

Head Office
286 Sussex Street
Sydney NSW 2000 Australia
Postal Address
GPO Box 5420
Sydney NSW 2001 Australia
Phone (61-2) 8206 6060
Fax (61-2) 8206 6061
Email mail@saiglobal.com
Web www.saiglobal.com
SAI Global Limited
ABN 67 050 611 642

30 March 2010

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

COMPULSORY ACQUISITION OF SHARES IN ESPREON LIMITED

In December 2009, SAI Global Limited (SAI) acquired 36.4% of the shares in Espreon Limited (Espreon).. As a result, SAI obtained more than 90% of the voting power in Espreon and a beneficial interest in at least 90% by value of all the securities in Espreon.

SAI has commenced the process for compulsorily acquiring the outstanding ordinary shares in Espreon (Ordinary Shares) by lodging the relevant compulsory acquisition notices with the Australian Securities and Investments Commission (ASIC).

Please find attached a copy of the following documents:

1. Letter sent to the holders of the Ordinary Shares
2. Form 6024 for the Ordinary Shares;;
3. Objection form sent to the holders of the Ordinary Shares; and
4. Independent Expert's Report.

We confirm that the enclosed documents were lodged with ASIC today, pursuant to s 664C(2)(a) of the Corporations Act 2001 (Cth) (Corporations Act).

We also confirm that the enclosed documents were provided to Espreon today, pursuant to s664C(2)(c) of the Corporations Act and will be dispatched to holders of the Ordinary Shares.

Yours sincerely



Hanna Myllyoja
Company Secretary

Head Office
286 Sussex Street
Sydney NSW 2000 Australia
Postal Address
GPO Box 5420
Sydney NSW 2001 Australia
Phone (61-2) 8206 6060
Fax (61-2) 8206 6061
Email mail@sai-global.com
Web www.sai-global.com
SAI Global Limited
ABN 67 050 611 642

30 March 2010

Dear Shareholder

COMPULSORY ACQUISITION

As you may be aware, in December 2009, SAI Global Limited (**SAI**) acquired 36.4% of shares in Espreon Limited (**Espreon**). As a result, SAI obtained more than 90% of the voting power in Espreon and a beneficial interest in at least 90% by value of all the securities in Espreon.

You have received this letter and the enclosed information as you hold ordinary shares in Espreon (**Ordinary Shares**).

SAI now proposes to compulsorily acquire each Ordinary Share in Espreon for \$0.69 per Ordinary Share in accordance with Part 6A.2 of the *Corporations Act 2001* (Cth) (**Corporations Act**). The attached independent expert's report supports the proposed acquisition price on the basis that the Ordinary Shares have a fair value of between \$0.68 and \$0.769 per Ordinary Share.

SAI encloses by way of service:

- a notice of compulsory acquisition under section 664C of the Corporations Act in relation to the Ordinary Shares held by you (**Notice**);
- a copy of the expert's report relating to the compulsory acquisition of the Ordinary Shares; and
- a copy of an objection form (**Objection Form**) pursuant to which you may object to the acquisition within one month of receipt hereof (i.e. no later than 2 May 2010).

The Notice was lodged with the Australian Securities and Investments Commission on 30 March 2010. As well as providing formal notice of SAI's intention to compulsorily acquire your Ordinary Shares, the Notice sets out certain rights available to you under the Corporations Act in response to the notice.

WHAT DO YOU NEED TO DO?

If you wish to object to the acquisition, you must complete and return the Objection Form, otherwise, no action is required. In due course, you will receive a letter setting out details for the payment of the consideration payable to you upon compulsory acquisition of your Ordinary Shares.

Yours sincerely

Hanna Myllyoja
Company Secretary

ASIC registered agent number 16724
lodging party or agent name Gilbert + Tobin
office, level, building name or PO Box no Level 37
street number and name 2 Park Street
suburb/city Sydney state/territory NSW postcode 2000
telephone (02) 9263 4000
facsimile (02) 9263 4111
DX number _____ suburb/city _____
Ref _____

	ASS. <input type="checkbox"/> REQ-A <input type="checkbox"/>
	CASH. <input type="checkbox"/> REQ-P <input type="checkbox"/>
	PROC <input type="checkbox"/>

Australian Securities & Investments Commission

form **6024**

Notice of
compulsory acquisition

Corporations Act 2001
664C(1)

To _____ (1)
Securities of **Espreon Limited** _____ (2) ("the Company")

1. **SAI Global Limited** _____ (3) ("the 90% Holder") has at least 90% of voting power in the Company and holds either alone or with a related body corporate, full beneficial interests in at least 90% by value of the securities of the company that are either shares or convertible into shares.
2. You are the holder of **Ordinary shares** _____ (4) of the Company.
3. Under subsection 664A(3) of the Corporations Act 2001 ("the Act") the 90% Holder may compulsorily acquire all the **Ordinary shares** _____ (4) if less than 10% by value of holders in that class have objected to the acquisition by the end of the objection period set out in this notice or the Court approves the acquisition under section 664F of the Act.
4. The 90% Holder hereby gives notice that it proposes to compulsorily acquire **Ordinary shares** _____ (4) that you hold for the cash amount of **\$0.69 per share** _____ (5)
5. Under section 664E, you, (or anyone who acquires the securities during the objection period) have the right to object to acquisition of your securities by completing and returning the objection form that accompanies this notice within **1 month** _____ (6) of receipt of this notice. The objection cannot be withdrawn.
6. You have the right to obtain the names and addresses of everyone else who holds securities in the same class from the Company register.
7. Under section 664F, if 10% of holders of securities covered by this compulsory acquisition notice have objected to the acquisition before the end of the objection period, the 90% Holder may within one month after the end of the objection period apply to the Court for approval of the acquisition of the securities covered by this notice.
8. During the last 12 months the 90% Holder or an associate has purchased securities of the same class for **\$0.68** _____ (7).
9. _____

Signature

print name **Hanna Myllyoja** capacity **Company Secretary**

sign here _____ date _____ / _____ / _____

DIRECTIONS

- * Delete whichever does not apply.
- (1) Name and address of holder.
 - (2) Name of target company.
 - (3) Insert name of 90% Holder.
 - (4) Insert class of securities.
 - (5) Insert the cash amount for the securities.
 - (6) Insert the period during which holders may return the objection form. The period must be at least one month.
 - (7) Insert details of the consideration given for the securities.
 - (8) Include any information that is known to the 90% Holder or any related bodies corporate that is material to deciding whether to object to the acquisition and has not been disclosed in an expert's report under section 667A of the Act.

GUIDE

This guide does not form part of the prescribed form and is included by ASIC to assist you in completing and lodging form 6024.

Signature

This form must be signed:

- (a) where the 90% Holder is or includes a natural person or natural persons, by the person or by each of the persons; or
- (b) where the 90% Holder is or includes a corporation or corporations, by a director or secretary of the corporation or each of the corporations.

Lodging period

Nil

Lodging Fee

Nil

Other forms to be completed

Nil

Additional information

- (a) If additional space is required to complete a question, the information may be included on a separate piece of paper annexed to the form.
- (b) This notice must be given to each person (other than a related body corporate) who holds securities in the class on the day on which the notice is lodged with ASIC.
- (c) This notice must be accompanied by:
 - (i) an expert's report or all experts' reports prepared pursuant to section 667A of the Corporations Act 2001; and
 - (ii) an objection form.
- (d) If the company is listed, a copy of this notice, the accompanying expert's report and the objection form must be given to each relevant securities exchange on the same day as it is lodged with ASIC.
- (e) The 90% Holder must dispatch the notices and expert's report on the day the 90% Holder lodges the notice with ASIC or on the next business day.
- (f) The 90% Holder must lodge with ASIC a copy of any objection form as soon as practicable after it is returned.
- (g) As soon as practicable after the end of the objection period, the 90% Holder must:
 - (i) prepare a list that sets out the names of all objectors and details of the securities they hold;
 - (ii) lodge the list with ASIC;
 - (iii) give a copy of the list to the Company; and
 - (iv) if the Company is listed, give a copy to the relevant securities exchange.
- (h) If the holders of 10% of the securities covered by the compulsory acquisition notice object to the proposed acquisition before the end of the objection period, notice must be given to everyone to whom the compulsory acquisition notice was sent:
 - (i) that the proposed acquisition will not occur; or
 - (ii) that application has been made to the court for approval of the acquisition.

Send to

Australian Securities & Investments Commission
Regional Office
GPO Box 9827
in your capital city.

Annexures

To make any annexure conform to the regulations, you must

- 1 use A4 size paper of white or light pastel colour with a margin of at least 10mm on all sides
- 2 show the corporation name and A.C.N. or A.R.B.N.
- 3 number the pages consecutively
- 4 print or type in BLOCK letters in dark blue or black ink so that the document is clearly legible when photocopied
- 5 identify the annexure with a mark such as A, B, C, etc
- 6 endorse the annexure with the words:
This is annexure (mark) of (number) pages referred to in form (form number and title)
- 7 sign and date the annexure.

The annexure must be signed by the same person(s) who signed the form.

Information in this guide is intended as a guide only. Please consult your accountant or solicitor for further advice.

**CORPORATIONS ACT
PART 6A.2
OBJECTION FORM**

The Directors
SAI Global Limited
286 Sussex Street
Sydney
NSW 2000

Dear Sirs/Madam

OBJECTION TO COMPULSORY ACQUISITION

I/We refer to the notice of compulsory acquisition received by me on2010.

Pursuant to section 664E(1) of the Corporations Act 2001, I/we, of, hereby notify SAI Global Limited, that I/we object to the acquisition of the ordinary shares held by me/us and acknowledge that this objection:

- (i) relates to all securities of the above class that are covered by the notice and are held by me/us as at the date of this objection; and
- (ii) cannot be withdrawn.

.....
Signature of shareholder (or representative)

.....
Name of shareholder (print)

.....
Capacity of representative (if applicable)

.....
Date

LONERGAN EDWARDS & ASSOCIATES LIMITED

ABN 53 095 445 560
AFS Licence No 246532
Level 27, 363 George Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
Facsimile: [61 2] 8235 7550
www.lonerganedwards.com.au

The Directors
Espreon Limited
286 Sussex Street
Sydney NSW 2000

26 March 2010

Subject: Assessment of fair value pursuant to Section 667C

Dear Sirs

Introduction

- 1 On 28 November 2008 Vectis Group Pty Limited (Vectis) announced an off-market takeover offer for all the shares in Espreon Limited (Espreon) at 40 cents cash per share. The offer price was to be increased to 42 cents cash per share if Vectis acquired a relevant interest in 90% or more of Espreon shares and became entitled to proceed to compulsory acquisition. Vectis had a 19.73% holding in Espreon prior to making its takeover offer.
- 2 On 22 December 2008 Vectis increased its offer to 45 cents cash per Espreon share (the Second Vectis Offer).
- 3 On 13 January 2009 SAI Global Limited (SAI Global) announced an off-market takeover offer for all the shares in Espreon (the SAI Global Offer)¹. The consideration under the SAI Global Offer comprised:
 - (a) 1 SAI Global share for every 4.8 Espreon shares if SAI Global acquired a relevant interest in at least 50.1% but less than 90% of Espreon shares; or
 - (b) 1 SAI Global share for every 4.4 Espreon shares if SAI Global became entitled to proceed to compulsory acquisition of Espreon shares before the end of the offer period.
- 4 On 20 February 2009, SAI Global announced that it had received acceptances for in excess of 50.1% of Espreon shares. Consequently, SAI Global announced on that date that its offer was unconditional and extended the closing date to 11 March 2009.
- 5 On 27 February 2009 Vectis increased its offer to 50 cents cash per Espreon share and declared its offer unconditional (the Final Vectis Offer). However, as stated above, by that time control of Espreon had already passed to SAI Global.

¹ At the same time SAI Global announced that it had acquired a 19.66% shareholding in Espreon from Hunter Hall Investment Management Limited on 12 and 13 January 2009 for 47.0 cents per share in cash. Before the acquisition of this 19.66% interest SAI Global had a no holding in Espreon.

- 6 Immediately following the conclusion of both the SAI Global Offer and the Final Vectis Offer the shareholders in Espreon were as follows:

Espreon shareholders post completion of offers		
Investor	Shares held	Percentage of issued capital
SAI Global	59,603,993	62.51
Vectis	34,533,262	36.22
Other shareholders	1,214,684	1.27
Total issued capital	95,351,939	100.00

- 7 The percentage holding of other shareholders reduced to approximately 0.8% by 18 December 2009 due to an on-market buy-back² which was conducted by Espreon.
- 8 On 18 December 2009 SAI Global announced that it had acquired Vectis' 34.5 million shares (representing some 36.4% of outstanding shares at the time) in Espreon for a cash payment of \$11.7 million and 3.3 million new SAI Global Shares (valued at \$11.8 million³) for a total consideration of \$23.5 million. This represented consideration of 68 cents per Espreon share.

Scope

- 9 Under Section 664A of the Corporations Act, SAI Global may compulsorily acquire the remaining shares in Espreon (the Shares) that it does not already own and must include with the Compulsory Acquisition Notice, an experts report under Section 667A.
- 10 Consequently, the directors of Espreon have requested that Lonergan Edwards & Associates Limited (LEA) prepare an independent expert's report (IER) which sets out our opinion on the fair value of the Shares for the purpose of the compulsory acquisition proceedings, pursuant to Section 667C of the *Corporations Act 2001 (Cth)* (Corporations Act).

Summary of opinion

- 11 In our opinion the fair value of Espreon shares is as follows:

	Low \$m	High \$m
EBIT	8.5	8.5
EBIT multiple	7.0	8.0
Enterprise Value	59.5	68.0
Add: Surplus cash	5.0	5.0
100% Equity Value	64.5	73.0
Outstanding shares	94.87	94.87
Value per Espreon share (cents per share)	68.0	76.9

² We note that the on-market buy back reduced the total outstanding issued capital to 94.87 million shares.

³ Based on the 30 day VWAP of SAI Global Shares prior to 18 December 2009.

12 In contrast we note that:


- (a) the lower end of our assessed range is consistent with the price at which Vectis sold its 36.4% interest in Espreon to SAI Global in December 2009 of 68 cents per share
- (b) the value of the SAI Global Offer consideration adjusted for movements in the S&P/ASX 200 Index since that date to 8 March 2010 is 78.1 cents per share (which is consistent with the upper end of our range).

13 The price to be paid to shareholders (as set out in the Compulsory Acquisition notice) is 69 cents per share. As the price to be paid to shareholders is consistent with the lower end of our valuation range, in our opinion, the terms proposed in the Compulsory Acquisition notice give a fair value for the Shares.

Yours faithfully



Craig Edwards
Authorised Representative



Wayne Lonergan
Authorised Representative

Table of contents

Section	Page	
I	Scope of our report	5
	Purpose	5
	Basis of assessment	5
	Limitations and reliance on information	5
II	Profile of Espreon	7
	History	7
	Current operations	7
	Management services agreement with SAI Global Limited	8
	Summary of financial performance	9
	Financial position	11
	Share capital	12
	Share price performance	12
III	Valuation approach	14
	Methodologies selected	15
IV	Valuation of 100% of Espreon shares	16
	Valuation methodology	16
	Earnings adopted for valuation purposes	16
	EBIT multiple	18
	Surplus cash	22
	Fully diluted shares on issue	22
	Value of Espreon	22
	Cross-check for reasonableness	22
	Transaction evidence relevant to Property Services	27

Appendices

A	Financial Services Guide
B	Qualifications, declarations and consents
C	Brief descriptions of target companies acquired
D	Glossary

I Scope of our report

Purpose

- 14 Under Section 664A of the Corporations Act, SAI Global may compulsorily acquire the remaining shares in Espreon (the Shares) that it does not already own and must include with the Compulsory Acquisition Notice, an experts report under Section 667A.
- 15 Consequently, the directors of Espreon have requested that LEA prepare an IER which sets out our opinion on the fair value of the Shares for the purpose of the compulsory acquisition proceedings, pursuant to Section 667C of the Corporations Act.

Basis of assessment

Section 667C of the Corporations Act

- 16 Section 667C (1) of the Corporations Act sets out the steps for determining the “fair value” of securities, as follows:
- “(a) first, assess the value of the company as a whole; and*
 - (b) then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, and voting and distribution rights, of the classes); and*
 - (c) then allocate the value of each class pro rata among the securities in that class (without allowing a premium or applying a discount for particular securities in that class).”*

- 17 In addition, Section 667C(2) of the Corporations Act states that:

“Without limiting subsection (1), in determining what is fair value for securities for the purposes of this Chapter, the consideration (if any) paid for securities in that class within the previous six months must be taken into account.”

Fair value

- 18 “Fair value” is not defined in the Corporations Act. Consequently, we have valued the shares in Espreon by reference to the standard definition of value which is “fair market value”.
- 19 Fair market value is normally defined as the price which would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.
- 20 Further, as Section 667C(1) requires the company to be valued as a whole it is appropriate to assess the value of the shares on a 100% controlling interest basis, without applying any minority interest discount or discount for lack of marketability.

Limitations and reliance on information

- 21 Our opinions are based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

- 22 Our report is also based upon financial and other information provided by Espreon. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to the fair value of Espreon shares. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. None of these additional tasks have been undertaken.
- 23 We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).
- 24 An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 25 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

II Profile of Espreon

History

- 26 Espreon was formed in 1990 as LegalCo Pty Limited (LegalCo), via the merger of two traditional law practitioners who began trading in the 1950s, Southern Legal Search and Chisholm & Co. At that time, LegalCo was a small, Sydney business with less than 50 employees.
- 27 Recognising the potential of the burgeoning property and information brokerage market, LegalCo lodged its prospectus with Australian Securities & Investments Commission (ASIC) on 7 April 2000. Subsequently an application was also lodged for listing on the Australian Securities Exchange (ASX), and on 1 June 2000 LegalCo began trading on the ASX with share capital of 25 million shares, at an issue price of \$1.00 per share.
- 28 The company grew both organically and by acquisition to become one of the largest providers of property and business information brokerage, property related and other corporate services in Australia.
- 29 By January 2005 Espreon comprised 12 businesses, with 250 staff and 8 offices, many of which operated under different business names and service standards. These businesses were rebranded under one common name (Espreon) in July 2005 when LegalCo changed its name to Espreon.
- 30 In September 2005 Espreon established a third division as a result of acquiring Recount Expense Management Systems Pty Limited, trading as Billback Systems.
- 31 On 27 November 2008 Espreon announced that it had reached an agreement to sell its Corporate Services and Billback Systems businesses (the Sold Businesses) to Reckon Limited (Reckon) for \$18 million in cash. Completion of this transaction occurred on 2 January 2009. The Corporate Services and Billback Systems businesses had accounted for 11.4% and 10.5% of sales revenue respectively in the year ended 30 June 2008.

Current operations

- 32 As a result of the divestments of the Corporate Services and Billback Systems businesses, Espreon's current operations comprise its Property Services business only.
- 33 The Property Services division provides services mainly in the area of property transactions, such as property settlement, stamping and registration of documents.
- 34 The division also operates as an information broker providing searches and reports mainly through State Government databases such as:
 - (a) land title searches
 - (b) company and business searches
 - (c) insolvency and bankruptcy searches.
- 35 These searches are provided via the internet or through manual enquiry and delivery mechanisms.

- 36 Espreon is the major external supplier of these services to Australia's banks (including Commonwealth Bank, Bankwest, Westpac / St George and Suncorp) and law firms. The company's top 10 clients by revenue are all financial institutions.
- 37 Major competitors are Scott Ashwood and Perpetual. A number of financial institutions (including NAB) continue to conduct their own settlement services in-house.
- 38 In the year ended 30 June 2009 the Property Services division generated revenue of approximately \$100.9 million (refer paragraph 41 below). This revenue comprised:
- (a) **Authority fees recovered** (\$69.5 million) – which represent the amount billed to clients for recovery of charges levied by various authorities involved in providing property searches and related certificates
 - (b) **Service fees** (\$31.0 million) - which represent the additional margin charged to clients on top of authority fees recovered, and other fees charged for undertaking settlement and other services
 - (c) **Management fees** (\$0.4 million) - which represent fees paid to Espreon for management services provided by Espreon to the Sold Businesses for the 6 month period to 31 December 2008.
- 39 In effect service fee income represents the revenue generated by Espreon which is available to pay operating expenses. This is because authority fees recovered are simply a pass through of document and data charges from other providers.

Management services agreement with SAI Global Limited

- 40 In May 2009 Espreon and SAI Global entered into a Shared Services Agreement. Under the agreement SAI Global agreed to provide certain services (the Services) to Espreon in return for a service fee. The Services provided by SAI Global include executive management, accounting and audit, legal and company secretarial, human resources and IT. In the 6 months to 31 December 2009, the service fee charged by SAI to Espreon was \$575,000.

Summary of financial performance

- 41 A summary of Espreon's actual operating performance is set out below. Espreon's discontinued operations represent the results of the Corporate Services and Billback Systems. The results from the continuing operations represent the results of the ongoing Property Services business:

Financial performance			
	Year to 30 Jun 08 Audited \$000	Year to 30 Jun 09 Audited \$000	6 mths to 31 Dec 09 ⁽¹⁾ Unaudited \$000
Service fees	34,304	30,957	19,088
Authority fees recovered	73,423	69,497	37,061
Management fees	726	443	-
Sales revenue from continuing operations	108,453	100,897	56,149
Gross profit	31,173	28,991	17,947
Operating costs	(23,294)	(22,432)	(11,491)
EBITDA and significant items	7,879	6,559	6,456
Depreciation and amortisation	(1,913)	(1,724)	(754)
EBIT before significant items	5,966	4,835	5,702
Costs associated with takeover offers	-	(2,191)	-
Derivative gains/(losses)	250	(650)	-
Net interest expense	(2,426)	(1,231)	113
Net profit before tax for continuing operations	3,790	763	5,814
Income tax expense	(909)	(223)	(1,720)
Net profit after tax for continuing operations	2,881	540	4,094
Profit/(loss) from discontinued operations	2,416	(19,667)	-
Net profit/(loss)	5,297	(19,127)	4,094
EBITDA margin	7.3%	6.5%	11.5%
EBIT margin	5.5%	2.6%	10.2%

Note:

- 1 Based on unaudited management accounts.
- 2 Totals may not add due to rounding.

- 42 With respect to the results over the above period we note that:

- (a) revenue in FY09 was lower than FY08 due to the lower level of property transactions (and related searches etc) undertaken by Espreon on behalf of clients
- (b) the loss from the sale of the Sold Businesses resulted in an overall loss of \$19.1 million in FY09
- (c) the net interest of \$113,000 in the 6 months to 31 December 2009 comprised interest income of \$168,000 less interest expenses of \$55,000. Interest income includes interest received on funds held in trust on behalf of clients for property settlements
- (d) the result from continuing operating in the 6 months ended 31 December 2009 was significantly above that achieved in the prior corresponding period:

	6 mths to 31 Dec 08 ⁽¹⁾	6 mths to 31 Dec 09 ⁽²⁾	Variance
	\$m	\$m	\$m
Service fees	15,024	19,088	4,064
Authority fees recovered	34,298	37,061	2,763
Management fees	443	-	(443)
Sales revenue from continuing operations	49,765	56,149	6,384
Gross profit	14,337	17,947	3,610
Operating costs	(11,362)	(11,491) ⁽³⁾	(129)
EBITDA and significant items	2,975	6,456	3,481
Depreciation and amortisation	(875)	(754)	121
EBIT before significant items	2,100	5,702	3,602
Costs associated with takeover offers	(1,180)	-	1,180
Net interest expense	(1,533)	113	1,646
Net profit before tax for continuing operations	(613)	5,814	6,427
Income tax expense	184	(1,720)	(1,904)
Net profit after tax for continuing operations	(429)	4,094	4,523
EBITDA margin	6.0%	11.5%	
EBIT margin	4.2%	10.2%	

Note:

- 1 These results were subject to review by the auditors (but were not audited).
- 2 Based on unaudited management accounts.
- 3 Operating costs include management services charged by SAI Global of \$575,000.
- 4 Totals may not add due to rounding.

- (e) the increase in profit in the 6 months ended 31 December 2009 reflected:
- (i) higher service fees (up approximately \$4.1 million) caused by higher property transaction volumes and income from a new large client
 - (ii) the containment of operating costs (notwithstanding the higher revenue)
 - (iii) a better mix of revenues from the higher margin settlement revenue stream (as opposed to the lower margin information brokerage).

43 The strong performance of the business in the 6 months ended 31 December 2009 is expected to result in a substantially higher profit from continuing operations in FY10. This forecast is discussed further in Section IV.

Financial position

44 We set out below the financial position of Espreon as at 30 June 2009 (audited) and 31 December 2009 (unaudited):

Statement of Financial Position		
	30 Jun 09 Audited \$000	31 Dec 09 Unaudited \$000
Cash and cash equivalents	2,122	5,907
Trade and other receivables	12,107	10,813
Restricted cash	-	761
Other current assets	1,539	843
Total current assets	15,768	18,324
Intangibles assets – Goodwill	25,427	25,433
Other intangible assets	1,180	-
Property, plant and equipment	1,146	2,126
Deferred tax assets	1,653	-
Total non-current assets	29,406	27,559
Total assets	45,174	45,883
Trade and other payables	6,822	7,414
Provisions	1,138	1,387
Income tax payable	689	87
Amounts payable to related parties (non interest bearing)	105	121
Accrued expenses	3,135	-
Total current liabilities	11,889	9,009
Provisions	417	-
Deferred tax liability	280	190
Other	-	90
Total non-current liabilities	697	280
Total Liabilities	12,586	9,289
Net assets	32,588	36,594

45 With respect to Espreon's financial position we note that:

- (a) restricted cash represents monies collected from clients as agent for payment to Government authorities and is treated as restricted cash not available for use by the Group
- (b) Espreon holds cash balances in client trust accounts for the specific purpose of facilitating the settlement of client transactions. As these monies represent client funds they are not reflected in Espreon's balance sheet, although Espreon is entitled to the interest on these funds
- (c) intangible assets comprise goodwill of \$25.4 million relating to the Property Services business, primarily resulting from the Lawpoint acquisition

(d) as at 31 December 2009 Espreon was required to provide bank guarantees for \$6 million, primarily to guarantee the company's obligations under contracts with Government authorities and property leases.

46 We note that there is an outstanding legal dispute (currently in the discovery phase) between Espreon and Reckon (announced to the ASX on 24 June 2009) concerning alleged breaches by Espreon of the Share Sale Agreement concerning the sale by Espreon to Reckon of the Sold Businesses. We understand that the position stated in that announcement (being that Espreon believes the claim's by Reckon are without foundation and intend to vigorously defend the claims) has not changed since its release.

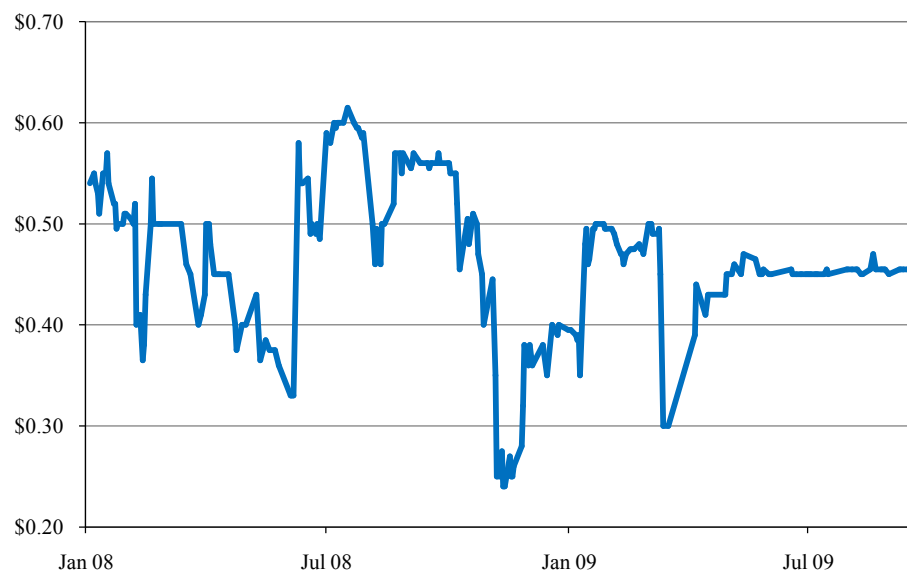
Share capital

47 Espreon currently has 94.87 million ordinary shares on issue and there are no options or other securities on issue.

Share price performance

48 The following graph illustrates the movement in Espreon's share price since 1 January 2008:

Espreon share price history
1 January 2008 to 22 September 2009



Source: Bloomberg

- 49 The steady decline in share price from January 2008 until June 2008 reflected the significant decline in world equity markets over this period. The significant increase in the Espreon share price on 10 June 2008 reflected the announcement of the indicative (non-binding) offer from Vectis, and the subsequent announcement of a proposed scheme.
- 50 The Espreon share price then fell as a result of speculation (and confirmation) that the scheme would not proceed, before rebounding following the announcement of the sale of the Corporate Services and Billback Systems businesses (on 27 November 2008) and the

announcement on 28 November 2009 of a revised offer from Vectis (albeit at a lower price than originally proposed under the scheme).

- 51 The considerable increase in price on 13 January 2009 followed the announcement of SAI Global's takeover offer for Espreon. On 12 March 2009, SAI Global announced that at the close of the takeover offer on 11 March 2009, SAI Global had not acquired a relevant interest in more than 90% of Espreon shares, and would therefore not be able to undertake compulsory acquisition of the remaining Espreon shares. The sharp decline to 30 cents in March 2009 reflected the sale of some 13,000 shares only (highlighting the low level of liquidity in Espreon shares post completion of the offers). The price of Espreon then stabilised at around 45 cents (albeit on small volumes).
- 52 Over the period 29 April 2009 to 31 August 2009 Espreon also conducted an on-market share buy-back. Under this buy-back approximately 478,000 shares were bought-back at an average price of 45.3 cents per share. Due to the fact that SAI Global and Vectis held (in total) at least 98.7% of all Espreon shares on issue following completion of their respective takeover offers the level of trading in Espreon shares has been very low.
- 53 Espreon was delisted from the ASX with effect from 29 September 2009. However, the last on-market trade occurred on 22 September 2009.

III Valuation approach

- 54 ASIC Regulatory Guide 111 – *Content of expert reports* (RG 111) outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 55 The above methods are not mutually exclusive and a combination of the above methods are often applied. The decision as to which technique to apply as the primary method of valuation is dictated primarily by the quality and type of information available in respect of the forecast future performance of the business and the nature of the asset being valued.
- 56 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 57 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 58 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in companies that are considered to be comparable and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are

excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 59 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company would be adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 60 The market value of Espreon has been assessed by aggregating the market value of its Property Services business (net of corporate costs), together with the realisable value of any surplus assets including surplus net cash.
- 61 The valuation of the Property Services business has been made on the basis of market value as a going concern. The primary valuation method used to value the business is the capitalisation of future maintainable EBIT method. Under this methodology the value of the business is represented by its maintainable EBIT (calculated after deducting depreciation and the amortisation of on-going business expenses such as leasehold improvements and software development costs) capitalised at a rate (or EBIT multiple) reflecting the risk inherent in those earnings and future growth expectations. We have adopted the capitalisation of EBIT (rather than EBITDA) method because on-going capital expenditure is expected to be broadly consistent with depreciation charges.
- 62 In assessing the fair value of Espreon shares we have also considered:
- (a) the share trading in Espreon shares in the 6 months prior to our report (as required by Section 667C(2) of the Corporations Act)
 - (b) the price at which SAI Global agreed to acquire Vectis' 36.4% shareholding in Espreon (as announced on 18 December 2009)
 - (c) the value of Espreon shares implied by the SAI Global Offer, adjusted for movements in equity markets generally since the close of the SAI Global Offer.

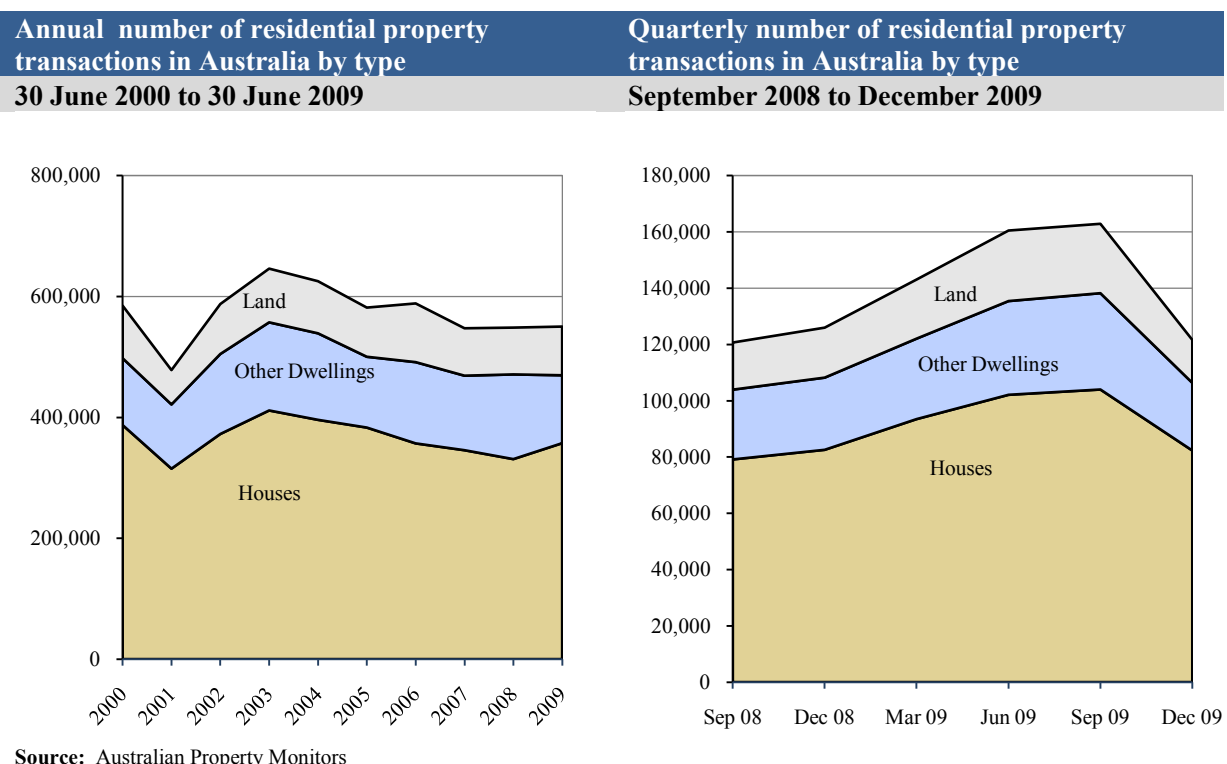
IV Valuation of 100% of Espreon shares

Valuation methodology

- 63 As stated in Section III, we have adopted the capitalisation of EBIT method as our primary valuation method. Under this method the EBIT (before non-recurring items) is capitalised at an appropriate EBIT multiple.
- 64 The value of the shares in Espreon is then derived by adding the net realisable value of surplus assets including surplus net cash.

Earnings adopted for valuation purposes

- 65 As the profitability of Espreon's Property Business is sensitive to residential property transaction volumes we set out below graphs showing residential property transaction volumes (comprising houses, other dwellings⁴ and land) in Australia:
- (a) annually from 30 June 2000 to 30 June 2009
- (b) quarterly from September 2008 to December 2009:



- 66 The above data has been considered when assessing the appropriate level of EBIT to adopt for Espreon for valuation purposes.
- 67 As set out in Section II, EBIT from continuing operations⁵ increased 172% in the 6 months ended 31 December 2009 to \$5.7 million. In comparison EBIT from continuing operations⁶

⁴ Principally apartments.

for the full years ended 30 June 2008 and 2009 were \$6.0 million and \$4.8 million respectively.

- 68 The significant increase in EBIT in the 6 months to 31 December 2009 largely reflected increases in residential property transaction volumes.⁷ In particular, residential property transaction volumes in Australia surged 35% in the quarter ended 30 September 2009⁸ compared to the level of transactions in the quarter ended 30 September 2008. As Espreon's operating costs⁹ are relatively fixed the increase in transaction volumes had a significant positive impact on profitability.
- 69 However, Australian residential property transactions fell approximately 3% in the quarter ended 31 December 2009 compared with the level of transaction activity in the quarter ended 31 December 2008.¹⁰ This 3% fall is likely to have reflected, in part:
- (a) the reduction in the First Home Owners Boost Scheme (FHOBS) by 50% to \$3,500 for existing dwellings and \$7,000 for new dwellings from 1 October 2009¹¹
 - (b) increases in interest rates from record low levels. In the December 2009 quarter the Reserve Bank increased the Cash Rate by 0.25% in 3 consecutive months and variable mortgage interest rates generally increased by a greater amount.
- 70 Further:
- (a) on 31 December 2009 the FHOBS was removed
 - (b) the Cash Rate and mortgage interest rates increased further in March 2010
 - (c) market participants generally expect further interest rate increases over the coming year.
- 71 Espreon's EBIT from continuing operations was also significantly lower in January and February 2010 than the average monthly EBIT achieved in the 6 months ended 31 December 2009. Espreon also lost a major customer which will impact (at least) short-term profitability. Accordingly, Espreon's EBIT in the 6 months ending 30 June 2010 is expected to be significantly lower than the level of EBIT achieved in the 6 months ended 31 December 2009.

Assessment of EBIT for valuation purposes

- 72 Due to the sensitivity of earnings to property transaction volumes we have calculated the level of EBIT achieved in the 12 months ended 31 December 2009 and compared the level of Australian residential property transaction volumes in that year with historical averages.
- 73 The EBIT from continuing operations (before non-recurring items) in the 12 months to 31 December 2009 is shown below:

⁵ Before non-recurring items.

⁶ Before non-recurring items.

⁷ Residential property transaction volume data has been sourced from Australian Property Monitors.

⁸ Source: Australian Property Monitors.

⁹ Excluding the cost of data and document searches from various external parties.

¹⁰ We note that Australian residential property transactions in the 6 months to 31 December 2009 were up approximately 15% compared with the level of transactions in the 6 months to 31 December 2008.

¹¹ From 1 July 2000 the First Home Owner's Grant of \$7,000 was also available to first home buyers.

	\$000
EBIT in year ended 30 June 2009	4,835
Less EBIT in 6 months to 31 December 2008	(2,100)
EBIT in 6 months to 30 June 2009	2,735
EBIT in 6 months to 31 December 2009	5,702
EBIT in 12 months to 31 December 2009	8,437

- 74 We note that the EBIT achieved in the 12 months to 31 December 2009 is broadly consistent with management’s latest forecast for the year ending 30 June 2010.
- 75 Total Australian residential property transaction volumes in the 12 months to 31 December 2009 were 587,710.¹² In contrast, average annual residential property transactions in Australia in the 10.5 years to 31 December 2009 were approximately 573,000.
- 76 Accordingly, it appears that the level of residential property transaction activity in the 12 months to 31 December 2009 was consistent with historical averages over the last decade. Consequently, in our opinion, it is appropriate to adopt the level of EBIT achieved in the 12 months to 31 December 2009 for valuation purposes.
- 77 After taking into account the level of interest generated from client funds held for settlement purposes, we have therefore adopted EBIT (before non-recurring items) for valuation purposes of \$8.5 million.

EBIT multiple

- 78 The selection of the appropriate EBIT multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:
- (a) the stability and quality of earnings
 - (b) the quality of the management and the likely continuity of management
 - (c) the nature and size of the business
 - (d) the spread and financial standing of customers
 - (e) the financial structure of the company and gearing level
 - (f) the multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
 - (g) the multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
 - (h) the future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc
 - (i) the cyclical nature of the industry
 - (j) expected changes in interest rates
 - (k) the asset backing of the underlying business of the company and the quality of the assets

¹² Source: Australian Property Monitors.

- (l) the extent to which a premium for control is appropriate
- (m) whether the assessment is consistent with historical and prospective earnings.

Listed company multiples

79 We have been unable to identify any directly comparable listed companies to Espreon. Accordingly, our primary point of reference has been the multiples implied by the SAI Global Offer and transaction multiples for broadly similar companies (which we have also cross-checked for reasonableness based on our valuation experience).

Transaction evidence implied by SAI Global Offer

80 As stated above, the consideration under the SAI Global Offer comprised:

- (a) 1 SAI Global share for every 4.8 Espreon shares if SAI Global acquired a relevant interest in at least 50.1% but less than 90% of Espreon shares; or
- (b) 1 SAI Global share for every 4.4 Espreon shares if SAI Global became entitled to proceed to compulsory acquisition of Espreon shares before the end of the offer period.

81 As SAI Global only acquired 62.5% of Espreon shares under the SAI Global Offer they issued 1 SAI Global share for every 4.8 Espreon shares to accepting shareholders. However, as we are required to assess the fair value of 100% of Espreon shares we have calculated the EBIT multiple implied by the SAI Global Offer based on the higher offer which was conditional upon 100% ownership being achieved.

82 On this basis the EBIT multiple implied by the SAI Global Offer for 100% of Espreon shares was as follows:

VWAP of SAI Global shares ⁽¹⁾ (\$ per share)	\$2.32
Offer ratio ⁽²⁾	0.2273
Value of Offer consideration (\$million)	0.527
Number of Espreon shares (million)	95.35
Market capitalisation implied by Offer	50.3
Net debt of Espreon ⁽³⁾	3.0
Implied enterprise value	53.3
Maintainable EBIT ⁽³⁾	7.0
Implied EBIT multiple	7.6

Note:

- 1 Based on the volume weighted average price (VWAP) of SAI Global shares in the 1 month period up to (and including) 11 March 2009 (being the date the SAI Global Offer closed).
- 2 Being 1 SAI Global share for every 4.4 Espreon shares, representing 0.2273 SAI Global shares for every Espreon share.
- 3 Source: IER dated 29 December 2009 on the Vectis Offer.

83 While the SAI Global Offer was accepted by most Espreon shareholders we note that Vectis did not accept with respect to their 36.22% shareholding.

Other transaction evidence

84 In addition, there have been a number of other transactions in the property services sector. A summary of the EBIT multiples implied by these transactions (which in most cases reflected the acquisitions of controlling interests) is shown below:

Date	Target	Acquirer	EV \$m	Historical ⁽¹⁾	EBIT multiple	
					Forecast ⁽¹⁾	Adjusted
Feb 2003	Miller & Bryce	Macdonald				
		Dettwiler	25.2	8.9	n/a	8.9
Aug 2005	Anstat	SAI Global	46.6	n/a	7.0 ⁽⁵⁾	8.0 ⁽⁵⁾
Jun 2006	Lawpoint	Espreon	24.3	n/m	12.1 ⁽⁴⁾	7.4 ⁽²⁾
	Australian	Veda				
Jul 2007	Business Research	Advantage ⁽³⁾	28.2	10.1	n/a	10.1

Note:

- 1 Apparent multiple.
- 2 Adjusted multiple to reflect a share of expected synergies (where known).
- 3 Australian Business Research (ABR) principal activities were the provision of judgement data and insolvency publications, and the provision of credit reporting services. As a result the acquisition was likely to generate significant synergies for the acquirer (Veda Advantage) which is likely to explain the higher multiple paid.
- 4 While the EBITA multiple was 12.1 based on the target's standalone EBITA of \$2 million, Espreon expected to achieve synergies of \$2.6 million per annum. Including expected synergies the EBITA multiple falls to 5.3. However, a purchaser would not normally pay 100% of the value of expected synergies away. Attributing 50% of the synergies to the target would result in an EBITA multiple of 7.4.
- 5 The initial consideration represent seven times annualised FY06 EBITA. Additional deferred performance based consideration was based on eight times incremental EBITA achieved by 30 June 2008 (subject to a cap).

Source: Weblink, ASX Announcements, Company websites, News websites

n/a – not available.

n/m – not meaningful.

85 A brief description of each target company is discussed in Appendix C.

86 It should also be noted that:

- (a) equity values generally have declined significantly since July 2007; and
- (b) as the above transactions involved the acquisition of 100% of the target companies there is no need to adjust the implied multiple for a premium for control.

Relative size, risk and growth prospects

87 In assessing the appropriate multiple to apply we have also taken into account the following:

- (a) the relatively small size of Espreon (as smaller firms generally trade on lower multiples than larger companies)
- (b) possible taxation reforms within the Henry Tax review that could affect demand for property (particularly from investors)

- (c) the significant dependence of the Property Services business on a small number of key customers, as the top 10 customers (all lending institutions) accounted for approximately 52% of service fee revenue
- (d) the arrangements with customers, which can generally be terminated with 30 to 90 days notice
- (e) the Property Services business' long-standing relationships with its major customers
- (f) Espreon is the only company which provides property settlement services in all major capital cities in Australia
- (g) the Australian market for the services offered by Espreon is relatively mature and residential property transaction volumes have remained relatively static since FY00
- (h) housing affordability levels in Australia and rental yields remain very low
- (i) while the set-up costs necessary to provide property settlement services generally is relatively low, the barriers to entry associated with providing these services to the major banking clients is much higher (as one needs to be able to demonstrate the ability to reliably provide the services on a large scale)
- (j) competitors to the information brokerage business must obtain licences to access required databases (which are generally only issued periodically) and must provide bank guarantees in order to guarantee payments for access
- (k) as the Property Services business is a high transaction, low margin business the business is largely a price taker with respect to its larger customers
- (l) the business' net assets primarily comprise intangible assets.

Conclusion on appropriate EBIT multiples

88 Based on the above, in our opinion, an EBIT multiple range of 7 to 8 is appropriate when applied to the level of operating EBIT adopted for valuation purposes. In selecting this multiple range we have had principal regard to the following:

- (a) the multiple implied by the SAI Global Offer, which was accepted by the large majority of shareholders
- (b) the lack of growth in the number of residential property transactions over the last 10 years
- (c) the very high dependence of the business on key customers (resulting in Espreon largely being a price taker to retain business)
- (d) the low barriers to entry, which caps the level of goodwill likely to be paid for the business
- (e) the low net tangible asset backing of Espreon (which as at 31 December 2009 was only \$11.2 million).

Surplus cash

89 As at 28 February 2009 Espreon had cash of \$6.6 million, of which we have treated \$5.0 million as being surplus to working capital requirements.¹³

Fully diluted shares on issue

90 Espreon currently has 94.87 million shares on issue. We understand that there are no options, performance rights or other potentially dilutive securities currently on issue.

Value of Espreon

91 On this basis, the fair value of 100% of Espreon (on a controlling interest basis) is as follows:

	Low \$m	High \$m
EBIT	8.5	8.5
EBIT multiple	7.0	8.0
Enterprise Value	59.5	68.0
Add: Surplus cash	5.0	5.0
100% Equity Value	64.5	73.0
Outstanding shares	94.87	94.87
Value per Espreon share (cents per share)	68.0	76.9

Cross-check for reasonableness

92 In assessing the fair value of Espreon shares we have also considered:

- (a) the share trading history of Espreon shares in the 6 months prior to the company's shares being delisted from the ASX
- (b) the price at which SAI Global agreed to acquire Vectis' 36.4% shareholding in Espreon (as announced on 18 December 2009)
- (c) the value of Espreon shares implied by the SAI Global offer, adjusted for movements in equity markets generally since the close of the offer.

Share trading history

93 We set out below share market trading in Espreon shares in the 6 months prior to delisting from the ASX:

Period prior to last trade ⁽¹⁾	High \$	Low \$	VWAP \$	Value \$000	Volume 000s	Percentage of issued capital traded %
1 day	0.455	0.455	0.455	9,874	21,700	0.02
1 week	0.455	0.455	0.455	10,511	23,100	0.02
1 month	0.455	0.45	0.453	41,551	91,761	0.10
3 months	0.47	0.45	0.453	187,616	414,061	0.43

¹³ Espreon currently has no debt.

6 months	0.47	0.39	0.452	372,902	824,409	0.86
----------	------	------	-------	---------	---------	------

Note:

1 The last on-market trade on the ASX in Espreon shares took place on 22 September 2009.

94 As no less than 98.73% of Espreon's shares were owned by SAI Global and Vectis from 12 March 2009 the level of trading in Espreon shares has been extremely low. Accordingly, in our opinion, no reliance can be placed on these trading prices.

Acquisition of Vectis' 36.4% interest

95 On 18 December 2009 SAI Global announced that it had acquired Vectis' 36.4% interest in Espreon at a price of 68 cents per share. We note that this is consistent with the lower end of our assessed valued.

The SAI Global Offer price adjusted for market movements

96 Although the SAI Global Offer for 100% of Espreon shares implied a consideration of 52.7 cents per share (refer paragraph 82 above), we note that the S&P/ASX 200 has increased by 48.2% from the date the offer closed (11 March 2009) to 8 March 2010. Adjusting the 52.7 cents per share consideration implied by the SAI Global Offer by the 48.2% movement in the index results in an adjusted offer price of 78.1 cents per share.¹⁴ This is broadly consistent with the higher end of our valuation range.

¹⁴ Calculated as 52.7×1.482

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Compulsory Acquisition Notice to be sent to Espreon shareholders.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER our fees are based on a time cost basis using agreed hourly rates.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports to shareholders.
- 2 This report was prepared by Mr Craig Edwards and Mr Wayne Lonergan who are each authorised representatives of LEA. Mr Edwards and Mr Lonergan have over 16 years and 35 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of Espreon Limited to accompany the Compulsory Acquisition Notice to be sent to Espreon shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to the fair value of Espreon shares.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Lonergan have any interest in Espreon. LEA is entitled to receive a fixed fee of \$40,000 plus GST for the preparation of this report. With the exception of the above fee, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA previously prepared IERs on the takeover offers for Espreon by Vectis and SAI Global in late 2008 / early 2009.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Espreon agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Espreon which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Compulsory Acquisition Notice.

Appendix C

Brief descriptions of target companies acquired

Transaction evidence relevant to Property Services

Millar & Bryce

- 1 Millar & Bryce was the largest commercial provider of title and legal information in Scotland. The company had a market share in Scotland of about 60% and supplied information to over 1,000 legal, accounting and banking firms.

Lawpoint

- 2 Lawpoint facilitates property transactions by providing relevant information brokerage and settlement services to legal and conveyancing firms as well as financial institutions.

Anstat Group

- 3 Anstat Group tracks, publishes and distributes Federal and State Government legislation and regulatory documents in Australia. Anstat also provides property information needed for property conveyance, and compliance and risk software and consulting services to the legal, property and corporate compliance markets in Australia.

Australian Business Research

- 4 Australian Business Research provides commercial credit information and information brokerage services.

Appendix D

Glossary

Abbreviation	Definition
ABR	Australian Business Research
AIFRS	Australian equivalents to International Financial Reporting Standards
ASIC	Australians Securities & Investments Commission
ASX	Australian Securities Exchange
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Espreon	Espreon Limited
FHOBS	First Home Owners Boost Scheme
Final Vectis Offer	Offer of 50 cents cash per Espreon share
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
LEA	LonerGAN Edwards & Associates Limited
LegalCo	LegalCo Pty Limited
NPV	Net present value
Reckon	Reckon Limited
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
RP Data	RP Data Limited
SAI Global	SAI Global Limited
SAI Global Offer	The takeover offer for Espreon announced by SAI Global on 13 January 2009
Second Vectis Offer	Vectis' offer of 45 cents cash per Espreon share
Sold Businesses	Espreon's Corporate Services and Billback Systems businesses
Vectis	Vectis Group Pty Limited
VWAP	Volume weighted average price