

# MALLESONS STEPHEN JAQUES

Company Announcements Manager  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000  
By fax: 1300 135 638

5 December 2008

Pages: 7 (including cover page)

Dear Sir/Madam

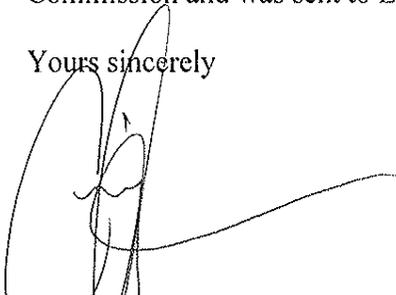
**Vectis Group Pty Ltd - Takeover bid for Espreon Limited (ACN 090 651 700)**

We act for Vectis Group Pty Ltd (ACN 124 666 806) (**Vectis**).

We enclose, in accordance with section 633(1) item 5 of the Corporations Act 2001 (Cth) (**Corporations Act**), a copy of Vectis' bidder's statement (**Bidders Statement**) in relation to the off-market takeover bid under Chapter 6 of the Corporations Act by Vectis for all shares in Espreon Limited (ACN 090 651 700) (**Espreon**).

The Bidder's Statement has been lodged with the Australian Securities & Investments Commission and was sent to Espreon earlier today.

Yours sincerely



Craig Semple  
Partner  
Direct line +61 3 9643 4262  
Email [craig.semple@mallesons.com](mailto:craig.semple@mallesons.com)



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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to how to deal with it, you should consult your legal, financial or other professional adviser as soon as possible.

# **BIDDER'S STATEMENT**

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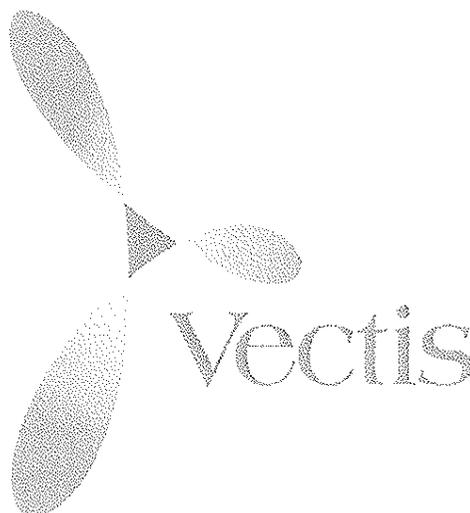
## **Cash offer**

by

**VECTIS GROUP PTY LTD**

ACN 124 666 806

to purchase all of your shares in



**ESPREON LIMITED**

ACN 090 651 700

**For each Espreon Share you will receive \$0.40 cash.**

This will be increased to \$0.42 cash if Vectis acquires a Relevant Interest in 90% or more of Espreon Shares and becomes entitled to proceed to compulsory acquisition

The Offer is dated [•] December 2008 and is scheduled to close at 7.00pm (Melbourne time) on [•] 2009, unless extended or withdrawn.

**Financial Adviser**

**GRANT SAMUEL**

■ ■ ■

**Legal Adviser**

**MALLESONS STEPHEN JAQUES**

# Bidder's Statement

## Important Notice

This Bidder's Statement is given by Vectis Group Pty Ltd ACN 124 666 806 (**Vectis**), to Espreon Limited ACN 090 651 700 (**Espreon**) under Part 6.5 of the Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your Espreon Shares.

This Bidder's Statement is dated 5 December 2008. It includes an Offer dated [●] on the terms set out in Appendices 1 and 2 of this Bidder's Statement.

A copy of this Bidder's Statement was lodged with ASIC on 5 December 2008. ASIC takes no responsibility for the content of this Bidder's Statement.

## Defined Terms

Terms used in this Bidder's Statement are defined in the Glossary in section 9.

## Investment decisions

This Bidder's Statement does not take into account the individual investment objectives, financial situation or particular needs of each Shareholder. You should consider seeking independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

## Forward looking statements

In addition to the historical information contained in this Bidder's Statement, some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. Such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Espreon operates as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially. None of Vectis, Vectis' officers, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any

forward looking statement, except to the extent required by law.

## Notice to foreign shareholders

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

## Privacy

Vectis has collected your information from the register of Shareholders for the purposes of making this Offer and, if accepted, administering your holding of Espreon Shares. The Corporations Act requires the names and addresses of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to related bodies corporate of Vectis, and holders of securities in Vectis or its related bodies corporate and external service providers, and may be required to be disclosed to regulators, such as ASIC. The registered office of Vectis is c/- GMK Centric Pty Ltd, Level 27, 150 Lonsdale Street, Melbourne, Victoria, 3000.

## Enquiries

If you are in any doubt how to deal with this Bidder's Statement, you should consult your broker or your legal, financial or other professional adviser.

5 December 2008



Vectis Group Pty Ltd  
ACN 124 666 806  
Level 4/164 Flinders Lane  
Melbourne VIC 3000

Dear Espreon Shareholder

We have great pleasure in presenting to you this Offer by Vectis Group Pty Limited (**Vectis**) to acquire all your shares in Espreon, at \$0.40 cash per share. The offer price will be increased to \$0.42 per share if Vectis acquires a Relevant Interest in at least 90% of Espreon Shares and becomes entitled to proceed to compulsory acquisition of all Espreon Shares.

We believe that the Vectis offer is compelling:

- the Offer price of \$0.40 cash per share represents a 57% premium to the volume weighted average price of \$0.254 at which Espreon shares have traded since the termination of the proposed scheme of arrangement (before the announcement of the Offer). If Vectis becomes entitled to move to compulsory acquisition of all Espreon Shares and the Offer price is increased to \$0.42 cash per share, the premium will be 65% to that same VWAP;
- the Offer will deliver certain value in cash to Shareholders (upon becoming unconditional). The Offer will be declared unconditional once acceptances are received in respect of all Espreon Shares in which Espreon's five major shareholders (other than Vectis) have a Relevant Interest (unless a condition of the Offer has already been breached or becomes incapable of fulfilment). Once the Offer is declared unconditional, all validly accepting Shareholders will be paid within 5 Business Days of that declaration or of their valid acceptance (whichever is the later);
- the Offer represents fair value. The Espreon board recommended the acquisition of Espreon by scheme of arrangement at \$0.62 per share on 22 August 2008. Between that date and the announcement of the Offer, the S&P/ASX Small Ordinaries Index has declined by 42.5%. Major dislocations in credit markets and a fall in business and consumer confidence have resulted in a significant deterioration in trading conditions. Moreover, Espreon has announced the sale of its Corporate Services and Billback businesses for only \$18 million, at a loss of approximately \$22 million. These businesses contributed around 38.1% of Espreon's earnings before interest, tax, depreciation and amortisation for the year to 30 June 2008. In these circumstances \$0.40 cash per share is full and fair consideration for your shares; and
- Espreon's trading prospects are highly uncertain, given the difficult business environment facing the company. Espreon recently announced the resignation of its managing director and no permanent replacement has been appointed. Given the limited trading in Espreon Shares, it will be

difficult for Shareholders to realise fair value for their shareholdings other than through this Offer.

Detailed information regarding the Offer is set out in this Bidder's Statement, which you should read in its entirety. In particular, the Offer is subject to a condition that Vectis receives acceptances in respect of all Espreon Shares in which the five major Espreon shareholders (other than Vectis) have a Relevant Interest (and there is no entitlement to withdraw those acceptances). Those major shareholders are Hunter Hall Investment Management Ltd, LUT Investment Pty Ltd, Thorney Pty Ltd, Adam Smith Asset Management Pty Ltd and MMC Contrarian Ltd. Vectis expects that such acceptances would result in Vectis having a Relevant Interest in approximately 67% of the Espreon Shares on issue.

***Vectis will waive all other conditions (unless any have been previously breached or become incapable of fulfilment) if it receives acceptances in respect of all Espreon Shares in which the five major Espreon shareholders have a Relevant Interest.***

We urge you to accept the Offer as soon as possible. To accept the Offer, you should follow the instructions set out in the enclosed Acceptance Form and in this Bidder's Statement.

Yours sincerely

**Alan Schwartz**  
**Executive Chairman**

**Jacob Weinmann**  
**Managing Director**

## Contents

<b>Letter from the Directors</b>	<b>2</b>
<b>How to accept this Offer</b>	<b>5</b>
<b>Why you should accept the Offer by Vectis</b>	<b>6</b>
<b>Frequently Asked Questions</b>	<b>16</b>
<b>1 Overview of the Offer</b>	<b>18</b>
<b>2 Information about Vectis</b>	<b>21</b>
<b>3 Information about Espreon</b>	<b>23</b>
<b>4 Intentions of Vectis</b>	<b>26</b>
<b>5 Share capital information</b>	<b>31</b>
<b>6 Funding</b>	<b>34</b>
<b>7 Taxation considerations</b>	<b>35</b>
<b>8 Additional information</b>	<b>38</b>
<b>9 Glossary</b>	<b>43</b>
<b>10 Approval of Bidder's Statement</b>	<b>48</b>
<b>Appendix 1 - Formal terms of the Offer</b>	<b>49</b>
<b>Appendix 2 - Conditions of the Offer</b>	<b>61</b>

## Key dates

<b>Announcement Date</b>	<b>28 November 2008</b>
<b>Date of this Bidder's Statement</b>	<b>5 December 2008</b>
<b>Date of Offer</b>	<b>[●] 2008</b>
<b>Offer closes (unless extended or withdrawn)</b>	<b>7.00pm (Melbourne time) [●] 2009</b>

## How to accept this Offer

Acceptances for the Offer must be received before the end of the Offer Period.

How you accept this Offer depends on whether you hold your Espreon Shares in a CHESS Holding or an Issuer Sponsored Holding. Information about how you hold your Espreon Shares and how to accept the Offer is contained on your personalised Acceptance Form.

### ***If you hold your Espreon Shares in a CHESS Holding*** (Your HIN starts with an "X")

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Either:

- instruct your Controlling Participant (usually your broker) to initiate acceptance of this Offer in accordance with the ASTC Settlement Rules; or
- complete, sign and send the Acceptance Form directly to your Controlling Participant; or
- complete and sign the Acceptance Form and lodge it by returning it to an address set out below (and on the Acceptance Form) which will authorise Vectis to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf,

in sufficient time for the Offer to be accepted before the end of the Offer Period.

### ***If you hold your Espreon Shares in an Issuer Sponsored Holding*** (Your SRN starts with an "I")

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Complete and sign the enclosed Acceptance Form in accordance with the instructions on the form and within this Bidder's Statement and return it to an address below so that it is received by no later than 7.00pm (Melbourne time) on [●], unless the Offer is extended:

**BY MAIL** (a reply paid envelope is enclosed)

Vectis Offer  
C/- Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001

**HAND DELIVERY** (Melbourne only)

Attention Corporate Actions  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

*If you have lost your Acceptance Form and require a replacement, please call Computershare on 1300 257 943 or (03) 9415 4886.*

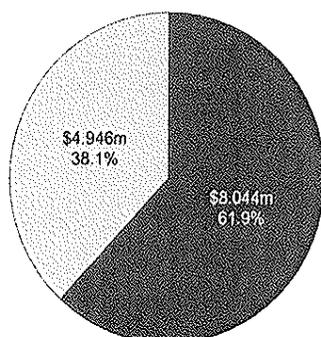
## Why you should accept the Offer by Vectis

### 1 The recently announced sale of Espreon's Corporate Services and Billback businesses confirms a dramatic reduction in the value of Espreon

- On 27 November 2008, Espreon announced the sale of its Corporate Services and Billback businesses to Reckon for \$18 million.
- The sale price compares with a carrying value for those businesses in Espreon's last audited accounts of approximately \$40.7 million and will crystallise a loss for Espreon of approximately \$22 million.
- For the reasons set out below, Vectis believes that extrapolation of values for Espreon based on the \$18 million sale price for the Corporate Services and Billback businesses suggests a value of around \$0.28-\$0.31 per Espreon Share.

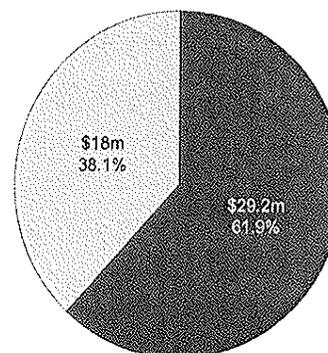
The Corporate Services and Billback businesses contributed around 38.1% of Espreon's total EBITDA for the year ended 30 June 2008. On the basis of relative contributions of EBITDA, the sale price of \$18 million for the Corporate Services and Billback businesses implies a value of approximately \$29 million for the remaining Espreon business:

**Espreon EBITDA Contributions  
(for year ended 30 June 2008)**



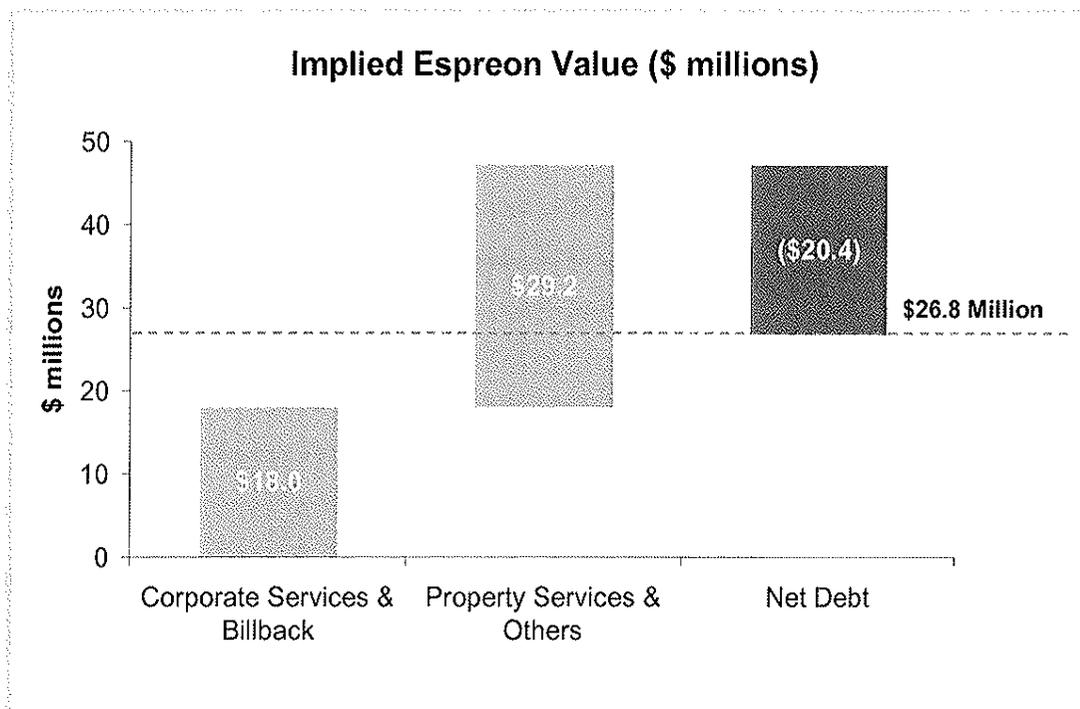
■ Residual Business □ Corporate Services & Billback

**Espreon Implied Enterprise Value**

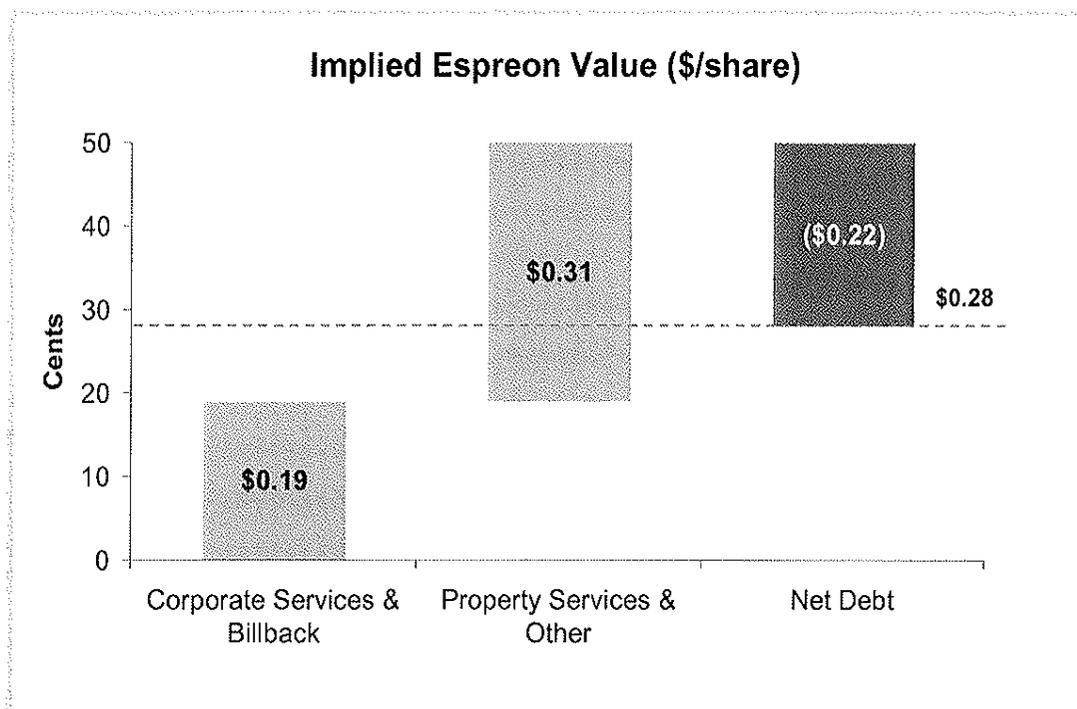


■ Residual Business □ Corporate Services & Billback

After taking into account net debt at 30 September of \$20.4 million and the \$18 million sale price for the Corporate Services and Billback businesses, the implied value for Espreon's residual business of approximately \$29 million suggests an overall equity value for Espreon of just under \$27 million. This equates to approximately \$0.28 per Espreon Share.



Graph shows business value estimates based on the sale value of the Corporate Services and Billback businesses announced on 27 November 2008 and relative EBITDA contributions for the year ended 30 June 2008



Graph shows value per share estimates based on the sale value of the Corporate Services and Billback businesses announced on 27 November 2008, relative EBITDA contributions for the year ended 30 June 2008 and the number of Espreon Shares currently on issue, being 94,851,939

An alternative approach to estimating the value of Espreon is by reference to the independent expert's report prepared by Lonergan Edwards dated 3 October 2008 and included in the Scheme Booklet prepared by Espreon and issued on 15 October 2008.<sup>1</sup> The independent expert estimated in that report a value for the Corporate Services and Billback businesses in the range \$25.7 million-\$30.2 million. The price at which Espreon has agreed to sell the businesses to Reckon is 30% less than the bottom end of the range of values estimated by the independent expert. Applying this same discount (30%) to the expert's valuation of Espreon's residual Property Services business in that report suggests a value of Espreon of approximately \$0.31 per Espreon Share.

<b>Implied Espreon Value</b> <b>(by reference to independent expert report dated 3 October 2008)</b>			
	<b>Independent Expert - low end of valuation range (\$m)</b>	<b>Adjusted for sale of Corporate Services and Billback (\$m)</b>	<b>Discount to valuation of independent expert</b>
Property Services	65.3	45.7	30.0%
Corporate Services/Billback	25.7	18.0	30.0%
Corporate Costs	(13.8)	(13.8)	
Enterprise Value	77.2	49.9	
Less: Net Debt	(20.4)	(20.4)	
Value of equity	56.8	29.5	
Shares on issue (millions)	94.9	94.9	
Value per share (\$)	\$0.60	\$0.31	

The price at which Espreon has agreed to sell the Corporate Services and Billback businesses provides clear evidence of their value (at a level 30% below the bottom end of the independent expert's valuation range as set out in the Lonergan Edwards report dated 3 October 2008). Based on the other valuation metrics adopted by the independent expert as set out above, any valuation of the Property Services business at a discount of 15% or more relative to the bottom end of the independent expert's valuation range would imply a value for Espreon of less than \$0.40 per Espreon Share.

<sup>1</sup> To view a copy of the independent expert's report, please refer to the Scheme Booklet which can be accessed through the "Announcements" page on [www.asx.com.au](http://www.asx.com.au) (ASX code: EON).

## **2 The offer delivers fair value for your Espreon Shares**

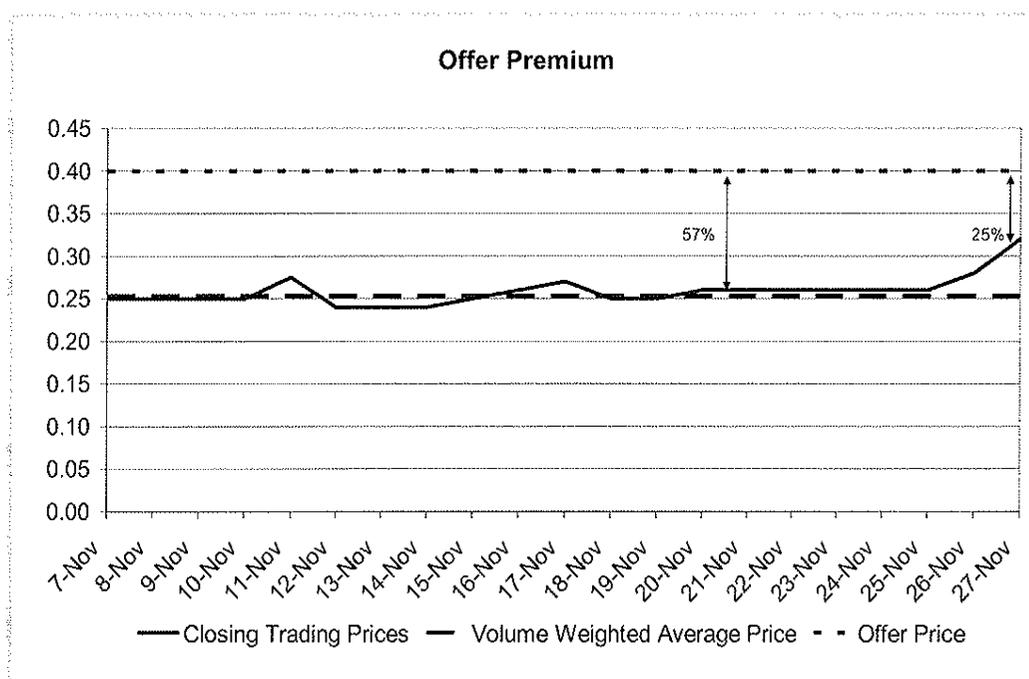
- As set out above, in Vectis' view the sale of Espreon's Corporate Services and Billback businesses for \$18 million implies a value for Espreon in the range \$0.28-\$0.31 per Espreon Share. Even on the basis of generous assumptions regarding the value of the residual Property Services business, the price at which the Corporate Services and Billback businesses are to be sold implies a value for Espreon of less than \$0.40 per Espreon Share.
- Under the Scheme previously proposed by your directors, Shareholders were offered \$0.62 per Espreon Share. Espreon directors recommended (on 22 August 2008) that Shareholders accept \$0.62 and confirmed (on 22 September 2008) that the independent expert had "concluded that that the Scheme is fair and reasonable and in the best interests of shareholders".
- Since the Espreon directors announced their recommendation on 22 August 2008 that Shareholders support the proposed Scheme at \$0.62, market indices have fallen substantially. The S&P/ASX Small Ordinaries Index has declined by 42.5% between 22 August and 27 November 2008. If that index decline is applied to the price of \$0.62 per Espreon Share which the Espreon Board recommended, the equivalent adjusted amount would be approximately \$0.36 per Espreon Share.
- In addition to the fall in market indices, Espreon's trading performance has declined and its business prospects have (in Vectis' view) significantly deteriorated, which were the major reasons for Vectis' decision not to proceed with the Scheme.
- In announcements to the ASX on 6 November 2008 and 3 December 2008, your directors made reference to the independent expert's report prepared by Lonergan Edwards. That report was dated 3 October 2008 and estimated a valuation range for Espreon at that date of \$0.60-0.72 per Espreon Share. Your directors asserted (in the announcement of 6 November 2008) that the report "specifically took into account the current economic conditions in assessing the value of Espreon". Vectis does not believe that a report by Lonergan Edwards (or any other independent expert) dated 3 October 2008 could have properly taken into account the "current economic conditions" that exist today. Global and Australian financial and economic circumstances have declined substantially in recent months. Valuations and business prospects generally have deteriorated significantly. In short, Vectis believes that the Lonergan Edwards report dated 3 October 2008 and valuation range contained in that report are not relevant in the current circumstances. This is highlighted by the recently announced sale of Espreon's Corporate Services and Billback businesses at a price 30% lower than the bottom end of the valuation range estimated for those businesses by Lonergan Edwards in its report dated 3 October 2008.

- Having regard to:
  - the substantial loss in value crystallised by Espreon's recently announced sale of its Corporate Services and Billback businesses;
  - the values for Espreon implied by the sale of the Corporate Services and Billback businesses, which in Vectis' view suggest values for Espreon in the range \$0.28-0.31 per Espreon Share;
  - the significant recent declines in share markets and valuations generally;
  - the deterioration in the performance of Espreon's Property Services business for the first three months of the 2009 financial year by comparison with the 2008 financial year;
  - the extremely difficult trading conditions facing Espreon into the future; and
  - the prospects of further deterioration in the trading of Espreon's Property Services business,

in Vectis' view an offer price of \$0.40 per Espreon Share delivers fair value to Shareholders.

### 3 The Offer represents a highly attractive premium

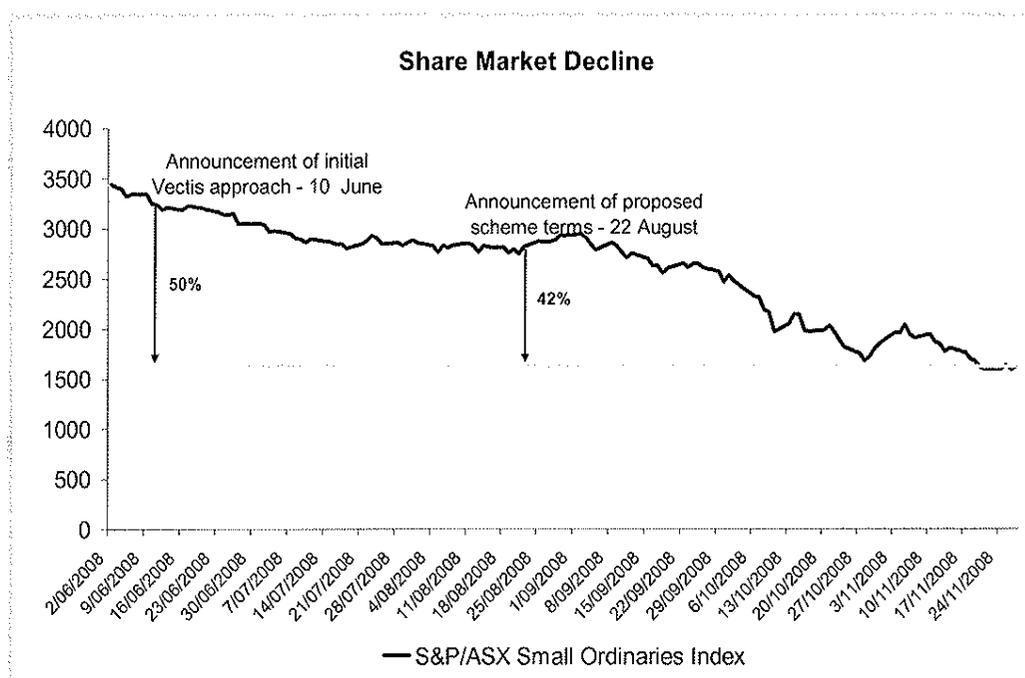
- The Offer represents a highly attractive premium relative to the price at which Espreon Shares have traded since the date of termination of the proposed Scheme on 6 November 2008. Between that date and the close of trading on 27 November 2008 (the day before the announcement of the Offer), Espreon Shares have traded in the range \$0.24 to \$0.32, at a VWAP of \$0.254.
- The Offer represents premiums of:
  - 57% relative to the VWAP of \$0.254, increasing to 65% if Vectis becomes entitled to proceed to compulsory acquisition and the Offer price is therefore increased to \$0.42 per Espreon Share; and
  - 25% relative to the last trading price of \$0.32, increasing to a premium of 31% if Vectis becomes entitled to proceed to compulsory acquisition during the Offer Period and the Offer price is therefore increased to \$0.42 per Espreon Share.
- The following charts show the premiums implied by the Offer relative to recent Espreon Share prices.



- Further, Vectis believes that trading in Espreon Shares after 6 November 2008 (when the termination of the Scheme was announced) may have been supported by expectations of some subsequent corporate activity involving Vectis. Accordingly, it is also relevant to consider premiums calculated by reference to Espreon Share prices before the announcement of the initial Vectis proposal to Espreon on 10 June 2008. The last price at which Espreon Shares traded on 6 June 2008 (the last trading day before that announcement) was \$0.33 and the VWAP at which Espreon Shares traded for the month before that announcement was \$0.34. Since that announcement, the S&P/ASX Small Ordinaries Index has declined by approximately 50%. Applying this decline to the pre-announcement Espreon Share prices yields an adjusted last price prior to the 10 June announcement of \$0.165 and an adjusted VWAP for the month prior to 10 June 2008 of \$0.19. The Offer represents a premium of:
  - 142% relative to the adjusted closing price on 6 June 2008 of \$0.165, increasing to 154% if Vectis becomes entitled to proceed to compulsory acquisition and the Offer price is therefore increased to \$0.42 per Espreon Share; and
  - 147% relative to the adjusted pre-10 June announcement one-month VWAP of \$0.17, increasing to 147% if Vectis becomes entitled to proceed to compulsory acquisition and the Offer price is therefore increased to \$0.42 per Espreon Share.

#### 4 The Offer delivers certain cash value

- The Offer delivers certain cash value of \$0.40 per Espreon Share for all your Espreon Shares, increasing to \$0.42 per Espreon Share if Vectis becomes entitled to proceed to compulsory acquisition during the Offer Period.
- Vectis will declare the Offer unconditional once it has received acceptances in respect of all Espreon Shares in which a Specified Shareholder has a Relevant Interest, provided that no other condition has already been breached or become incapable of fulfilment at that time.
- Accepting Shareholders will receive payment for their Espreon Shares within five Business Days of the Offer becoming unconditional, or, if the Offer is already unconditional when they accept, within five Business Days of their valid acceptance.
- The Offer provides the certainty of cash value in the context of highly volatile and declining equity markets. The S&P/ASX Small Ordinaries Index has declined by approximately 50% since Espreon announced on 10 June 2008 that it had received an indicative proposal from Vectis.



- Shareholders will not incur any brokerage or transaction costs by accepting the Offer.
- Shareholders have limited alternatives for realising value from their Espreon Shares.
- Trading volumes in Espreon Shares are low and it may be difficult to sell any significant parcel of Espreon Shares without a material downward impact on Espreon's share price.

- The only dividend paid by Espreon since it listed on ASX was an interim dividend of \$0.01 per share, totalling \$364,735, paid in March 2004.
- In Vectis' view, the Espreon Share price and trading volumes between 10 June 2008 and 6 November 2008 (the date that it was announced that the Scheme had been terminated) were a reflection of market expectations that Vectis would proceed with an acquisition of Espreon. The Espreon Share price fell substantially following the announcement of the termination of the Scheme. On 4 November 2008 (the last day on which trades in Espreon Shares occurred prior to the termination of the Scheme), the Espreon Share price closed at \$0.445. On 7 November 2008, Espreon Shares traded in the range \$0.25-\$0.32, with a closing price of \$0.25 per share.
- Vectis believes that following the termination of the Scheme the Espreon Share price may have also reflected an expectation that there was some prospect that Vectis would make a subsequent proposal to acquire Espreon. As such, in the absence of this Offer from Vectis, there is a risk that Espreon Shares could trade at lower levels than recent prices.
- Vectis' 19.73% Relevant Interest in Espreon means that the prospects of an alternative transaction to acquire all Espreon Shares are remote.

## **5 The prospects for Espreon's business are uncertain**

- Despite the Espreon Board stating on 4 November 2008 that it was “pleased with the overall results for the Company for the year to date”, in Vectis’ view there is little in Espreon’s trading performance or its prospects which should cause Shareholders to be pleased. Vectis’ main concern is that the trading of Espreon’s core Property Services business has trended down significantly during the financial year to date. Espreon announced on 4 November 2008 that on a profit before tax basis the performance of the Property Services business for the three months to 30 September 2008 was around 10% lower than for the three months to 30 September 2007. In Vectis’ view it is likely that this significant deterioration may not yet fully reflect the impacts of the global financial crisis, the severity of which has only become apparent in recent months.
- Notwithstanding the announcement that the Espreon directors were “pleased with the overall results for the Company for the year to date”, Espreon elected little more than three weeks later to agree to sell the Corporate Services and Billback businesses for \$18 million, less than half of their carrying value, which will result in a loss of around \$22 million. In Vectis’ view this suggests that Espreon directors must have formed a particularly negative view of the prospects for these businesses.
- Vectis notes that Espreon’s first quarter update released on 4 November 2008 did not provide any guidance as to likely future trading other than to acknowledge the challenging trading conditions:

“each division faces challenging market conditions at present and for the foreseeable future”;
- Vectis notes that the external environment facing Espreon’s Property Services business is extremely difficult. Earnings for the Property Services business are driven in large part by the volume of residential property transactions and financings, particularly in New South Wales. There has been a substantial decline in the volume of property transactions. For example, for Saturday 15 November 2008, the volume of successful residential property auctions in Sydney was approximately 41% lower than for Saturday 17 November 2007. The decline for Melbourne was approximately 49%. Vectis expects that mortgage volumes across Australia will be more than 30% lower in 2009 than for 2007.
- The Board announced on 10 November 2008 that its Chief Executive Officer and Managing Director, Mr Craig Kennedy, had resigned. The Board also announced that it “is not currently intending to commence a search for a permanent replacement” but that Espreon’s Chief Financial Officer will assume the role of interim CEO with effect from 26 November 2008.” Vectis believes that, without a permanent Chief Executive Officer (or, indeed, any intention to search for one), Espreon will be ill-equipped to address the extremely difficult trading conditions that it faces.

## Frequently asked questions

Questions	Answers
<b>What is the Offer</b>	The Offer is \$0.40 cash per share for each of your Espreon Shares.  The Offer price will be increased to \$0.42 cash per Espreon Share if Vectis has a Relevant Interest in at least 90% of Espreon Shares on or before the end of the Offer Period and becomes entitled to proceed to compulsory acquisition of the Espreon Shares.
<b>If I accept the Offer, when will I be paid?</b>	If you validly accept the Offer, Vectis will pay you the consideration under the Offer: <ul style="list-style-type: none"> <li>• if the Offer is unconditional at the time of your acceptance, within five Business Days after this Offer is validly accepted by you; or</li> <li>• if the Offer is subject to a defeating condition when validly accepted by you, within five Business Days after the Offer has become unconditional.</li> </ul>
<b>How do I accept the Offer?</b>	How you accept this Offer depends on the nature and type of your holding. You should refer to section 1.2 (in the section immediately following these frequently asked questions) for further information.
<b>Can I accept the Offer for part of my holding?</b>	No, you cannot accept for part of your holding. You may only accept the Offer in respect of all of your Espreon Shares.
<b>When does the Offer close?</b>	The Offer is scheduled to close at 7.00pm (Melbourne time) on [●], unless extended or withdrawn (in accordance with the Corporations Act).
<b>Do I have to pay brokerage fees?</b>	No. If you accept the Offer no brokerage fees are payable.  If your Espreon Shares are registered in a CHESS Holding (your HIN starts with an "X"), or if you are a beneficial owner whose Espreon Shares are registered in the name of a broker, bank, custodian or other nominee you will not be obliged to pay stamp duty by accepting the Offer but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.  You may incur brokerage costs and GST if you choose to sell your Espreon Shares on ASX.
<b>What are the tax and stamp duty implications of acceptance?</b>	If you accept the Offer no stamp duty is payable by you.  You should consult your financial, tax, or other professional adviser on the tax implications of accepting the Offer. However, a general summary of the likely Australian tax consequences is set out in section 7 of this Bidder's Statement.
<b>Can I withdraw my acceptance?</b>	Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.  Such a withdrawal right will arise, if, after you have accepted the Offer, Vectis varies the Offer in a way that postpones for more than one month the time when Vectis has to meet its obligations under the Offer (for example, if Vectis extends the Offer for more than one month while the Offer remains conditional).
<b>Can Vectis extend the Offer Period?</b>	Yes. The Offer can be extended at the election of Vectis (in accordance with the Corporations Act). Written notice of any extension will be provided to Shareholders and lodged with ASX.
<b>Can I sell my Espreon Shares on market?</b>	Yes, but you will pay brokerage fees and GST if you do.

<b>Are there any conditions to the Offer</b>	<p>Yes, the Offer is subject to several conditions, which are set out in full in Appendix 2.</p> <p>Takeover offers usually contain conditions.</p> <p>Note that Vectis may choose to waive conditions in accordance with the Offer.</p> <p><b><i>Vectis will waive all other conditions (unless any have been previously breached or become incapable of fulfilment) if the condition that acceptances are received in respect of all Espreon Shares in which a Specified Shareholder has a Relevant Interest is fulfilled.</i></b></p>
<b>What if a dividend or other distribution is paid?</b>	<p>Under the terms of the Offer (including if the Offer price is increased to \$0.42) the amount of the cash consideration may be reduced by the amount or value of any Rights attaching to Espreon Shares, on or after the Announcement Date, which Vectis does not receive.</p>
<b>What if the conditions of the Offer are not satisfied or waived?</b>	<p>If the Offer closes with conditions remaining unsatisfied, the Offer will lapse, and acceptances will be cancelled. In this circumstance, you will continue to hold your Espreon Shares and you will not receive any cash consideration under the Offer. Vectis will give notice as required by the Corporations Act if the conditions have been satisfied or waived during the Offer Period (see section 8.2).</p>
<b>What happens if I do not accept?</b>	<p>You will remain a Shareholder and will not receive the consideration offered by Vectis. If Vectis becomes entitled to compulsorily acquire your Espreon Shares, it intends to do so. If your Espreon Shares are compulsorily acquired by Vectis, it will be on the same terms (including the same consideration for each Espreon Share acquired) as the Offer. However, you will receive the consideration later than Shareholders who choose to accept the Offer and it will not be automatically paid to you (you will be required to claim that consideration in accordance with the compulsory acquisition process).</p> <p>If Vectis does not become entitled to compulsorily acquire your Espreon Shares, you will remain a Shareholder.</p> <p>Further details on Vectis' intentions if, at the close of the Offer, Vectis does not become entitled to compulsorily acquire your Espreon Shares are set out in section 4.4 of this Bidder's Statement.</p>
<b>What if I have lost my Acceptance Form?</b>	<p>If you have lost your Acceptance Form and require a replacement, please call Computershare on 1300 257 943 or (03) 9415 4886.</p>

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## **1 Overview of the Offer**

### **1.1 Summary of the Offer terms**

#### **Offer**

Vectis offers to acquire all of your Espreon Shares on the Offer Terms set out in Appendices 1 and 2 to this Bidder's Statement.

The Offer relates to Espreon Shares that exist or will exist as at [●].

The Offer also extends to all Espreon Shares that are issued during the Offer Period as a result of the valid exercise of Espreon Options. However, Vectis is not offering to acquire any unexercised Espreon Options under this Offer.

#### **Consideration**

The Offer price by Vectis is \$0.40 cash per Espreon Share.

The Offer price will be increased to \$0.42 cash per Espreon Share if Vectis has a Relevant Interest in at least 90% of Espreon Shares on or before the end of the Offer Period and becomes entitled to proceed to compulsory acquisition of the Espreon Shares.

Under the Offer Terms, the amount of the Offer price will be reduced by the amount or value of any Rights attaching to Espreon Shares which Vectis is offering to acquire, on or after the Announcement Date, which Vectis does not receive, including any dividend (special, interim or otherwise) declared by Espreon.

#### **Offer Period**

The Offer is scheduled to close at 7.00pm (Melbourne time) on [●] (but it may be extended or withdrawn in accordance with the Corporations Act).

#### **Payment Date**

If you validly accept the Offer, Vectis will, in the usual case, pay you the consideration to which you are entitled:

- (a) if the Offer is unconditional at the time of your acceptance, within five Business Days after this Offer is validly accepted by you; or
- (b) if the Offer is subject to a defeating condition when validly accepted by you, within five Business Days after the Offer has become unconditional.

Full details of when payment will be made are set out in clause 5 of Appendix 1 to this Bidder's Statement.

## Conditions

The Offer is subject to a number of conditions as set out in Appendix 2 to this Bidder's Statement, including:

- (a) acceptance of the Offer by holders of all Espreon Shares in which a Specified Shareholder has a Relevant Interest (and no entitlement to withdraw that acceptance);
- (b) there being no Subsequent Substantial Shareholder, or, acceptance of the Offer by holders of all Espreon Shares in which a Subsequent Substantial Shareholder has a Relevant Interest (and no entitlement to withdraw that acceptance);
- (c) the ASX/S&P 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) no Trading Performance Event;
- (e) no Material Adverse Event;
- (f) no termination of the Sale Agreement; and
- (g) no prescribed occurrences occurring.

This is only a summary of some of the conditions. The conditions are set out in full in Appendix 2 to this Bidder's Statement.

## Waiver of conditions

Vectis will *waive all other conditions* (unless any have been previously breached or become incapable of fulfilment) *if the condition requiring acceptance of the Offer in respect of all Espreon Shares in which a Specified Shareholder has a Relevant Interest is fulfilled.*

### 1.2 How to accept this Offer

The Offer may only be accepted for all of your Espreon Shares.

How you accept this Offer depends on whether your Espreon Shares are in an Issuer Sponsored Holding or a CHESS Holding:

- **If you hold your Espreon Shares in an Issuer Sponsored Holding,** complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it and return it to the address on the form so that it is received before the end of the Offer Period (7.00pm (Melbourne time) on [●], unless the Offer is extended).
- **If you hold your Espreon Shares in a CHESS Holding,** either:
  - (a) instruct your Controlling Participant (for example, your broker) to initiate acceptance of this Offer in sufficient time for this Offer to be accepted before the end of the Offer Period; or

- (b) complete and sign the accompanying Acceptance Form and send the completed Acceptance Form (together with all other documents required by the instructions on the form) directly to your Controlling Participant in sufficient time for this Offer to be accepted before the end of the Offer Period with instructions to initiate acceptance of this Offer on your behalf before the end of the Offer Period; or
  - (c) complete, sign and return the Acceptance Form in accordance with the instructions on it and lodge it by returning it to the address on the form (which will authorise Vectis to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf), so that your acceptance is received in sufficient time for this Offer to be accepted before the end of the Offer Period.
- **If you are a Controlling Participant in respect of your Espreon Shares**, initiate acceptance in accordance with the requirements of the ASTC Settlement Rules before the end of the Offer Period.
  - **If some of your Espreon Shares are in an Issuer Sponsored Holding and some in a CHESS Holding**, please read clause 4.3(d) of the Offer Terms in Appendix 1 for how to accept this Offer.

*If you have lost your Acceptance Form and require a replacement, please call Computershare on 1300 257 943 or (03) 9415 4886.*

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## **2 Information about Vectis**

### **2.1 Overview of Vectis and its principal activities**

Vectis is a Melbourne based private investment company established by interests associated with Alan Schwartz AM and Jacob Weinmann to acquire businesses which deliver property transfer services nationally. It was incorporated on 29 March 2007.

At the date of this document, Vectis' total issued share capital comprises 1000 shares, held by Kinghall Pty Ltd (as trustee for the Kinghall Trust), an entity controlled by Alan Schwartz, and Fairyhall Pty Ltd (as trustee for the Jacdeb Trust), an entity controlled by Jacob Weinmann.

Vectis' principals have proven business experience. Over the past 25 years Alan Schwartz has created, built, managed and sold a number of successful publishing, software and services businesses.

Joined by Jacob Weinmann in 1992, the two directors organically built the business of Anstat Pty Limited (**Anstat**) in Victoria from negligible turnover levels to a \$25 million per annum company. Anstat's business involved:

- Legal publishing - the provision of legislative updates to law firms, regulatory bodies and government among other clients;
- Lawlex - the provision of regulatory information and the delivery of compliance and risk management software and consulting services to a wide range of clients, including some of Australia's largest financial institutions; and
- Property Information - the provision of property information to primarily Victorian conveyancers and law firms in support of conveyancing transactions.

Anstat achieved an impressive history of product and service innovation, excellence in customer service, outstanding staff relations and superior profitability. Anstat was sold in 2005.

Espreon is Vectis' first proposed acquisition and Vectis currently has no other operations or investments other than its interest in Espreon. Vectis' financial statements for the year ended June 2008 reflect the start up expenditure related to its investment in Espreon, with no other activity having occurred.

### **2.2 Directors**

#### **Alan Schwartz, Director**

Alan's career reflects his creative and strategic inclinations and his diverse personal interests. He has held a number of senior board positions with not-for-profit organisations. From 2000 to 2005 he played a key role in the merger of two major community organisations (creating Jewish Care Inc) and he served as President of the organisation for its first four year period – successfully dealing with many complex and challenging post merger issues.

Alan is a graduate of Monash University with degrees in Law (Honours) and Economics. He is the author of an economics textbook, which was published whilst he was a university student.

Alan is also a graduate of the Williamson Community Leadership program. He was awarded a Centenary Medal in 2003 and an Order of Australia (AM) in 2007 for his work at Jewish Care Inc, for establishing SEAL Force, and for contributions to business.

### **Jacob Weinmann, Director**

Jacob was Group Managing Director of Anstat from 1996 until 2007, having fulfilled various roles in the company prior to this appointment. Under Jacob's leadership, business profitability grew ten-fold.

Prior to joining Anstat, Jacob was a Manager Business Banking (commercial lending division) at ANZ Banking Group.

Jacob previously sat on the board of Jewish Care (Victoria) Inc for approximately eight years, including five years in the role of Treasurer. His qualifications include a Bachelor of Business (Banking & Finance) and he is a Fellow of the Financial Services Institute of Australasia and member of the Australian Institute of Company Directors.

## **2.3 Rationale for the Offer**

Vectis seeks to acquire businesses which deliver property transfer services to a national market.

Vectis intends to transform the delivery of national property transfer services by building a seamless and efficient online property transfer experience for conveyancers, solicitors and financiers operating nationally – from vendor disclosure to financial settlement. This will lead to reduced costs for stakeholders and vastly improved service.

The proposed acquisition of Espreon represents a cornerstone of this strategy given its national service coverage and diverse national client base.

## 3 Information about Espreon

### 3.1 Disclaimer

The following information on Espreon has been prepared by Vectis using publicly available information, and has not been independently verified. Accordingly, Vectis does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information regarding Espreon in this Bidder's Statement should not be considered comprehensive.

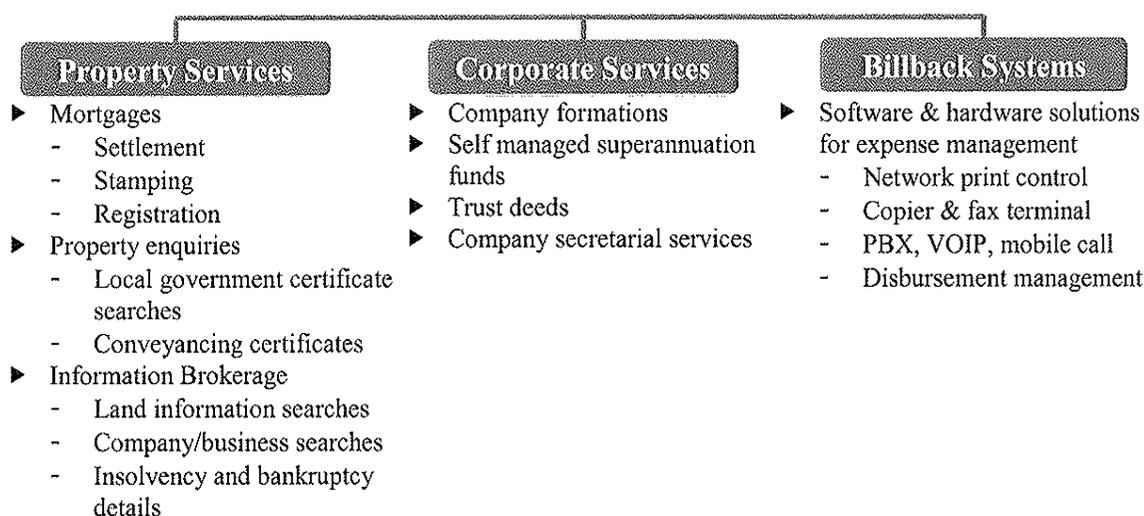
The Corporations Act requires the directors of Espreon to provide a Target's Statement to Espreon shareholders in response to this Bidder's Statement, setting out certain material information concerning Espreon.

### 3.2 Overview of Espreon and its principal activities

Espreon is a provider of business and administration services to organisations in the financial, legal, accounting and other professional services sectors. The principle activities of Espreon include:

- the provision of licensed information from various authorities, such as land title offices and ASIC;
- attendance to the settlement, stamping and registration of property transactions;
- the establishment and documentation of companies' trusts and self managed super fund trust deeds; and
- the development, sale and support of cost management and recovery solutions.

Espreon currently operates the following business divisions:



**(a) Property Services**

Espreon Property Services (**Property Services**) is a supplier to almost all of Australia's top banks and the majority of Australia's top 200 law firms for property settlement, stamping and registration, information brokerage and property enquiries. Information brokerage services include land title searches, company and business searches and bankruptcy searches.

**(b) Corporate Services**

Espreon Corporate Services (**Corporate Services**) is one of Australia's leading providers of documentation to the financial services sector for company formations, self managed super fund trust deeds, discretionary and unit trust deeds. Corporate Services also provides company secretarial services on an outsourced basis.

**(c) Cost Recovery / Billback Systems**

Espreon's Cost Recovery division, Billback Systems, manufactures, sells, implements and supports software and hardware solutions to enable professional services firms to track, manage and/or recover their expenses. Solutions enable firms to manage expenses relating to print, copy, scan, fax, telephony and third party expenses or disbursements. Billback Systems has clients in more than 50 countries serviced via three operational centres in Australia, the US and the UK.

**3.3 Sale to Reckon**

Espreon announced on 27 November 2008 that it had entered into an agreement to sell the Corporate Services and Billback Systems divisions to Reckon for \$18 million in cash. This will result in Espreon writing down the carrying value of the businesses to be sold by approximately \$22 million.

Espreon stated that the anticipated use of the sale proceeds will principally be to reduce debt, together with a realignment of financing facilities to support growth in the Property Services business.

The sale is to be completed on 2 January 2009 and is only subject to the consent of the Commonwealth Bank of Australia, bankers to Espreon.

### 3.4 Substantial shareholders

Based on material lodged with ASX, as at the date of this Bidder's Statement, each of the following persons (on behalf of itself and its related bodies corporate) had the following substantial shareholdings in the issued ordinary share capital of Espreon.

Shareholder	Espreon Shares	%
Vectis Group Pty Ltd	18,717,526	19.73%
Hunter Hall Investment Management Ltd	18,613,093	19.62%
LUT Investment Pty Ltd	10,662,400	11.24%
ABN Amro Bank NV, RFS Holdings BV and others (Royal Bank of Scotland, Banco Santander SA) <sup>2</sup>	9,403,538	9.91%
Thorney Pty Limited	6,359,526	6.70%
Adam Smith Asset Management Pty Ltd	4,724,137	5.00%

### 3.5 Publicly available information

Espreon is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and ASX Listing Rules. Espreon's annual report for the year ended 30 June 2008 was given to ASX on 29 September 2008.

Information may also be obtained from Espreon's website at [www.espreon.com](http://www.espreon.com).

<sup>2</sup> Vectis Group Pty Ltd has a relevant interest in the shareholding of this shareholder and, accordingly, this shareholding is also represented in the disclosed substantial shareholding of Vectis Group Pty Ltd.

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## **4 Intentions of Vectis**

### **4.1 Introduction**

This section sets out the intentions of Vectis, on the basis of the facts and information concerning Espreon which are known to it and the existing circumstances affecting the business of Espreon, in relation to the following:

- (a) the continuation of the business of Espreon;
- (b) any major changes to be made to the business of Espreon, including any redeployment of the fixed assets of Espreon; and
- (c) the future employment of the present employees of Espreon.

### **4.2 Review**

Vectis and its advisers have reviewed information that has been publicly released about Espreon, its current activities and its plans for the future. In the process of evaluating the previously proposed Scheme, Vectis also held discussions with Espreon and its advisers and conducted some due diligence investigations. However, Vectis does not currently have knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions. Consequently, final decisions on these matters have not been made.

Vectis' intentions have been formed on the basis of information concerning Espreon, and the general business environment, which are known to Vectis at the time of preparing this Bidder's Statement. If this Offer is unconditional at the end of the Offer Period, Vectis will conduct a review of the operations, assets, budgets, structure and employees of Espreon. Final decisions will only be reached after that review and in light of all the material facts and circumstances. Accordingly, statements set out in this section are statements of current intentions only and may change as new information becomes available to Vectis or as circumstances change. The statements in this section 4 should be read in this context.

### **4.3 Intentions upon acquisition of 90% or more of Espreon Shares**

This section sets out the current intentions of Vectis if it acquires 90% or more of Espreon Shares and is entitled to proceed to compulsory acquisition of the outstanding Espreon Shares.

#### **(a) Increase Offer price**

Vectis will vary the Offer to increase the cash consideration to \$0.42 for each Espreon Share.

#### **(b) Compulsory acquisition**

If it becomes entitled to do so under the Corporations Act, Vectis intends to:

- (i) give notices to compulsorily acquire any outstanding Espreon Shares in accordance with section 661B of the Corporations Act;

- (ii) give notices to Espreon shareholders and holders of Espreon Options to compulsorily acquire any outstanding Espreon Shares or Espreon Options in accordance with section 664C of the Corporations Act;
- (iii) if it is required to do so under section 662A and section 663A of the Corporations Act, give notices to Shareholders and holders of Espreon Options offering to acquire their Espreon Shares or Espreon Options in accordance with section 662B and section 663C of the Corporations Act.

**(c) Directors**

Vectis will replace all members of the Board (and of any company in respect of which Espreon has nominee directors) with its own nominees.

Initially, Vectis intends to appoint Mr Alan Schwartz AM, Mr Jacob Weinmann and Mrs Carol Schwartz AM, to the Board.

**(d) ASX Listing and status**

Vectis intends to arrange for Espreon to be removed from the official list of the ASX.

Vectis also intends to explore the possibility of converting Espreon from a public company limited by shares to a proprietary company limited by shares.

**(e) Operations and assets**

Vectis intends to complete an intensive and thorough review of Espreon's operations following the close of the Offer Period. Subject to the completion of this thorough review, the current intentions in relation to the operation and assets of the business of Espreon are as follows:

- (i) **(head office)** Vectis intends to maintain Espreon's head office in Sydney, New South Wales. It is anticipated that the removal of Espreon from the official list of ASX will eliminate the need for some functions associated with being a publicly listed company currently conducted by Espreon;
- (ii) **(Property Services - strategic acquisition)** Vectis intends to grow the Property Services unit of the Espreon business through further strategic acquisitions which enhance this division. The new directors of Espreon will accordingly actively seek acquisitive opportunities that support this intention; and
- (iii) **(Corporate Services and Billback)** if the sale of these business divisions to Reckon (as announced by Espreon on 27 November 2008) has not completed prior to the end of the Offer Period (and the condition regarding no termination of the Sale Agreement has not been breached), Vectis intends to

proceed with the proposed sale of these divisions to Reckon. If, for some reason, after the end of the Offer Period the agreement with Reckon was terminated or did not otherwise complete, Vectis would currently intend to have Espreon seek a potential acquirer of these businesses (including possibly conduct an open sale process for the businesses) and intends to divest the relevant businesses if acceptable commercial terms can be agreed.

In those circumstances, Vectis would consider offers from potential acquirers of those businesses, either for all of the businesses to be sold together as one transaction, or from multiple potential acquirers wishing to acquire only one or some of the businesses.

**(f) Employees**

It is expected that there will be minimal impact on employees involved at an operational level of the Property Services division. However, Vectis notes that in Espreon's ASX announcement of 27 November 2008 regarding the sale of the Corporate Services and Billback businesses to Reckon, Espreon stated that it will "take actions to reduce corporate overheads in line with a single business focus" following the disposition of those businesses. As such, Vectis is uncertain as to the exact structure which would be in place, or what Espreon's intentions are in respect of employees, after the sale of the businesses to Reckon. In this context, Vectis anticipates that some roles may be made redundant as a result of the sale of these businesses to Reckon, particularly in respect of any employees whose sole or principal employment is in relation to those businesses sold by Reckon and who are not transferred to, or to be employed by, Reckon or any company being transferred to Reckon as part of that sale.

Further, as a result of the agreement by Espreon to sell the Corporate Services and Billback businesses to Reckon, Vectis assumes that all employees involved solely in respect of these businesses are likely to be offered employment by Reckon. However, there are likely to be some redundancies (effected by either Espreon or Reckon), which will depend on the extent of overlap of business operations and efficiencies sought by Reckon. Vectis is unable to predict or verify the extent of redundancies.

If the sale to Reckon did not complete until after the end of the Offer Period, Vectis may consider redeployment of affected employees, and in any case would make redundancies in compliance with any relevant regulatory regime applicable to, or any valid, contractual rights of, any affected employee.

#### **4.4 Intentions upon acquisition of less than 90% of Espreon Shares**

This section sets out the intentions of Vectis if it were to declare the Offer unconditional, but not be entitled to compulsorily acquire the outstanding Espreon Shares on or before the end of the Offer Period but, by virtue of acceptance of the Offer, Vectis gained effective control of Espreon. Vectis reserves its right to declare the Offer unconditional, and it will do so if the condition requiring acceptance of the Offer by the holders of all of the Espreon Shares in which a Specified Shareholder has a Relevant Interest (and there not being any entitlement to withdraw that acceptance) is fulfilled (and unless any other condition has been previously breached or become incapable of fulfilment).

##### **(a) ASX Listing**

Subject to the requirements for listing (including maintaining a sufficient spread of investors) continuing to be satisfied, Vectis will retain the listing of Espreon on ASX (although, in this event, the liquidity of Espreon Shares on ASX is likely to be materially diminished).

##### **(b) Directors**

Subject to the Corporations Act and Espreon's constitution, Vectis will seek to replace the members of the Board with nominees of Vectis.

In this circumstance, Vectis would nominate Mr Alan Schwartz and Mr Jacob Weinmann to the Board, together with others. Vectis has not made any decision regarding the other directors who would be nominated for appointment to the Board in this case.

##### **(c) Operations, assets and employees**

If, following the close of the Offer, Espreon becomes a controlled entity but not a wholly owned subsidiary of Vectis, it is the present intention of Vectis to attempt to procure that the Board implements the objectives and goals outlined in section 4.3 to the extent possible and appropriate.

If the sale of the Corporate Services and Billback businesses does not complete until after the end of the Offer Period, it is the present intention of Vectis to apply the proceeds of the sale in a manner consistent with that already announced by Espreon.

##### **(d) Dividends**

Vectis notes that Espreon has only paid dividends once since it listed on ASX. The Vectis nominees to the Board would only consider the merits of Espreon paying dividends at some future date after assessing the performance of Espreon and other relevant factors at that time.

**(e) Limitations on intentions**

To the extent that Espreon is not a wholly owned subsidiary of Vectis and there are minority shareholders of Espreon, Vectis intends that the directors of Espreon appointed by it will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

Those requirements may require the approval of minority shareholders to the implementation of any particular objective.

The requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority shareholder approval may prevent the particular objective being achieved.

**4.5 Intentions generally**

Except for the changes and intentions set out in this section 4, Vectis intends, based on the information presently known to it:

- (a) to continue the business of Espreon;
- (b) not to make any major changes to the business of Espreon or the deployment of Espreon's assets; and
- (c) to continue the employment of Espreon's employees.

## 5 Share capital information

### 5.1 Capital structure

#### Ordinary securities

According to documents lodged by Espreon with ASX and ASIC, the total number of ordinary securities in Espreon as at the date of this Bidder's Statement is as follows:

Size of Holding	No. of Shareholders	No. of shares	% of Issued Capital
0 – 1,000	41	30,510	0.03
1,001 – 5,000	148	462,214	0.49
5,001 – 10,000	85	690,455	0.73
10,001 – 100,000	162	6,302,175	6.64
100,000 – and over	47	87,366,585	92.11
<b>Total</b>	<b>483</b>	<b>94,851,939</b>	<b>100.00</b>

#### Options

According to documents lodged by Espreon with ASX and ASIC, Espreon has:

- (a) 500,000 Espreon Options issued to Espreon senior management (after the announcement of the Offer on 28 November 2008) with an exercise price of \$0.25 and an expiry date of 31 December 2010; and
- (b) a further 2,412,827 Espreon Options<sup>3</sup> with exercise prices ranging from \$0.65 to \$1.49. Of these, 10,667 options are due to expire on 26 September 2009, 72,160 have an expiry date of 31 July 2010 and the remainder have an expiry date of 23 October 2010.

### 5.2 Effect of Offer on Espreon Options

The Offer extends to all Espreon Shares issued during the Offer Period on the exercise of Espreon Options.

Vectis understands that, other than 10,667 options, all options on issue (including those issued on 28 November 2008) have been issued under the Executive Option Plan (an Espreon Employee or Executive Equity Plan), the terms of which may include an acceleration provision in the event of a takeover bid. This would allow the exercise of the options to be accelerated, regardless of whether any performance conditions have been satisfied, upon a takeover bid occurring or a party (together with its associates) otherwise acquiring more than 50% of the issued shares of Espreon or upon the Board deciding to apply to the court to convene a shareholders' meeting for the approval of a scheme of arrangement.

<sup>3</sup> Based on Espreon's most recent Appendix 3B dated 28 November 2008. Vectis notes that this is consistent with the Espreon 2008 Annual report, but is (to an immaterial degree) inconsistent with the Espreon Scheme Booklet dated 14 October 2008.

If Vectis and its associates have a Relevant Interest in at least 90% of Espreon Shares during, or at the end of the Offer Period, and Vectis is entitled under the Corporations Act to do so, Vectis will give a notice of compulsory acquisition to all outstanding holders of Espreon Options.

If, as a result of the Offer, Vectis becomes entitled to compulsorily acquire any outstanding Espreon Options under Part 6A.2 of the Corporations Act, Vectis presently intends to seek to compulsorily acquire those Espreon Options.

### 5.3 Details of relevant interests in Espreon securities

Details of Vectis' Relevant Interests in the securities of Espreon are set out in the table below:

Class of securities	Total number in class	Relevant Interest of Vectis immediately before Bidder's Statement lodged with ASIC	Relevant Interest of Vectis immediately before first Offer sent
Espreon Shares	18,717,526	19.73%	[●]%
Espreon Options	Nil	Nil	Nil

As at the date of this Bidder's Statement, Vectis has a Relevant Interest in 18,717,526 Espreon Shares (representing around 19.73% of all Espreon Shares on issue). Of the Espreon Shares in which Vectis has a Relevant Interest:

- 9,313,988 shares are held in the name of Vectis; and
- 9,403,538 shares are held by Wanford Nominees Pty Limited (a subsidiary of ABN AMRO Bank NV) and in which Vectis has a Relevant Interest through the ability to control the disposal of those shares as a result of physical-settled equity swap arrangements with ABN AMRO Bank NV.

As at the date of this document, no shares or any other marketable security of Espreon is held by, or on behalf of any director of Vectis.

Vectis intends to terminate its equity swap arrangements with ABN AMRO Bank NV and take physical possession of the 9,403,538 shares prior to the end of the Offer Period. Arrangements for the termination of these swap arrangements have been confirmed by ABN AMRO Bank NV.

### 5.4 Details of voting power in Espreon

The voting power of Vectis in Espreon as at the date of this Bidder's Statement is 19.73%.

The voting power of Vectis in Espreon as at the date immediately before the first Offer is sent is [●]%

**5.5 Consideration provided for Espreon securities during previous four months**

Vectis and its associates have not acquired or disposed of Espreon Shares during the period of four months before (including on the day immediately before) the date of the Offer.

**5.6 Inducing benefits given during previous four months**

Except as set out in this Bidder's Statement, neither Vectis nor any of its associates has, during the period of four months ending on the day immediately before the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- (a) accept an Offer; or
- (b) dispose of Espreon Shares,

which benefit was not offered to all holders of Espreon Shares under the Offer.

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## **6 Funding**

### **6.1 Maximum cash consideration**

The maximum consideration for the acquisition of Espreon Shares to which the Offer relates (including Espreon Shares issued on exercise of Espreon Options) will be satisfied wholly in cash. If Vectis becomes entitled to acquire all of the Espreon Shares under the Offer such that the increased Offer price of \$0.42 is payable, and all Espreon Options are exercised, the maximum consideration payable will be approximately \$33,199,840.80.

### **6.2 Vectis funding**

Kinghall Pty Ltd (as trustee for the Kinghall Trust), an entity controlled by Alan Schwartz) and Fairyhall Pty Ltd (as trustee for the Jacdeb Trust), an entity controlled by Jacob Weinmann have each entered into arrangements with Vectis under which they have given unconditional and irrevocable commitments, jointly and severally, to provide funds to Vectis in the amount required to fund the maximum consideration payable.

Vectis can draw on these commitments at any time from the date of the Offer and these arrangements will provide Vectis with sufficient funds to pay the maximum cash consideration described in section 6.1 above if the Offer is successful.

### **6.3 Vectis shareholder funding**

As stated above, the shareholders of Vectis have committed, jointly and severally, to provide funds to Vectis in an amount which will be sufficient for Vectis to pay the maximum cash consideration described in section 6.1 above if the Offer is successful. Vectis can draw on these commitments at any time from the date of the Offer.

To satisfy their funding obligations to Vectis, from the date of the Offer, the Vectis shareholders will rely on their cash reserves (held on deposit with Australian authorised deposit-taking institutions). These cash reserves are in excess of the maximum consideration payable by Vectis in respect of the Offer and are not subject to security interests, rights of set-off or other arrangements that may materially affect the ability of Vectis' shareholders to freely use the cash reserves to pay accepting Shareholders.

Given the above, both Vectis and the shareholders of Vectis have reasonable grounds to expect that Vectis will have sufficient funding arrangements in place to satisfy full acceptance of the Offer when it becomes unconditional.

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## **7 Taxation considerations**

### **7.1 Introduction**

The following is an outline of the principal Australian income tax consequences generally applicable to a Shareholder who disposes of Espreon Shares under the Offer.

This outline reflects the current provisions of the Income Tax Assessment Act 1936 (Cwlth) and the Income Tax Assessment Act 1997 (Cwlth) and the regulations made under those Acts, taking into account currently proposed amendments and Vectis' understanding of the current administrative practices of the Australian Taxation Office. The outline does not otherwise 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.

The following outline is not exhaustive of all possible Australian income tax considerations that could apply to particular Shareholders. In particular, the summary does not address all tax considerations applicable to Shareholders that may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, superannuation funds, dealers in securities or temporary residents of Australia. For Shareholders who are non-residents of Australia for tax purposes, it is assumed that the Espreon Shares are not held and have never been held, as an asset of a permanent establishment of that Shareholder in Australia.

The following outline also does not consider the income tax consequences on the disposal of Espreon Shares acquired on the exercise of Espreon Options. Holders of such shares or Espreon Options should seek independent tax advice.

This outline does not constitute tax advice. It is recommended that each Shareholder consult their own tax adviser regarding the consequences of acquiring, holding or disposing of their Espreon Shares in light of current tax laws and their particular circumstances.

### **7.2 Taxation on the disposal of Espreon Shares**

If you accept the Offer, you will be treated as having disposed of your Espreon Shares for tax purposes.

### **7.3 Australian resident Shareholders**

You would realise a capital gain on a Espreon Share to the extent that the amount you receive (or that you will receive) for the disposal of that Espreon Share is more than the cost base of that Espreon Share. You should realise a capital loss on a Espreon Share to the extent that the amount you receive (or that you will receive) for the disposal of that Espreon Share is less than the reduced cost base of that Espreon Share. Capital losses can usually only be offset against capital gains you realise in the same income year or in later income years).

Broadly, the cost base of an Espreon Share is the total of the amount you paid for the Espreon Share and your acquisition and disposal costs in respect of that Espreon Share. The reduced cost base of an Espreon Share would

usually be determined in a similar, but not identical, manner. However, there are a number of circumstances where this may not be the case and you are strongly advised to speak to your tax adviser to confirm the cost base or reduced cost base of your Espreon Shares.

Any net capital gain in respect of an income year would be included in your taxable income for that income year. Broadly, your net capital gain in respect of an income year would be calculated by aggregating all of your capital gains realised in respect of that income year and reducing that amount by your capital losses realised in that income year and any net capital losses from prior years that can be utilised. That amount may be further reduced by other concessions, particularly under the discount capital gains tax rules.

Shareholders who are individuals, trusts or complying superannuation funds may be eligible for discount capital gains treatment in respect of an Espreon Share if they have held that Espreon Share for at least 12 months (excluding the day of acquisition and the day of disposal) at the time they are taken to have disposed of their Espreon Share. Companies are not eligible for discount capital gains treatment.

The above comments assume that you hold shares on capital account for tax purposes. The comments set out above do not apply to you if, for example, you buy and sell shares in the ordinary course of business, or if you acquired the shares for resale at a profit. In those cases, any gain will generally be taxed as normal income. You should seek your own advice if this is applicable to you.

#### **7.4 Non-resident Shareholders**

If you are a non-resident of Australia for tax purposes, you will generally not have to pay Australian tax on any capital gain when you dispose of your Espreon Shares, unless both of the following requirements are satisfied:

- you hold a “non-portfolio interest” in Espreon; and
- the Espreon Shares pass the “principal asset test”.

You will hold a “non-portfolio interest” in Espreon if you (together with your associates) own, or owned, throughout a 12 month period during the two years preceding the sale of your Espreon Shares, 10% or more of (broadly) all of the shares in Espreon.

Broadly, the Espreon Shares would pass the “principal asset test” if the market value of Espreon’s direct and indirect interests in Australian land (including leases and mining rights) is more than the market value of its other assets at the time you accept the offer for your Espreon Shares.

Detailed calculations are necessary to determine the result of the “principal asset test”.

If you hold a “non-portfolio” interest in Espreon, you should contact Espreon to determine if the Espreon Shares would pass the “principal asset test”.

The above comments assume that you hold your shares on capital account for tax purposes. If, for example, you buy and sell shares in the ordinary course

of business, or acquired the shares for resale at a profit, any gain could be taxed in Australia as ordinary income and not as a capital gain (subject to any relief under a double tax treaty that Australia has concluded with your country). Again, you should seek your own advice in these circumstances.

You should seek advice from your taxation adviser as to the taxation implications of accepting the Offer in your country of residence.

#### **7.5 Stamp duty**

Any stamp duty payable on the transfer of Espreon Shares to Vectis pursuant to the Offer will be paid by Vectis.

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## **8 Additional information**

### **8.1 ASIC modification**

Vectis has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 11 of the ASIC Class Order 01/1543 "Takeover Bids" to include, without obtaining specific consent, statements which are made in, or based on statements made in, any documents announced on the company announcements platform of ASX by Espreon. The relevant statements were taken from Espreon's annual report for the year ended 30 June 2008 (lodged with ASX on 29 September 2008), the Scheme Booklet (including the Lonergan Edwards independent expert's report dated 3 October 2008) for the Scheme (lodged with ASX on 15 October 2008), Espreon's trading update for quarter ended 30 September 2008 (lodged with ASX on 4 November 2008), Espreon's announcement of the termination of the Scheme (lodged with ASX on 6 November 2008), Espreon's announcement of the resignation of its CEO (lodged with ASX on 10 November 2008), Espreon's announcement of the sale of Corporate Services and Billback (lodged with ASX on 27 November 2008), Espreon's Appendix 3B (lodged with ASX on 28 November 2008) and Espreon's announcements to ASX regarding the Offer (lodged with ASX on 3 December 2008).

As required by ASIC Class Order 01/1543, Vectis will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to Shareholders who request it during the Offer Period. To obtain a copy of any of these documents (or the relevant extracts), Shareholders should write to Vectis Group Pty Ltd, "Espreon Offer", Level 4, 164 Flinders Lane, Melbourne, Victoria, 3000 if they wish to request a copy (or relevant extracts) of these documents. Vectis notes that these documents are also available on the ASX website at [www.asx.com.au](http://www.asx.com.au) under the 'announcements' platform and Shareholders can view and print a copy of these documents from that website.

Vectis has also relied on various other ASIC exemptions from and modifications to the Corporations Act which have the effect of varying the Corporations Act in its application to the bid as follows:

- (a) to clarify that the events referred to in item 2(d)(ii) and item 3(d)(ii) of section 611 of the Corporations Act may operate as conditions;
- (b) to confirm that the payment obligations owed to persons who do not provide Vectis with the necessary transfer documents at the time of acceptance can be in accordance with clause 5.3 of the Offer Terms;
- (c) to allow the notice of fulfilment of conditions required by section 630(4) of the Corporations Act to be given, rather than published;
- (d) to permit the copy of this Bidder's Statement lodged with ASIC and served on Espreon to omit the names and addresses of the Shareholders, the date of the Offer and dates which depend on that date;
- (e) in the copy of this Bidder's Statement lodged with ASIC and sent to Espreon and ASX, to permit the disclosures required by:

- (i) section 636(1)(h) of the Corporations Act in relation to acquisitions or disposals of Espreon Shares by Vectis or its associates in the previous four months;
- (ii) section 636(1)(i) of the Corporations Act in relation to benefits to Shareholders in the previous four months;
- (iii) section 636(1)(k) of the Corporations Act in relation to Vectis' Relevant Interest in Espreon; and
- (iv) section 636(1)(l) of the Corporations Act in relation to Vectis' voting power in Espreon,

to be made as at the date of lodgment of this Bidder's Statement rather than as at the date of the Offer;

- (f) to clarify that notices under section 630(3) and 640(4) of the Corporations Act are to be given, rather than published;
- (g) to clarify that Vectis may declare the Offer free from any of the conditions in paragraph (c) of Appendix 2 at any time not later than three Business Days after the end of the Offer Period;
- (h) the conditions are to provide that any contracts resulting from acceptance of the Offer while still conditional will be void if unfulfilled unless Vectis has declared the Offer free from those conditions in accordance with section 650F of the Corporations Act; and
- (i) to allow the consideration offered under a takeover bid for the purpose of section 621(3) of the Corporations Act to be less than the maximum consideration paid for Espreon Shares during the previous four months by the amount of any cash dividend declared in respect of Espreon Shares.

## 8.2 Conditions

### (a) General

The Offer is subject to a number of conditions, which are set out in full in Appendix 2. Under the terms of the Offer and the Corporations Act, any or all of those conditions may be waived by Vectis.

If an event occurs which results (or would result) in the breach or non-fulfilment of a condition of the Offer, Vectis might not make a decision as to whether it will either rely on that occurrence, or instead waive the relevant condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act (see clause 6.5 of the Offer Terms). If Vectis decides that it will waive a condition to the Offer it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the conditions to the Offer are breached or not fulfilled, and Vectis decides to rely on that breach or non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Espreon Shares will be returned to the holder.

**(b) Status of conditions**

The condition set out in section (k) of Appendix 2 requires that from the Announcement Date to the commencement of the Offer Period (each inclusive) none of the events listed in sub-paragraphs (i) to (xiii) of section (j) of Appendix 2 happened. Section (j)(iv) refers to Espreon granting an option over its shares.

On the Announcement Date, and after the release of the announcement to ASX of the intention of Vectis to make a takeover offer, Espreon granted 500,000 Espreon Options to senior management of Espreon under the Executive Option Plan (an Espreon Employee or Executive Equity Plan). Each of these Espreon Options has an exercise price of \$0.25 per Espreon Option, thereby delivering to senior management who were granted the Espreon Options a potential gain of \$0.15 per Espreon Option under the Offer, and \$0.17 per Espreon Option if the Offer price is increased to \$0.42 (if Vectis obtains a Relevant Interest in at least 90% of Espreon Shares and becomes entitled to proceed to compulsory acquisition of the Espreon Shares).

Accordingly, the action of the Board in issuing the Espreon Options on the Announcement Date (and after the announcement of the intention of Vectis to make a takeover offer for Espreon) has resulted in a breach of a condition of the Offer and increased the total cost of the takeover offer to Vectis.

Notwithstanding this, Vectis has determined that it will waive the breach of condition (k) constituted by the issue of 500,000 Espreon Options by Espreon on the Announcement Date. This does not in any way constitute any waiver of any condition or breach of condition in respect of any other occurrence whatsoever.

**8.3 Approvals for payment of consideration**

Vectis is not aware of any Shareholders who require any approval referred to in section 5.6 of Appendix 1 in order to be entitled to receive any consideration under the Offer.

So far as Vectis is aware, unless the Reserve Bank of Australia has given specific approval under the *Banking (Foreign Exchange) Regulations 1959* (Cth), payments or transfers to, by the order of or on behalf of prescribed governments (and their statutory authorities, agencies and entities) and, in certain cases, nationals of prescribed countries are subject to certain limited exceptions, restrictions or prohibitions.

Based on searches conducted by Vectis, the prescribed governments, countries and entities are as follows:

- specified supporters of the former Government of the Federal Republic of Yugoslavia;
- ministers and senior officials of the Government of Zimbabwe, as well as senior management of state owned enterprises of Zimbabwe;
- certain entities and an individual associated with the Democratic People's Republic of Korea;
- certain Burmese regime figures and supporters; and
- several Iranian entities and persons.

Part 4 of the *Charter of the United Nations Act 1945* (Cth) prohibits funds and other financial assets from being provided to specified persons or entities associated with terrorism. The places to which and persons and entities to whom the *Charter of the United Nations Act 1945* (Cth) currently applies include places and persons specified by regulation, and any person, entity, asset or class of assets listed by the Australian Minister for Foreign Affairs in the Commonwealth of Australia Gazette for the purposes of Part 4 of the *Charter of the United Nations Act 1945* (Cth).

The places to which and persons and entities to whom the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth) (**2008 Regulations**) currently apply include Afghanistan, Cote d'Ivoire, Democratic People's Republic of Korea, Democratic Republic of the Congo, Iran, Iraq, Lebanon, Liberia, Sierra Leone, Somalia and Sudan, and Al-Qaida, Usama bin Laden, the Taliban, and any person, entity, asset or class of assets named on the consolidated list maintained by the Department of Foreign Affairs and Trade pursuant to regulation 40 of the 2008 Regulations.

#### 8.4 Consents

This Bidder's Statement includes statements made by, or statements based on statements made by, Vectis, and each director of Vectis, Mr Alan Schwartz and Mr Jacob Weinmann. Each of Vectis, Mr Schwartz and Mr Weinmann has consented to the inclusion of:

- (a) each statement they have made;
- (b) each statement which is based on a statement they have made,

in this Bidder's Statement in the form and context in which those statements appear.

The following firms and companies have given, and have not at the date of this Bidder's Statement withdrawn, their written consent to being named in this Bidder's Statement and to the inclusion of the following information in the form and context in which it is included:

- Mallesons Stephen Jaques has consented to being named in this Bidder's Statement as legal adviser to Vectis in relation to the Offer;

- Grant Samuel Corporate Finance Pty Limited has consented to being named in this Bidder's Statement as financial adviser to Vectis in relation to the Offer;
- Computershare Investor Services Pty Limited has consented to being named in this Bidder's Statement as the share registry for this Offer;
- Kinghall Pty Ltd has consented to being named in this Bidder's Statement as a shareholder of Vectis; and
- Fairyhall Pty Ltd has consented to being named in this Bidder's Statement as a shareholder of Vectis.

None of the above firms and companies has caused or authorised the issue of this Bidder's Statement or has in any way been involved in the making of the Offer.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the persons making those statements are not required to consent to, and have not consented to, the inclusion of those statements, or of statements based on those statements, in this Bidder's Statement (see section 8.1).

#### **8.5 Other material information**

Except as set out elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Shareholder whether or not to accept an Offer; and
- (b) known to Vectis,

and has not previously been disclosed to the Shareholders.

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## 9 Glossary

### 9.1 Definitions

The following defined terms are used throughout this Bidder's Statement unless the contrary intention appears or the context requires otherwise:

**Acceptance Form** means the form of acceptance and transfer accompanying this Offer or any replacement or substitute acceptance form provided by or on behalf of Vectis.

**Announcement Date** means 28 November 2008, being the date of announcement of the Offer.

**ASIC** means Australian Securities and Investments Commission.

**ASTC** means the ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532), the body which administers the CHESS system in Australia.

**ASTC Settlement Rules** means the settlement rules of ASTC.

**ASX** means ASX Limited, operating the Australian Securities Exchange.

**ASX Listing Rules** means the listing rules of ASX and any other rules of ASX which are applicable while the relevant entity 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.

**Bidder's Statement** means this document, being the statement of Vectis under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

**Billback, Billback Systems or Billback/Cost Recovery** means the Cost Recovery division of Espreon acquired in 2005.

**Board or Espreon Board** means the board of directors of Espreon.

**Business Day** means a day on which banks are open for general banking business in Melbourne (not being a Saturday, Sunday or public holiday in that place).

**CHESS** means the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia.

**CHESS Holding** means a holding of Espreon Shares on the CHESS subregister of Espreon.

**Controlling Participant** has the meaning given to it in the ASTC Settlement Rules. Usually your Controlling Participant is a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASTC Settlement Rules).

**Corporations Act** means the *Corporations Act 2001* (Cwlth).

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

**Espreon** means Espreon Limited, ABN 94 090 651 700, a company incorporated in Australia.

**Espreon Employee or Executive Equity Plan** means any plan put in place by Espreon to enable participation by its employees and executives in equity ownership of Espreon, including the Espreon Executive Option Plan, the Espreon Exempt Employee Share Plan, the Espreon Deferred Employee Share Plan, or the Long-Term Incentive Plan.

**Espreon Group** means Espreon and each of its subsidiaries.

**Espreon Options** mean options issued in accordance with an Espreon Employee or Executive Equity Plan and that are, subject to terms of issue and any other conditions, able to be converted into Espreon Shares.

**Espreon Shares** mean fully paid ordinary shares in the capital of Espreon.

**GST** has the same meaning as in *A New Tax System (Goods and Services Tax) Act 1999 (Cwlth)*

**HIN** means a Holder Identification Number, which is the number that is prefixed with an "X", allocated by your Controlling Participant, to identify an Espreon Shareholder with a CHESS Holding.

**Issuer Sponsored Holding** means a holding of Espreon Shares on Espreon's issuer sponsored subregister.

**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 Period** means the period commencing on [●] and ending at 7.00pm (Melbourne time) on [●] 2009, or such later date to which the Offer has been extended.

**Offer Terms** means the terms and conditions of the Offer set out in Appendices 1 and 2 to this Bidder's Statement.

**Offer** means the offer by Vectis on the Offer Terms to acquire Espreon Shares.

**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.

**Right or Rights** means all accretions, rights or benefits of whatever kind attaching to or arising from Espreon Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by Espreon or any of its subsidiaries.

**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.

**Scheme Booklet** means the information booklet which was despatched in Espreon shareholders in respect of the Scheme.

**Shareholder or Shareholders** means a holder of Espreon Shares or holders of Espreon Shares, as the context requires.

**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).

**SRN** means a Securityholder Reference Number, which is the number which is prefixed with an "I", allocated by Espreon to identify an Espreon Shareholder with an Issuer Sponsored Holding.

**Subsequent Substantial Shareholder** means any person who becomes a holder of 5% or more of total Espreon Shares after the date of this Bidder's

Statement and at any time before the end of the Offer Period (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.

**Target's Statement** means the statement of Espreon under Part 6.5 Division 3 of the Corporations Act relating to the Offer.

**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, a company incorporated in Australia.

**Vectis Group** means Vectis and its subsidiaries.

**Vectis' Takeover Transferee Holding** means the holding of Espreon Shares on the CHESS subregister of Vectis established for the purposes of this Offer.

**VWAP** means volume weighted average price.

## 9.2 General Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) A reference to time is a reference to Melbourne time.
- (b) Headings are for convenience only and do not affect interpretation.
- (c) The singular includes the plural and conversely.
- (d) A reference to a section is to a section of this Bidder's Statement.
- (e) A gender includes all genders.

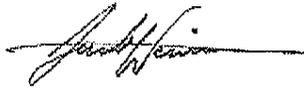
- (f) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (g) \$, or cents is a reference to the lawful currency in Australia, unless otherwise stated.
- (h) A reference to a person includes a body corporate, an unincorporated body or other entity and conversely.
- (i) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (j) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (k) A reference to any instrument or document includes any variation or replacement of it.
- (l) A term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be.
- (m) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.
- (n) A reference to you is to a person to whom the Offer is made under Appendix 1 to this Bidder's Statement.

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## 10 Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a resolution passed by the directors of Vectis on 4 December 2008.

Signed by Jacob Weinmann of Vectis in accordance with section 351 of the Corporations Act.



Jacob Weinmann

Director

Date: 5 December 2008

## Appendix 1 - Formal terms of the offer

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### 1 Offer

Vectis offers to acquire all of your Espreon Shares together with all Rights attaching to them on the following terms and conditions. The Offer relates to Espreon Shares that exist or will exist at [●] and extends to any Espreon Shares that are issued during the Offer Period as a result of exercise of Espreon Options.

You may only accept this Offer for all of your Espreon Shares.

If Vectis acquires your Espreon Shares under this Offer, Vectis is also entitled to any Rights attached to those Espreon Shares.

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### 2 Consideration

The consideration offered for each Espreon Share is \$0.40 cash.

However, in accordance with clauses 5.4 and 5.5 the amount of consideration you receive directly from Vectis may be reduced by the amount or value of any Rights attaching to Espreon Shares, which you (or any previous holder of your Espreon Shares) receive, including any dividend or distribution declared by Espreon.

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### 3 Offer Period

The Offer will, unless withdrawn, remain open for acceptance during the period commencing on the date of this Offer, being [●], and ending at 7.00pm (Melbourne time) on:

- (a) [●] 2009 (being at least one month after the date of this Offer); or
- (b) any date to which the Offer Period is extended in accordance with the Corporations Act,

whichever is the later.

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### 4 How to accept this Offer

#### 4.1 Acceptance Forms

Acceptances must be received prior to the close of the Offer Period at 7.00pm (Melbourne time) on [●] 2009, unless extended (and in the case of any acceptance in respect of a CHESS Holding lodged at to the address listed below, before 7.00pm (Melbourne time) in sufficient time for this Offer to be accepted before the end of the Offer Period).

#### 4.2 All of your holding

This Offer is for all of your Espreon Shares. You may **only** accept this Offer for **all** of your Espreon Shares.

### 4.3 Acceptance procedure for Shareholders

How you accept this Offer depends on whether your Espreon Shares are held in a CHESS Holding or an Issuer Sponsored Holding (the Acceptance Form outlines which type of holding you have):

- (a) **If you hold your Espreon Shares in a CHESS Holding** (Your HIN Starts with an "X") you must comply with the ASTC Settlement Rules.

If you hold your Espreon Shares in a CHESS Holding then, to accept this Offer you must either:

- (i) instruct your Controlling Participant (usually your broker) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules in sufficient time for this Offer to be accepted before the end of the Offer Period; or
- (ii) complete and sign the Acceptance Form and send the completed Acceptance Form (together with all other documents required by the instructions on the form) directly to your Controlling Participant (usually your broker) in sufficient time for this Offer to be accepted before the end of the Offer Period with instructions to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period; or
- (iii) complete and sign the Acceptance Form and lodge it by returning it to an address as indicated in clause 4.3(e) below and on the Acceptance Form (in sufficient time for this Offer to be accepted before the end of the Offer Period). This will authorise Vectis to instruct your Controlling Participant (usually your broker) to initiate acceptance of the Offer on your behalf before the end of the Offer Period. You must ensure that the Acceptance Form (and any other required documents) is **received in sufficient time** before the end of the Offer Period for Vectis to give instructions to your Controlling Participant, and for your Controlling Participant to carry out those instructions.
- (b) **If you are a Controlling Participant in respect of your Espreon Shares**, initiate acceptance in accordance with the requirements of the ASTC Settlement Rules before the end of the Offer Period.
- (c) **If you hold your Espreon Shares in an Issuer Sponsored Holding** (Your SRN Starts with an "I")

If your Espreon Shares are in an Issuer Sponsored Holding, to accept the Offer you must **complete and sign** the Acceptance Form in accordance with the instructions on it and lodge it by returning it to an address under clause 4.3(e) below (together with all other documents required by the instructions on the Acceptance Form) so that your acceptance is received before the end of the Offer Period.

(d) **If your Espreon Shares are held in a number of holdings**

Subject to clause 4.6, if some of your Espreon Shares are in different holdings, your acceptance of this Offer will require action under clauses 4.3(a) and 4.3(c) in relation to the separate portions of your Espreon Shares.

(e) **Postal and delivery addresses**

The postal address for completed Acceptance Forms is:

The **postal** address is:

Vectis Offer  
C/- Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001

A reply paid envelope (not able to be used by Espreon shareholders outside Australia) is enclosed for your convenience.

The **hand delivery** address is (for Melbourne only):

Attention Corporate Actions  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

(f) **Acceptance Form**

The Acceptance Form which accompanies this Offer forms part of it. Subject to clause 4.5, the requirements on the Acceptance Form must be observed in accepting this Offer in respect of your Espreon Shares.

**4.4 Power of attorney, deceased estate**

When accepting this Offer, you should also forward for inspection:

- (a) if the Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
- (b) if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Shareholder, a certified copy of the relevant grant of probate or letters of administration.

**4.5 When acceptance is complete**

Acceptance of this Offer will not be complete until the completed Acceptance Form has been received at one of the addresses set out in clause 4.3 above and the requirements of this clause have been met, provided that:

- (a) Vectis may in its sole discretion waive any or all of those requirements at any time; and
- (b) where such requirements have been complied with in respect of some but not all of your Espreon Shares, Vectis may, in its sole discretion, deem your acceptance of this Offer complete in respect of those

Espreon Shares for which the requirements have been complied with but not in respect of the remainder.

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## **5 Payment for your shares**

### **5.1 How payment for your shares will be made**

The cash payable by Vectis to you in respect of your Espreon Shares will be paid to you by cheque in Australian currency.

### **5.2 When consideration is paid**

Subject to clause 5.3, Vectis will provide the consideration to which you are entitled on valid acceptance of this Offer:

- (a) if the Offer is unconditional at the time of your acceptance, within five Business Days after the date this Offer is validly accepted by you; or
- (b) if the Offer is subject to a defeating condition when accepted, within five Business Days after this Offer or the contract resulting from your valid acceptance of this Offer becomes unconditional.

### **5.3 Where additional documents are required**

Where the Acceptance Form requires additional documents to be given with your acceptance (such as a certified copy of power of attorney, grant of probate or letters of administration):

- (a) if the documents are given with your acceptance, Vectis will provide the consideration in accordance with clause 5.2;
- (b) if the documents are given after acceptance and before the end of the Offer Period and the Offer is subject to a defeating condition at the time that Vectis is given the documents, Vectis will provide the consideration within five Business Days after the contract resulting from your acceptance of this Offer becomes unconditional; or
- (c) if the documents are given after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that Vectis is given the documents, Vectis will provide the consideration within five Business Days after Vectis is given the documents; or
- (d) if the documents are given after the end of the Offer Period, Vectis will provide the consideration within five Business Days after the documents are given; but if at the time Vectis is given the documents, the contract resulting from your acceptance of the Offer is still subject to one or more of the conditions in paragraph (i) of Appendix 2, Vectis will provide the consideration within five Business Days after that contract becomes unconditional.

If you do not provide Vectis with the required additional documents within one month after the end of the Offer Period, Vectis may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

#### 5.4 Where Vectis is entitled to any Rights

If Vectis becomes entitled to any Rights as a result of your acceptance of this Offer, you must give Vectis all documents necessary to vest those Rights in Vectis. If you do not give those documents to Vectis, or if you have received the benefit of those Rights, then Vectis may deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Vectis) of those Rights.

#### 5.5 Rights generally

If:

- you have (or any previous holder of your Espreon Shares has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
- you are (or any previous holder of your Espreon Shares is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a dividend, if you are (or any previous holder of your Espreon Shares is) the registered holder of the share at the specified time for determining those entitled to the dividend); or
- your Espreon Shares were issued (or otherwise came into existence) on or after the record date in respect of any Rights to Espreon Shareholders,

then:

- in the case of Rights to non-cash benefits, Vectis may deduct the value (as reasonably assessed by Vectis) of such Rights from any consideration otherwise payable to you; or
- in the case of Rights to cash benefits, Vectis may deduct the amount of such Rights from any consideration otherwise payable to you.

If Vectis wishes to, but cannot, make such a deduction, you must pay such value or amount to Vectis.

#### 5.6 Payment to be mailed by cheque

Payment of the cash amount to which you are entitled will be mailed by cheque (or otherwise as agreed by Vectis) in Australian currency. Cheques will be sent to the address on the most up to date copy of the Espreon register provided to Vectis before your consideration cheque is produced. The cheque will be sent by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

#### 5.7 Clearances for offshore residents

If, at the time of acceptance of this Offer, any authority or clearance of a Public Authority is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:

- (a) the *Banking (Foreign Exchange) Regulations 1959* (Cth);

- (b) Part 4 of the *Charter of the United National Act 1945* (Cth);
- (c) the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth) (**2008 Regulations**);
- (d) the Sanctions Regulations (as defined in the 2008 Regulations); or
- (e) any other law of Australia that would make it unlawful for Vectis to provide consideration for your Espreon Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite authorities or clearances have been obtained by Vectis. See section 8.3 of the Bidder's Statement for information as to whether this restriction applies to you.

## **6 Conditions of the Offer**

### **6.1 Conditions**

This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the conditions set out in Appendix 2.

### **6.2 Nature of conditions**

Each of the conditions set out in each paragraph and subparagraph of Appendix 2:

- (a) constitutes and will be construed as a separate, several and distinct condition;
- (b) is a condition subsequent; and
- (c) until the expiration of the Offer Period (or in the case of the conditions referred to in paragraph (j) of Appendix 2, until three Business Days after the end of the Offer Period) will be for the benefit of Vectis alone and may be relied upon only by Vectis, which may waive (generally or in respect of a particular event) breach or non-fulfilment of that condition.

### **6.3 Effect of breach or non-fulfilment**

The breach or non-fulfilment of any of the conditions set out in Appendix 2 does not, until the end of the Offer Period, prevent a contract arising to acquire your Espreon Shares resulting from your acceptance of this Offer but, if at the end of the Offer Period (or, in the case of the conditions in paragraph (j) of Appendix 2 - at the end of three Business Days after the end of the Offer Period), in respect of any condition in Appendix 2:

- (a) Vectis has not declared the Offer (and it has not become) free from that condition; and
- (b) that condition has not been fulfilled,

all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In such a case, Vectis will return the Acceptance Form together with all documents to the address

shown on the Acceptance Form and notify ASTC of the lapse of the Offer in accordance with Rule 14.19 of the ASTC Settlement Rules.

#### **6.4 Vectis may decide Offer is free from all or any of the conditions**

Vectis may at any time at its sole discretion but in compliance with the Corporations Act, declare this Offer free from all or any of the conditions set out in each paragraph and subparagraph of Appendix 2 by notice in writing to Espreon:

- (a) in the case of the conditions referred to in paragraph (j) of Appendix 2 - not later than three Business Days after the end of the Offer Period; or
- (b) in any other case - not later than seven days before the end of the Offer Period.

#### **6.5 Date for giving notice on status of conditions**

The date for giving a notice on the status of the conditions as required by section 630(1) of the Corporations Act is [●], subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

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## **7 Effect of Acceptance**

### **7.1 Revocation of acceptance**

Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you. In addition, you will be unable to withdraw your acceptance of this Offer or otherwise dispose of your Espreon Shares, except as follows:

- (a) if, by the times specified in clause 7.2, the conditions in Appendix 2 have not all been fulfilled or freed, then this Offer will automatically terminate and your Espreon Shares will be returned to you; or
- (b) if:
  - (i) the Offer is subject to one or more of the conditions in Appendix 2; and
  - (ii) Vectis varies the Offer in a way that postpones for more than one month the time when Vectis has to meet its obligations under this Offer,

then you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act.

### **7.2 Times**

The relevant times for the purposes of clause 7.1(a) are:

- (a) in the case of the defeating conditions referred to in paragraph (j) of Appendix 2 - three Business Days after the end of the Offer Period; and

- (b) in the case of all other defeating conditions in Appendix 2 - the end of the Offer Period.

### 7.3 Your agreement

By signing and returning the Acceptance Form, or otherwise accepting this Offer you will be deemed to have:

- (a) irrevocably authorised Vectis to alter the Acceptance Form on your behalf by:
  - (i) inserting correct details of your Espreon Shares (including details of a parcel of Espreon Shares required by clause 10.4(b));
  - (ii) filling in any blanks remaining on the Acceptance Form; and
  - (iii) rectifying any errors in, and omissions from, the Acceptance Form,  
  
as may be necessary to make the Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your Espreon Shares to Vectis; and
- (b) if any of your Espreon Shares are in a CHESS Holding, irrevocably authorised Vectis to:
  - (i) instruct your Controlling Participant to initiate acceptance of this Offer in respect of all such Espreon Shares in accordance with the ASTC Settlement Rules; and
  - (ii) give any other instructions in relation to those Espreon Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant; and
- (c) irrevocably authorised Vectis to direct Espreon to pay to Vectis, or to account to Vectis for, all Rights in respect of your Espreon Shares, subject to Vectis accounting to you for any such Rights received by Vectis if this Offer is withdrawn or any contract resulting from your acceptance to this Offer is rescinded or rendered void; and
- (d) irrevocably authorised Vectis to notify Espreon on your behalf that your place of address for the purposes of serving notices upon you in respect of your Espreon Shares is the address specified by Vectis in the notification; and
- (e) agreed to indemnify Vectis in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your HIN or SRN or in consequence of the transfer of your Espreon Shares to Vectis being registered by Espreon without production of your HIN or SRN; and

- (f) (including where the Offer is caused to be accepted in accordance with the ASTC Settlement Rules):
- (i) irrevocably accepted this Offer in respect of all your Espreon Shares despite any difference between that number and the number of Espreon Shares shown on the Acceptance Form;
  - (ii) agreed to the terms and conditions of this Offer and, subject to the conditions contained in Appendix 2 being fulfilled or freed, agreed to transfer (or consented to the transfer in accordance with the ASTC Settlement Rules) to Vectis all of your Espreon Shares;
  - (iii) represented and warranted to Vectis, as a condition of the contract resulting from your acceptance of this Offer, that at the time of acceptance and at the time of transfer to Vectis:
    - (A) you have paid to Espreon all amounts which are due for payment in respect of your Espreon Shares; and
    - (B) all of your Espreon Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and
    - (C) you have full power and capacity to sell and transfer those Espreon Shares;
  - (iv) on this Offer or any takeover contract becoming unconditional:
    - (A) irrevocably appointed Vectis and each of its directors from time to time individually as your agent and attorney on your behalf to:
      - (aa) attend and vote in respect of your Espreon Shares at all general meetings of Espreon;
      - (ab) receive from Espreon or any other party, and retain, any share certificates which were held by Espreon, or any other party, whether pursuant to the terms of any employee incentive scheme (including, without limitation, any employee share scheme) or otherwise; and
      - (ac) sign all documents (including an instrument appointing one of the directors of Vectis as a proxy in respect of any or all of your Espreon Shares and any application to Espreon for a replacement certificate in respect of any share certificate which has been lost or destroyed) and resolutions relating to your Espreon Shares, and generally to exercise all powers and rights which you may have as a Shareholder and perform such actions as may

be appropriate in order to vest good title in your Espreon Shares in Vectis, and to have agreed that, in exercising such powers, any such director is entitled to act in interests of Vectis as the beneficial owner and intended registered holder of your Espreon Shares; and

- (B) agreed not to vote in person at any general meeting of Espreon or to exercise (or purport to exercise) in person, by proxy or otherwise, any of the powers conferred on the directors of Vectis by 7.3(f)(iv)(A)(aa); and
- (v) if at the time of acceptance of this Offer your Espreon Shares are in a CHESS Holding, authorised, with effect from the date that this Offer or any contract resulting from acceptance of this Offer is declared free from all its conditions or those conditions are satisfied, Vectis to cause a message to be transmitted to ASTC in accordance with Rule 14.17.1 of the ASTC Settlement Rules so as to transfer your Espreon Shares to Vectis' Takeover Transferee Holding. Vectis will be so authorised even though at the time of such transfer it has not paid the consideration due to you under this Offer.

By accepting this Offer you will be deemed to have agreed to the matters set out in clauses 7.3(a) to (f) above, notwithstanding where this Offer has been caused to be accepted in accordance with the ASTC Settlement Rules.

Except in relation to Espreon Shares in a CHESS Holding, Vectis may at any time deem the receipt of an Acceptance Form to be a valid acceptance of this Offer even though you omit to include your share certificate(s) (if any) or there is not compliance with any one or more of the other requirements for acceptance but, if Vectis does so, Vectis is not obliged to make the consideration available to you until all of the requirements for acceptance have been met.

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## **8 Withdrawal**

Vectis may withdraw unaccepted Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

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## **9 Variation**

Vectis may vary this Offer in accordance with the Corporations Act.

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## **10 Acceptances by transferees and nominees**

### **10.1 Who may accept this Offer**

During the Offer Period:

- (a) any person who is able to give good title to a parcel of your Espreon Shares may accept this Offer (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer had been made to them; and

- (b) any person who holds one or more parcels of Espreon Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate and distinct offer on terms identical to this Offer had been made in relation to:
  - (i) each of those distinct parcels; and
  - (ii) any distinct parcel they hold in their own right.

## **10.2 Holding shares**

A person is taken to hold Espreon Shares if the person is, or is entitled to be registered as, the holder of those Espreon Shares.

## **10.3 Holding shares on trust or as a nominee**

A person is taken to hold Espreon Shares on trust for, as nominee for, or on account of, another person if they:

- (a) are entitled to be registered as the holder of particular Espreon Shares; and
- (b) hold their interest in the Espreon Shares on trust for, as nominee for, or on account of, that other person.

## **10.4 Effective acceptance**

An acceptance of an offer under clause 10.1(b) is ineffective unless:

- (a) the person who holds on account of another person, gives Vectis a notice stating that the Espreon Shares consist of a separate parcel; and
- (b) the acceptance specifies the number of Espreon Shares in that parcel.

References in this Offer to your Espreon Shares will be treated to relate to that separate parcel.

## **10.5 Notice of acceptance**

A notice under clause 10.4(a) of these terms must be made:

- (a) if it relates to Espreon Shares entered on an ASTC subregister - in an electronic form approved by the ASTC Settlement Rules; or
- (b) otherwise - in writing.

A person may, at the one time, accept for two or more parcels under this clause as if there had been a single offer for a separate parcel consisting of those parcels.

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# **11 Other matters**

## **11.1 Notices and other communications**

Subject to the Corporations Act, a notice or other communication given by Vectis to you in connection with this Offer shall be deemed to be duly given if it is in writing and:

- (a) is delivered at your address as recorded on the register of members of Espreon or the address shown in the Acceptance Form; or
- (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

### **11.2 Return of documents**

If:

- (a) this Offer is withdrawn after your Acceptance Form has been sent to Vectis, but before it has been received; or
- (b) for any other reason Vectis does not acquire the Espreon Shares to which your Acceptance Form relates,

Vectis will destroy your Acceptance Form and all other documents forwarded by you as soon as reasonably practicable following the withdrawal or expiration of the Offer.

### **11.3 Costs and expenses**

All costs and expenses of the preparation, despatch and circulation of the Bidder's Statement and this Offer and all stamp duty payable in respect of a transfer of Espreon Shares in respect of which Offers are accepted, will be paid by Vectis.

### **11.4 Foreign laws**

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer.

### **11.5 Governing law**

This offer and any contract resulting from acceptance of it is governed by the law in force in Victoria, Australia.

## Appendix 2 - 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:
- (ii) there is no Subsequent Substantial Shareholder; or
  - (iii) 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.





Vectis Group Pty Ltd  
ACN 124 666 806



**Please return completed form to:**  
Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia  
Enquiries (within Australia) 1300 257 943  
(outside Australia) 61 3 9415 4886

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SAM  
MR JOHN SAMPLE  
FLAT 123  
SAMPLE STREET  
SAMPLE STREET  
SAMPLE STREET  
SAMPLETOWN VIC 3030

Securityholder Reference Number (SRN)



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Use a **black pen**.  
Print in **CAPITAL** letters  
inside the grey areas.

A B C

1 2 3

## Transfer and Acceptance Form - Issuer Sponsored Holding

This is a personalised form for the sole use of the holder and shareholding recorded below. It is an important document and requires your immediate attention. If you are in doubt about how to deal with it, please consult your financial or other professional adviser.

This form relates to the Offer by Vectis Group Pty Ltd ("Vectis") to acquire all of your shares ("Espreon Shares") in Espreon Limited ("Espreon") ("EON"). Terms used in this form have the same meaning as in the Bidder's Statement unless the context requires otherwise.

**Use this form to accept the Offer by Vectis for all of your Espreon Shares**

### B Consideration

If you accept the Offer you will, subject to the satisfaction or waiver of the conditions of the Offer, receive A\$0.40 cash per Espreon Share. The Offer price will be increased if certain conditions are met. Please see the Bidder's Statement for further information.

Shareholder details	
Subregister	Issuer
Your holding in Espreon Shares	123456789012

### C To be completed by Shareholder

You will be deemed to have accepted the Offer in respect of all your Espreon Shares if you sign and return this form. Please refer to Section C on the back of this form for detailed instructions on how to accept.

### D Contact details

Please provide your contact details in case we need to speak to you about this form.

Name of contact person

Contact person's daytime telephone number

### E Sign here - this section must be signed before we can process this form.

I/We accept the Offer by Vectis in respect of all of the Espreon Shares I/we hold and I/we agree to be bound by the terms and conditions of the Offer (including the instructions as to acceptance of the Offer on the back of this form) and transfer all of my/our Espreon Shares to Vectis for the consideration applicable under the Offer.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Individual or Shareholder 2

Director

Individual or Shareholder 3

Director/Company Secretary

Vectis reserves the right to make amendments to this form as set out in the terms and conditions of the Offer. Please refer to the lodgement instructions overleaf.

See back of form for completion guidelines



## How to complete this form

### Acceptance of the Offer

#### **A** Registration Details

The Espreon Shares are currently registered in the name(s) printed on this form. Your consideration will be issued in the name(s) which appear(s) on the copy of the register provided to Vectis.

If you have already sold all your Espreon Shares shown overleaf, you need not take any further action. For security reasons we suggest that you destroy this form.

#### **B** Consideration

If you accept the Offer you will, subject to the satisfaction or waiver of the conditions of the Offer, receive A\$0.40 cash per Espreon Share. The Offer price will be increased if certain conditions are met. Please see the Bidder's Statement for further information.

#### **C** How to accept the Offer

As your Espreon Shares are held in an Issuer Sponsored Holding, complete and sign this form and return it to an address below so that it is received by no later than 7.00pm (Melbourne time) on the last date of the Offer Period.

If you sign and return this Transfer and Acceptance Form, you warrant to Vectis (and authorise Vectis to warrant on your behalf) that you have full legal and beneficial ownership of the Espreon Shares to which this Transfer and Acceptance Form relates and that Vectis will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

Neither Vectis or Computershare Investor Services Pty Limited ('CIS') will be responsible for any delays incurred by this process. You should allow sufficient time for Vectis to initiate the acceptance of the Offer on your behalf.

#### **D** Contact details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding this form.

#### **E** Signature(s)

You must sign the form as follows in the space provided:

Joint holding: where the holding is in more than one name all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney, you must attach a certified copy of the Power of Attorney to this form when you return it.

Deceased Estate: all executors must sign and, a certified copy of Probate or Letters of Administration must accompany this form.

Companies: where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company does not have a company secretary, a sole director can sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held.

### Lodgement of Transfer and Acceptance Form

This Transfer and Acceptance Form must be received by CIS Melbourne by no later than 7.00pm (Melbourne time) on the last date of the Offer Period. You should allow sufficient time for this to occur. Return this Transfer and Acceptance Form to:

#### Postal Address

c/- Vectis Offer  
Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia

#### Hand Delivery (Melbourne only)

Attention Corporate Actions  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

Neither CIS nor Vectis accepts any responsibility if you lodge the Transfer and Acceptance Form at any other address or by any other means.

### Privacy Statement

Personal information is collected on this form by CIS, as registrar for Vectis, for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by Vectis in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

Please note this form may not be used to change your address.

1T10

EON-TKO

Please return the completed form to one of the addresses shown above





Vectis Group Pty Ltd  
ACN 124 666 806

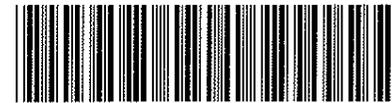


**Please return completed form to:**  
Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia  
Enquiries (within Australia) 1300 257 943  
(outside Australia) 61 3 9415 4886



000001  
000  
SAM  
MR JOHN SAMPLE  
FLAT 123  
SAMPLE STREET  
SAMPLE STREET  
SAMPLE STREET  
SAMPLETOWN VIC 3030

Holder Identification Number (HIN)



X 1234567890 IND

Use a black pen.  
Print in CAPITAL letters  
inside the grey areas.

A	B	C	1	2	3
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## Transfer and Acceptance Form - CHES Holding

This is a personalised form for the sole use of the holder and shareholding recorded below. It is an important document and requires your immediate attention. If you are in doubt about how to deal with it, please consult your financial or other professional adviser.

This form relates to the offer by Vectis Group Pty Ltd ("Vectis") to acquire all of your ("Espreon Shares") in Espreon Limited ("Espreon") ("EON"). Terms used in this form have the same meaning as in the Bidder's Statement unless the context requires otherwise.

**Use this form to accept the Offer by Vectis for all of your Espreon Shares**

### B Consideration

If you accept the Offer you will, subject to the satisfaction or waiver of the conditions of the Offer, receive A\$0.40 cash per Espreon Share. The Offer price will be increased if certain conditions are met. Please see the Bidder's Statement for further information.

<b>Shareholder details</b>	
Subregister	CHES
Your holding in Espreon Shares	123456789012

### C To be completed by Shareholder

You will be deemed to have accepted the Offer in respect of all your Espreon Shares if you sign and return this form.

As you hold your Espreon Shares in a CHES holding (see "subregister" above), to accept the Offer you can either:

- Instruct your Controlling Participant directly - normally your broker or
- Authorise Vectis to contact your Controlling Participant on your behalf, which you can do by signing and returning this form. By signing and returning this form you will be deemed to have authorised Vectis to contact your Controlling Participant directly via the CHES system.

Please refer to Section C on the back of this form for detailed instructions on how to accept.

### D Contact details

Please provide your contact details in case we need to speak to you about this form.

Name of contact person

Contact person's daytime telephone number

### E Sign here - this section must be signed before we can process this form.

I/We accept the Offer by Vectis in respect of all of the Espreon Shares I/we hold and I/we agree to be bound by the terms and conditions of the Offer (including the instructions as to acceptance of the Offer on the back of this form) and transfer all of my/our Espreon Shares to Vectis for the consideration applicable under the Offer.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Individual or Shareholder 2

Director

Individual or Shareholder 3

Director/Company Secretary

Vectis reserves the right to make amendments to this form as set out in the terms and conditions of the Offer. Please refer to the lodgement instructions overleaf.

See back of form for completion guidelines



## How to complete this form

### Acceptance of the Offer

#### **A** Registration Details

The Espreon Shares are currently registered in the name(s) printed on this form. Your consideration will be issued in the name(s) which appear(s) on the copy of the register provided to Vectis.

If you have already sold all your Espreon Shares shown overleaf, you need not take any further action. For security reasons we suggest that you destroy this form.

#### **B** Consideration

If you accept the Offer you will, subject to the satisfaction or waiver of the conditions of the Offer, receive A\$0.40 cash per Espreon Share. The Offer price will be increased if certain conditions are met. Please see the Bidder's Statement for further information.

#### **C** How to accept the Offer

As your Espreon Shares are in a CHES holding, you may **contact your Controlling Participant** directly (normally your broker) with instructions to accept the Offer. If you do this, you will need to sign and return this Transfer and Acceptance Form to your Controlling Participant. If you want Vectis to contact your Controlling Participant on your behalf (via the CHES system), sign and return this form to an address below so that it is received in sufficient time to allow your instruction to be acted upon by Vectis prior to 7.00pm (Melbourne time) on the last date of the Offer Period (which will authorise Vectis and CIS to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf).

If you sign and return this Transfer and Acceptance Form, you warrant to Vectis (and authorise Vectis to warrant on your behalf) that you have full legal and beneficial ownership of the Espreon Shares to which this Transfer and Acceptance Form relates and that Vectis will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

**Neither Vectis or Computershare Investor Services Pty Limited ('CIS') will be responsible for any delays incurred by this process. You should allow sufficient time for your Controlling Participant or Vectis to initiate the acceptance of the Offer on your behalf.**

#### **D** Contact details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding this form.

#### **E** Signature(s)

You must sign the form as follows in the space provided:

**Joint holding:** where the holding is in more than one name all of the Shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney, you must attach a certified copy of the Power of Attorney to this form when you return it.

**Deceased Estate:** all executors must sign and, a certified copy of Probate or Letters of Administration must accompany this form.

**Companies:** where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company does not have a company secretary, a sole director can sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held.

1TCO

### Lodgement of Transfer and Acceptance Form

This Transfer and Acceptance Form must be received by CIS Melbourne in sufficient time to allow your instruction to be acted upon by 7.00pm (Melbourne time) on the last date of the Offer Period. You should allow sufficient time for this to occur. Return this Transfer and Acceptance Form to:

#### Postal Address

c/- Vectis Offer  
Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia

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Attention Corporate Actions  
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Neither CIS nor Vectis accepts any responsibility if you lodge the Transfer and Acceptance Form at any other address or by any other means.

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Please note this form may not be used to change your address.

EON-TKO

Please return the completed form to one of the addresses shown above

