisdiction of courts with jurisdiction there; and
- (b) waive any right to object to the venue on any ground.

Signing page

EXECUTED and delivered as a deed poll.


Executed by IPH Limited ACN 169 015 838 in accordance with Section 127 of the Corporations Act 2001



Signature of director

ANDREW PLATTMAN

Name of director (print)



Signature of ~~director~~/company secretary
(Please delete as applicable)

PHILIP HEIZENROEDER

Name of ~~director~~/company secretary (print)

Annexure E

Notice of Scheme Meeting

Notice of Court ordered Scheme Meeting of Shareholders of Xenith IP Group Ltd ACN 607 873 209

Notice is given that, by an order of the Federal Court of Australia (**Court**) made on 18 June 2019, a meeting of shareholders of Xenith IP Group Limited ACN 607 873 209 (**Xenith** or the **Company**) will be held at Level 9, 60 Margaret Street, Sydney, New South Wales at 10:30am (Sydney time) on Thursday 25 July 2019 (**Scheme Meeting**).

The Court has directed that Sibylle Krieger be Chair of the Scheme Meeting, or failing her, Robert Alexander.

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement (**Scheme**) proposed to be made between Xenith and IPH Limited ACN 169 015 838 (**IPH**) under which it is proposed that IPH will acquire all of the shares in Xenith that it does not already own for a combination of cash and scrip consideration.

Information about the Scheme

Information about the Scheme is set out in the Scheme Booklet accompanying this notice (**Scheme Booklet**). A copy of the Scheme is at Annexure C of the Scheme Booklet and its purpose and effect is explained in the Scheme Booklet. **Please read them carefully.**

Terms used in this Notice of Scheme Meeting have the same meaning as in the glossary at section 14 of the Scheme Booklet.

Scheme Resolution

To consider and, if thought fit, pass (with or without amendment) the following resolution (**Scheme Resolution**):

'That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Xenith and the holders of its fully paid ordinary shares (other than Excluded Shareholders), the terms of which are contained in and more precisely described in the Scheme Booklet to which this Notice of Scheme Meeting is attached, is approved and that the board of Directors of Xenith is authorised to agree to those modifications or conditions which are thought appropriate by the Court and, subject to the approval of the Scheme by the Court, to implement the Scheme with any of those modifications or conditions.'

Requisite Majority

Under section 411(4)(a)(ii) of the Corporations Act 2001 (Cth) (**Corporations Act**), the Scheme Resolution must be passed by:

- a) unless the Court orders otherwise, a majority in numbers of the holders of Xenith Shares present and voting (either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative); and
- b) at least 75% of the total votes cast on the Scheme Resolution (either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative).

Meeting Procedure

The vote will be conducted by poll. The Chair will give shareholders a reasonable opportunity to ask questions about, or comment on, the Scheme.

Entitlement to attend and vote

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7.00pm (Sydney time) on Tuesday 23 July 2019 will be entitled to attend and vote at the Scheme Meeting as a shareholder.

If more than one joint holder of shares is present at the Scheme Meeting (whether personally, by proxy, by attorney or, for corporate shareholders, by corporate representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

IPH and its associates will not vote on the Scheme Resolution.

Appointment of Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Scheme Meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the share registry of the Company no later than 48 hours before the Scheme Meeting. Proxies must be received before that time by one of the following methods:

By post: Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001 Australia

By facsimile: 1800 783 447 (within Australia) +61 3 9473 2555 (outside of Australia)

By delivery in person: Level 4 60 Carrington Street Sydney NSW 2000

Online: www.investorvote.com.au (for Shareholders) www.intermediaryonline.com (Intermediary Online subscribers only)

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Power of Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 48 hours before the Scheme Meeting.

Corporate Representatives

A body corporate that is a shareholder, or that has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Scheme Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the Scheme Meeting a properly executed letter or other document confirming its authority to act as the Company's representative.

A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online at www.investorcentre.com under the help tab, "Printable Forms".

IMPORTANT: If you appoint the Chair of the Scheme Meeting as your proxy, or the Chair becomes your proxy by default, and you do not direct your proxy how to vote on the Scheme Resolution, then by submitting the proxy form you will be expressly authorising the Chair to exercise your proxy in favour of the Scheme Resolution.

Corporate directory

Xenith IP Group Limited (ACN 607 873 209)

Directors

Sibylle Krieger – Chair and Non-executive Director
Craig Dower – CEO and Managing Director
Stuart Smith – Executive Director
Susan Forrester – Non-executive Director
Kathryn Spargo – Non-executive Director
Robert Alexander – Non-executive Director

Company Secretary

Sarah Prince
Company Matters Pty Ltd
680 George Street
Sydney NSW 2000

Registered office

Level 9
60 Margaret Street
Sydney NSW 2000
www.xenithip.com
Telephone: +61 2 9057 9100

Financial adviser

Investec Australia Limited
Level 23, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Legal adviser

Hogan Lovells
Level 17, 20 Martin Place
Sydney NSW 2000

Independent Expert

Lonergan Edwards & Associates Limited
Level 7
64 Castlereagh Street
Sydney NSW 2000

Investigating Accountant

KPMG Transaction Services
Tower Three, International Towers Sydney
Level 38, 300 Barangaroo Avenue
Sydney NSW 2000

Share registry

Computershare Investor Services Pty Limited
GPO Box 2975EE
Melbourne VIC 3000
Telephone: 1300 346 808
Overseas callers: +61 3 9415 4140

Auditor

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