

MALLESONS STEPHEN JAQUES

28 November 2008

To: Company Announcements Office
Australian Securities Exchange

Fax: 1300 135 638

Pages: 9 (including cover page)

Dear Sir / Madam

Subject: Vectis Group Pty Ltd - intention to make a takeover bid for Espreon Limited (EON)

We act for Vectis Group Pty Ltd (**Vectis**).

On behalf of Vectis, we attach an announcement of an intention to make an off-market takeover bid for Espreon Limited.

Yours sincerely



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Vectis Announces Cash Offer for Espreon

Vectis Group Pty Limited ("Vectis") has today announced a cash offer for all the issued shares in Espreon Limited ("Espreon")¹. The offer is \$0.40 cash per Espreon share. This will be increased to \$0.42 cash per Espreon share if Vectis acquires a relevant interest in 90% or more of Espreon shares and becomes entitled to proceed to compulsory acquisition. Vectis already has a relevant interest in 19.73% of all Espreon shares.

Mr Alan Schwartz, the Executive Chairman of Vectis, commented: "Espreon's recently announced agreement to sell its Corporate Services and Billback businesses for only \$18 million, crystallising a loss of \$22 million, confirms that there has been a major fall in the value of Espreon. In this context we believe that our cash offer of \$0.40 per Espreon share, which will be increased to \$0.42 per Espreon share if we become entitled to proceed to compulsory acquisition, should be extremely attractive to Espreon shareholders".

The offer represents a very substantial premium to recent Espreon share prices:

- the offer price of \$0.40 cash per Espreon share is a 57% premium to the volume weighted average price ("VWAP") of \$0.254 at which Espreon shares traded for the period 7 November 2008, the day after it was announced that Vectis' proposed acquisition of Espreon by way of scheme of arrangement would not proceed, and 27 November 2008; and
- the price of \$0.42 cash per share that Vectis will pay if it becomes entitled to proceed to compulsory acquisition is a 65% premium to the VWAP for Espreon shares for the period 7 November to 27 November 2008.

The offer will be subject to the conditions set out in full in Annexure A. These include a condition that acceptances are received from the holders of all of the Espreon shares in which the following major shareholders in Espreon (or their related bodies corporate) have a relevant interest - Hunter Hall Investment Management Limited, LUT Investments Pty Limited, Thorney Pty Limited, Adam Smith Asset Management Pty Limited and MMC Contrarian Limited. Vectis will waive all other conditions (unless any have been previously breached or become incapable of fulfilment) once acceptances are received (and there is no entitlement to withdraw any such acceptance) from these five major shareholders.

Accepting shareholders will receive payment for their shares within five business days of the offer being declared unconditional, or, if the offer is already unconditional, within five business days of receipt of their acceptance.

¹ The offer extends to Espreon shares that may be issued on exercise of any Espreon options during the offer period.

Mr Alan Schwartz continued "We believe that the certainty of our cash offer will be compelling for Espreon shareholders. Since Espreon first announced on 10 June 2008 that Vectis had made an indicative proposal to acquire Espreon, there have been major falls in Australian and global share markets. The S&P/ASX Small Ordinaries Index has fallen by around 50% over the period. The performance of Espreon's core business has declined significantly and it is our view that there has been a substantial deterioration in Espreon's prospects for the foreseeable future. Shareholders will be paid within five business days of acceptance once the offer is unconditional, which will happen as soon as acceptances are received from the holders of all of the Espreon shares in which the specified major shareholders have a relevant interest, unless any condition has already been breached or become incapable of fulfilment."

The offer price (\$0.40 per Espreon share or \$0.42 per Espreon share if Vectis becomes entitled to proceed to compulsory acquisition) may be reduced for any dividend or other distribution or right on Espreon shares the benefit of which is not received by Vectis.

Vectis expects to deliver its Bidder's Statement to ASIC, Espreon and ASX by the end of next week.

For further information, please contact:

Grant Samuel Corporate Finance Pty Ltd

Stephen Cooper or Cam Stewart
(03) 9949 8800

Annexure A - Conditions of the offer

The Offers and any contracts resulting from acceptance of the Offers are subject to the fulfilment of the following conditions:

- (a) **(Specified Shareholders)** that:
- (i) the holders of all of the Espreon Shares in which a Specified Shareholder (or a Related Body Corporate of a Specified Shareholder) has a Relevant Interest accept the Offer in respect of all of those Espreon Shares (and are not entitled to withdraw that acceptance); and
 - (ii) between the Announcement Date and the end of the Offer Period (each inclusive):
 - (A) no Specified Shareholder (nor any Related Body Corporate of a Specified Shareholder) has ceased to have a Relevant Interest in, any or all of the Espreon Shares in which it has a Relevant Interest at the Announcement Date; or
 - (B) no other person obtains a Relevant Interest (howsoever arising) in any or all of the Espreon Shares in which a Specified Shareholder (or any Related Body Corporate) has a Relevant Interest, other than pursuant to acceptance of the Offer;
- (b) **(Subsequent Substantial Shareholders)** either:
- (i) there is no Subsequent Substantial Shareholder; or
 - (ii) the holders of all of the Espreon Shares in which a Subsequent Substantial Shareholder (or a Related Body Corporate of a Subsequent Substantial Shareholder) has a Relevant Interest accept the Offer in respect of all of those Espreon Shares (and are not entitled to withdraw that acceptance);
- (c) **(index decline)** that, between the Announcement Date and the end of the Offer Period (each inclusive), the S&P/ASX Small Ordinaries Index does not close on any trading day at or below a level that is 90% or less of the level as at the close of trading on the Announcement Date;
- (d) **(trading performance)** that between the Announcement Date and the end of the Offer Period (each inclusive), there has been no Trading Performance Event;

- (e) **(no restraining orders)** that between the Announcement Date and the end of the Offer Period (each inclusive):
- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
 - (ii) no application is made to any Public Authority (other than by any member of the Vectis Group), or action or investigation is announced, threatened or commenced by a Public Authority,

in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:

- (iii) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Vectis in respect of Espreon and the Espreon Shares to be acquired under the Offer; or
 - (iv) requires the divestiture by Vectis of any Espreon Shares, or the divestiture of any assets of the Espreon Group, the Vectis Group or otherwise;
- (f) **(no material adverse event)** that there has been no Material Adverse Event;
- (g) **(no material acquisitions, disposals or new commitments)** except for any proposed transaction publicly announced by Espreon before the Announcement Date, none of the following events occur between the Announcement Date and the end of the Offer Period (each inclusive):
- (i) Espreon or any subsidiary of Espreon acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$250,000 or makes an announcement in relation to such an acquisition, offer or agreement;
 - (ii) Espreon or any subsidiary of Espreon disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in Espreon's statement of financial position as at 30 June 2008) is, in aggregate, greater than \$250,000 or makes an announcement in relation to such a disposition, offer or agreement;
 - (iii) other than in the ordinary course of business, Espreon or any subsidiary of Espreon enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership,

management agreement or commitment which would require expenditure, or the foregoing of revenue, by Espreon and/or its subsidiaries of an amount which is, in aggregate, more than \$250,000 or makes an announcement in relation to such an entry, offer or agreement;

- (h) **(no termination of Sale Agreement)** that, between the Announcement Date and the end of the Offer Period (each inclusive):
- (i) the Sale Agreement is not terminated or breached; or
 - (ii) no intention to terminate or threat to terminate the Sale Agreement is announced or otherwise becomes known to Vectis (whether or not becoming public); or
 - (iii) no condition precedent to the Sale Agreement is breached or becomes incapable of being fulfilled or is reasonably likely to or could reasonably be expected to be breached or become incapable of being fulfilled;
- (i) **(no distributions)** between the Announcement Date and the end of the Offer Period (each inclusive), neither Espreon nor any of its Related Bodies Corporate makes, determines or declares, or announces an intention to make, determine or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for any distribution which has been publicly announced by Espreon on ASX before the Announcement Date or any distribution by a Related Body Corporate of Espreon where the recipient of that distribution is Espreon;
- (j) **(no prescribed occurrences)** that during the Offer Period, none of the following events happen:
- (i) Espreon converts all or any of its shares into a larger or smaller number of shares;
 - (ii) Espreon or a subsidiary resolves to reduce its share capital in any way;
 - (iii) Espreon or a subsidiary:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
 - (iv) Espreon or a subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) Espreon or a subsidiary issues, or agrees to issue, convertible notes;

- (vi) Espreon or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Espreon or a subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) Espreon or a subsidiary resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of Espreon or of a subsidiary is appointed;
 - (x) a court makes an order for the winding up of Espreon or of a subsidiary;
 - (xi) an administrator of Espreon or of a subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (xii) Espreon or a subsidiary executes a deed of company arrangement; or
 - (xiii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Espreon or of a subsidiary; and
- (k) **(no prescribed occurrences prior to Offer Period)** that during the period from the Announcement Date to the commencement of the Offer Period (each inclusive), none of the events listed in subparagraphs (i) to (xiii) of section (j) happened.

In these conditions:

Announcement Date means 28 November 2008, being the date of announcement by Vectis of an intention to make an off-market takeover bid for Espreon.

Associate has the meaning given to it in the Corporations Act.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited, operating the Australian Securities Exchange.

Corporations Act means the Corporations Act 2001 (Cwlth).

EBITDA means earning before interest, tax, depreciation and amortisation.

Espreon means Espreon Limited (ACN 090 651 700).

Espreon Group means Espreon and its subsidiaries.

Espreon Shares means fully paid ordinary shares in the capital of Espreon.

Material Adverse Event means an event, matter, change, condition or occurrence having occurred, being announced or becoming known (whether or not becoming public) to Vectis that will, or is reasonably likely to, or could reasonably be expected

to have a material adverse effect on the business, assets, liabilities, financial or trading position or performance, profitability or prospects of Espreon or any of its subsidiaries, including as a result of making the Offers or the acquisition of Espreon Shares pursuant to the Offers and including where it becomes known to Vectis that information publicly filed or otherwise disclosed to Vectis by Espreon or any of its Related Bodies Corporate is, or is likely to be, incomplete, incorrect, untrue or misleading. For these purposes, an event, matter, change, condition or occurrence includes:

- (a) an event, matter, change, condition or occurrence that occurs between the Announcement Date and the end of the Offer Period (each inclusive);
- (b) an event, matter, change, condition or occurrence that occurs at any time prior to the Announcement Date but is publicly announced or disclosed (or which becomes known to Vectis) after the Announcement Date; or
- (c) an event, matter, change, condition or occurrence that will or is reasonably likely to or could reasonably be expected to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date; and
- (d) in all cases, includes any unusual or one-off events or occurrences;

Offer means the offer by Vectis to acquire Espreon Shares on the terms and conditions to be set out in the bidder's statement.

Offer Period means the period during which the Offer is open for acceptance.

Public Authority means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

Reckon means Reckon Limited (ABN 14 003 348 730).

Related Body Corporate has the meaning given to it in the Corporations Act.

Relevant Interest has the meaning given to it in the Corporations Act.

Sale Agreement means the agreement between Espreon and Reckon in relation to the sale by Espreon of its Corporate Services and Billback Systems businesses to Reckon (and announced by Espreon on 27 November 2008)

Scheme means the proposed scheme of arrangement between Espreon and its shareholders pursuant to the scheme implementation agreement between Vectis and Espreon dated on or around 22 August 2008.

Specified Shareholders means each of Hunter Hall Investment Management Limited (ACN 063 081 612), LUT Investments Pty Limited (ACN 056 652 174), Thorney Pty Limited (ACN 008 595 453), Adam Smith Asset Management Pty Limited (ACN 105 984 003) and MMC Contrarian Limited (ACN 106 248 248).

Subsequent Substantial Shareholder means any person who, between the Announcement Date and the end of the Offer Period (each inclusive), obtains (together with their Associates) or announces that they have obtained (together with

their Associates) a Relevant Interest in 5% or more of the total number of Espreon Shares on issue (but who is not a Specified Shareholder).

Takeovers Panel means the peer review body established under section 171 of the *Australian Securities and Investments Commission Act 2001* (Cth). The Takeovers Panel is given various powers under Part 6.10 of the Corporations Act and is the primary forum for resolving disputes during the bid period of a takeover.

Trading Performance Event means:

- (a) Espreon announcing (including in its Target's Statement or in a release to ASX) that; or
- (b) an event, matter, change, condition or occurrence having occurred or becoming known (whether or not becoming public) to Vectis (and including where it becomes known to Vectis that information publicly filed or otherwise disclosed to Vectis by Espreon or any of its Related Bodies Corporate is, or is likely to be, incomplete, incorrect, untrue or misleading) that has resulted in, is reasonably likely to result in or could reasonably be expected to result in,

either revenue or EBITDA (excluding Scheme costs) for the Property Services business division for the six month period to 31 December 2008 being, or will be, less than 85% of revenue or EBITDA (excluding Scheme costs) (as applicable) for the six month period to 31 December 2007.

Vectis means Vectis Group Pty Ltd (ACN 124 666 806).

Vectis Group means Vectis and its subsidiaries.