

BIDDER'S STATEMENT



Offer by

Westlawn Finance Limited (Westlawn) ACN 096 725 218

to purchase all of your shares in

North State Finance Limited (NSF) ACN 003 959 126

for \$2.15 cash* for each NSF Share

*Which may include a \$0.44 Special Cash Dividend for each NSF Share that you own. If a Special Cash Dividend of \$0.44 per share is paid to the NSF Shareholders, the cash component of the Offer will be reduced by the amount of that Special Cash Dividend.

ACCEPT THE OFFER

The Offer is dated 14 January 2011 and will close at 5.00pm (Sydney time) on 16 February 2011, unless extended.

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

LEGAL ADVISER
Lawyers | **McCullough
Robertson**

Important notices

This Bidder's Statement is a replacement bidder's statement given by Westlawn Finance Limited ACN 096 725 218 under Part 6.5 of the Corporations Act and ASIC Class Order 00/344, and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your NSF Shares.

This Bidder's Statement is dated 13 January 2011 and replaces the original Bidder's Statement dated 11 January 2011. It incorporates the original Bidder's Statement dated 11 January 2011 and changes made in the supplementary Bidder's Statement dated 13 January 2011. It includes an Offer dated 14 January 2011 on the Offer Terms set out in Schedule 1 and Schedule 2.

A copy of the original Bidder's Statement was lodged with ASIC on 11 January 2011 and this replacement Bidder's Statement was lodged with ASIC on 13 January 2011. None of ASIC nor any of its officers takes any responsibility for the content of this Bidder's Statement.

Investment decisions

This Bidder's Statement does not take into consideration your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer for your NSF Shares.

Forward looking statements

This Bidder's Statement contains forward looking statements. The forward looking statements in this Bidder's Statement reflect views held at the date of this Bidder's Statement.

You should be aware that those statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of Westlawn, its officers or any person named in this Bidder's Statement with their consent or involved in the preparation of this Bidder's Statement makes any representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement. You should not place undue reliance on those statements.

Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are explained in the Glossary in section 11.

Privacy statement

Westlawn has collected your information from the register of NSF Shareholders. The Corporations Act permits that information to be made available to certain persons, including Westlawn. Your information may also be disclosed on a confidential basis to Westlawn's related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC. You can contact us for details of information held by us about you.

Key Dates

Announcement Date	10 January 2011
Original Bidder's Statement lodged with ASIC	11 January 2011
Replacement Bidder's Statement lodged with ASIC	13 January 2011
Date of Offer	14 January 2011
Close of Offer Period (unless extended)	5.00pm (Sydney time) on 16 February 2011

How to accept

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

To accept the Offer, complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and within this Bidder's Statement and return it so it is received before the end of the Offer Period. Send the Acceptance Form in the reply paid envelope enclosed with this Bidder's Statement or otherwise to:

BY MAIL

Westlawn Finance Limited
North State Finance Share Offer
PO Box 78
Grafton, New South Wales 2460

BY DELIVERY

Westlawn Finance Limited
North State Finance Share Offer
22 Queen Street
Grafton, New South Wales 2460

Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer for your NSF Shares.

Enquiries

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

If you have any questions about the Offer or how to accept it, please call Westlawn's company secretary, Andrew Hayes, on (02) 6642 2022 between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Letter from the Chairman

13 January 2011

Dear NSF Shareholder

Offer for NSF

We enclose Westlawn's Offer to acquire all your NSF Shares. The Westlawn Board recommends that you accept the Offer.

Westlawn is a business owned and staffed by residents of northern New South Wales and is in the business of supporting the financial aspirations of local individuals and businesses. The acquisition of NSF is an important step in Westlawn's aim to continue providing a quality range of financial services and its role in the economic development of the northern rivers and mid-north coast areas of New South Wales.

Westlawn, like NSF, funds itself from shareholders capital and Note holder's investments. Neither Westlawn nor NSF has current borrowings from banks or other wholesale sources. This has proven to be a prudent funding strategy particularly during the recent global financial crisis.

If Westlawn receives acceptances of its Offer which would result in it acquiring a Relevant Interest in at least 90% of all NSF Shares, NSF Board has agreed that it will declare a fully franked Special Cash Dividend of \$0.44 per NSF Share. If the Special Cash Dividend is paid to NSF Shareholders, the consideration payable by Westlawn under the Offer will be reduced to \$1.71 per NSF Share. However, NSF Shareholders will, in these circumstances, also receive the benefit of the franking credits attached to the Special Cash Dividend. If the Special Cash Dividend is not paid, but Westlawn still elects to acquire your NSF Shares, the cash payable by Westlawn will be \$2.15.

The Offer provides NSF Shareholders with:

- (a) A cash exit for NSF Shareholders - NSF Shares are not listed and are therefore comparatively illiquid compared to listed shares;
- (b) An Offer Price which is a significant multiple to NSF's earnings (P/E ratio of 11.59 times)² and 32.8% above the value of NSF's net assets.³
- (c) The ability to receive payment of a fully franked Special Cash Dividend that may provide a benefit in the form of a franking credit to eligible shareholders.
- (d) The ability to retain NSF's fully franked interim dividend of \$0.05 per share made from the profits earned by NSF during the period 1 July 2010 to 31 December 2010.

We encourage you to read this Bidder's Statement in full for further details about the Offer. The Offer is open for your acceptance until 5.00pm (Sydney time) on 16 February 2011, unless otherwise extended.

If you wish to accept the Offer, please follow the instructions in this Bidder's Statement and the enclosed Acceptance Form.

If you have any questions about the Offer, please contact your legal, financial or other professional adviser, or call Westlawn's company secretary, Andrew Hayes, on (02) 6642 2022 between 9.00am and

² Based on NSF's FY2010 reported net profit after tax of \$835,745

³ Based on NSF's FY2010 reported net assets of \$7,294,857

5.00pm (Sydney time) during the Offer Period. You could also contact NSF's Managing Director, Rob Avery, on (02) 6648 7500.

Yours faithfully

A handwritten signature in black ink, consisting of a series of loops and a horizontal line, positioned above the printed name and title.

Mike Dougherty
Chairman
Westlawn Finance Limited

**TO ACCEPT THE OFFER, SIMPLY FOLLOW THE INSTRUCTIONS ON THE
ENCLOSED ACCEPTANCE FORM**

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1 Why you should accept Westlawn's Offer

1. The Offer provides an attractive price for your NSF Shares
2. The Offer allows you to sell all your NSF Shares
3. A Superior Proposal is unlikely to occur
4. The Westlawn Board believes the merger is a sound strategy for both NSF and Westlawn
5. The Offer is **not** subject to any finance conditions
6. The Offer is **not** subject to any due diligence
7. The Offer is **not** subject to approval by the Westlawn Shareholders

1.1 The Offer provides an attractive price for your NSF Shares

The Offer represents:

- (a) a significant multiple to NSF's earnings for the year ended June 2010. The Offer Price represents a price to earnings (P/E) ratio of 11.59 times, based on NSF's FY2010 reported net profit after tax of \$835,745; and
- (b) a premium of 32.8% above the value of NSF's reported net assets for FY2010 of \$7,294,857.

1.2 The Offer provides certainty of value for your NSF Shares

If you accept the Offer you will be paid an attractive cash value for your NSF Shares.

A cash offer for all your shares is particularly advantageous given that NSF Shares are not listed. NSF Shares are illiquid comparative to most listed securities and are therefore potentially difficult to sell.

If you accept the Offer you will no longer be exposed to the business risks that NSF faces in the volatile financial services industry.

In addition, if the Special Cash Dividend is paid, you may receive the benefit of the franking credits attached to the Special Cash Dividend.

1.3 A Superior Proposal is unlikely to occur

Given the structural and geographical similarities between the Westlawn and NSF business models, and the unique synergies that Westlawn and NSF could obtain from a merger, the Westlawn Board considers it to be unlikely that a Superior Proposal will be made by any third party.

1.4 The merger of both organisations is a sound strategy.

The merged entity will be well positioned to take advantage of opportunities as they present themselves. As a specialist non-bank financier there exists a considerable opportunity to leverage off the locally respected management, solid operational and financial base established by an expanded Westlawn group.

In short, a much larger and stronger organisation can continue to provide a wide range of financial services and attractive deposit facilities while keeping its well respected locally based management.

Westlawn acknowledges the strong support shown by NSF Shareholders for North State Finance Notes⁴ and North State Finance Unsecured Deposit Notes⁵. If the Offer is successful, Westlawn will procure that NSF continues to pay the NSF Shareholders 0.5% bonus rate on all current, renewal of existing and new investments in those notes.

- 1.5 **The Offer is not subject to any finance conditions.**
- 1.6 **The Offer is not subject to any due diligence.**
- 1.7 **The Offer is not subject to approval by the Westlawn Shareholders.**

⁴ Issued under NSF's prospectus dated 23 November 2010.

⁵ Issued under NSF's prospectus dated 23 November 2010.

2 Frequently asked questions

The process governing takeovers is complex. This section of the Bidder's Statement is designed to help you understand some of the issues relating to the Offer.

Question	Answer
What is the Offer?	Westlawn is making an offer to acquire all your NSF Shares.
What is the Offer Price?	<p>If you accept the Offer (subject to the conditions of the Offer being satisfied or waived) you will receive \$2.15 cash (which may include a \$0.44 Special Cash Dividend) for each NSF Share that you own.</p> <p>If Westlawn acquires a Relevant Interest in at least 90 per cent of all NSF Shares or when the Offer becomes unconditional, NSF has agreed that it will pay a Special Cash Dividend of \$0.44 per NSF Share. If a Special Cash Dividend is paid, the consideration payable by Westlawn under the Offer will be reduced to \$1.71 per NSF Share.</p> <p>The Special Cash Dividend would be paid to NSF Shareholders at the same time as the Offer Price.</p> <p>If a Special Cash Dividend is not paid, but Westlawn still elects to acquire your NSF Shares, the cash payable by Westlawn will remain \$2.15.</p> <p>NSF Shareholders will also retain the separate fully franked interim dividend of \$0.05 per share to be paid to NSF Shareholders on or around 24 January 2011</p>
Who is Westlawn?	<p>Westlawn and its predecessor companies have been providing financial services in northern New South Wales since 1964. Westlawn has offices in:</p> <ul style="list-style-type: none"> (a) Grafton; (b) Casino; (c) Coffs Harbour; (d) Yamba; (e) Ballina; (f) Kyogle; (g) Lismore; (h) Inverell; (i) Tenterfield; (j) Murwillumbah; and (k) Macksville, <p>offering a range of finance and insurance services to businesses and consumers.</p> <p>Further details regarding Westlawn are set out in section 4.</p>
How long is the Offer open for?	The Offer opens on 14 January 2011 and is scheduled to close at 5.00pm (Sydney time) on 16 February 2011 (unless extended).
What are the conditions of the Offer?	<p>The Offer is subject to the following Defeating Conditions:</p> <ul style="list-style-type: none"> (a) 90 per cent minimum acceptance condition; (b) no Prescribed Occurrences in respect of NSF occurring; (c) no Material Adverse Change occurring in respect of NSF; (d) all Regulatory Approvals being received and no material regulatory action occurring; and (e) any third party who could terminate or exercise certain rights

Question	Answer
	<p>under a material contract with NSF as a result of the Offer, consenting to the Offer or stating an intention not to exercise its rights in that regard.</p> <p>This is only a summary of the key conditions. The conditions are set out in full in Schedule 2.</p> <p>Westlawn may choose to waive certain of the Defeating Conditions in accordance with the Offer Terms.</p>
Do I have to pay any fees?	All stamp duty under the Offer will be payable by Westlawn.
What should I do?	<p>To accept the Offer, you should:</p> <ul style="list-style-type: none"> (a) read this Bidder's Statement in full; (b) read NSF's Target's Statement in full (when issued); (c) consult your financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer; and (d) accept the Offer in the manner described in section 3. <p>If you have any queries about the Offer, you may also call Westlawn's company secretary, Andrew Hayes, on (02) 6642 2022 between 9.00am and 5.00pm (Sydney time) Monday to Friday. You could also contact NSF's Managing Director, Rob Avery, on (02) 6648 7500.</p>
How do I accept the Offer?	<p>The Offer may only be accepted for all of your NSF Shares. You accept the Offer by returning the enclosed Acceptance Form to Westlawn before the end of the Offer Period.</p> <p>Full details on how to accept the Offer are set out in section 3.</p>
If I accept the Offer, when will I receive consideration for my NSF Shares?	<p>Provided that the necessary transfer documents accompany your Acceptance Form, you will be paid the Offer consideration within one month of the later of:</p> <ul style="list-style-type: none"> (a) the date you accept the Offer; and (b) the date the Offer becomes unconditional. <p>In any event, you will be paid within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).</p>
What dividends will I receive on my NSF Shares?	<p>During the Offer Period, the terms of the Offer allow the NSF Board to pay an interim dividend of up to \$0.05 per share.</p> <p>In addition, if Westlawn acquires a Relevant Interest in at least 90 per cent of all NSF Shares or when the offer becomes unconditional, NSF has agreed that it will pay a fully franked Special Cash Dividend of \$0.44 per NSF Share.</p>
If I accept the Offer before the Special Cash Dividend is paid, will I still receive it?	If you accept the Offer before the interim dividend and the Special Cash Dividend (if it is declared) are paid, you will still receive those dividends. This is because Westlawn will not register the transfer of your NSF Shares until after the interim dividend and the Special Cash Dividend is paid to ensure that you remain eligible to receive those dividends.

Question	Answer
<p>What happens if I accept the Offer?</p>	<p>If you accept the Offer and it becomes or is declared unconditional, you will receive the consideration for your NSF Shares within the time specified above.</p> <p>Once you accept the Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your NSF Shares or otherwise deal with the Rights attaching to your NSF Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.</p>
<p>What happens if I do not accept the Offer?</p>	<p>If you do not accept the Offer, you will remain a NSF Shareholder and will not receive any consideration from Westlawn.</p> <p>However, if Westlawn becomes entitled to compulsorily acquire your NSF Shares, it intends to do so. If this occurs, you will still receive the Offer Price for your NSF Shares but at a later date than you would have received it if you had accepted the Offer.</p>
<p>What are the tax implications of accepting the Offer?</p>	<p>A general description of the taxation treatment for certain Australian resident NSF Shareholders accepting the Offer is set out in section 9. You should not rely on the description set out in section 9 as advice for your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your NSF Shares.</p>

3 How to accept the Offer

3.1 Returning the Acceptance Form

To **ACCEPT THE OFFER**, you will need to complete, sign and return the Acceptance Form accompanying this Bidder's Statement in accordance with the instructions on that form and return it to Westlawn before the end of the Offer Period. The Offer Period ends on 16 February 2011, unless extended.

The Acceptance Form can be posted or delivered to Westlawn in the reply paid envelope enclosed with this Bidder's Statement or at the following addresses:

BY MAIL

Westlawn Finance Limited
North State Finance Share Offer
PO Box 78
Grafton, New South Wales 2460

BY DELIVERY

Westlawn Finance Limited
North State Finance Share Offer
22 Queen Street
Grafton, New South Wales 2460

3.2 Additional documents

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

- (a) if the Acceptance Form is executed by an attorney, 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 NSF Shareholder, the relevant grant of probate or letters of administration.

The Offer is dated 14 January 2011 and will close at 5.00pm (Sydney time) on 16 February 2011, unless extended.

4 Profile of Westlawn

4.1 History

Westlawn had its origins in a firm named Westlawn Investment Company, which commenced operations in Grafton in 1964 on a small scale financing motor vehicles, sewing machines and electrical goods. In 1972, a partnership was formed and began to actively operate in the finance area whilst also diversifying its operations into the property sector by the acquisition and development of commercial real estate. Westlawn Investment Company Pty Limited was formed in 1977 and converted to public status in April 1991. In 1991 the name was changed to Westlawn Finance Limited and then to Westlawn Holdings Limited in June 2001.

A new company known as Westlawn Finance Limited was incorporated on 8 May 2001 and converted to public status on 14 June 2001.

Westlawn and its subsidiaries operate finance and insurance broking businesses and have a proud history of assisting in the prosperity and growth of businesses and communities in northern New South Wales due to their knowledge of the people and the area.

4.2 Current operations

Westlawn operates the finance business and is a borrowing corporation under the Corporations Act. Westlawn reports to ASIC in accordance with section 283BF Corporations Act.

Westlawn also operates an insurance broking business, through its wholly owned subsidiaries, Westlawn Insurance Brokers Pty Ltd (which is licensed by ASIC and holds an Australian financial services licence under the provisions of the Corporations Act) and Westlawn Insurance Brokers (Coffs) Pty Ltd.

Westlawn and its subsidiaries through its staff of over 80 possess the skills and knowledge to provide a variety of lending, investment and insurance solutions to a wide range of customers. Westlawn's aim is to be flexible and innovative while providing a high standard of customer service.

Operations are conducted in the northern New South Wales area via a branch network encompassing Grafton, Coffs Harbour, Yamba, Casino, Kyogle, Ballina, Lismore, Inverell, Tenterfield, Murwillumbah and Macksville, offering a range of finance and insurance services to both businesses and consumers.

The range of finance products and services provided by Westlawn includes:

- (a) investments;
- (b) finance leasing;
- (c) plant & equipment finance;
- (d) business loans;
- (e) commercial and residential mortgage finance (including home loans);
- (f) motor vehicle dealer finance;
- (g) insurance premium funding;
- (h) personal loans; and
- (i) deposit bonds.

Funding for lending is sourced internally by the raising of funds by Westlawn through the issue of unsecured notes or externally using facilities that are in place with a number of third party providers.

Insurance broking services include insurance on home and contents, motor vehicles, boats, caravans, business, rural, public liability, professional indemnity, personal risk insurance, green slips, earthmoving, heavy haulage and buses.

Westlawn holds memberships of the following organisations:

- (a) Australian Finance Conference (AFC);
- (b) Australian Equipment Lessors Association (AELA);
- (c) Financiers Association of Australia Limited;
- (d) Australian Finance Group (AFG);
- (e) Mortgage Finance Association of Australia (MFAA); and
- (f) Credit Ombudsman Services Limited (External Dispute Resolution).

The insurance division has access to the majority of the leading insurance companies and is a member of:

- (a) National Insurance Brokers Association of Australia (NIBA);
- (b) Steadfast Group Limited; and
- (c) Financial Ombudsman Services (FOS).

4.3 **Key financial results**

The 2010 financial year was one of solid profit performance and consolidation for Westlawn as summarised below.

- (a) Westlawn achieved a profit before tax of \$2.35m.
- (b) Shareholder capital invested at year end totalled \$15.4m.
- (c) Cash reserves at year end totalled \$24.7m.
- (d) Total investments (Notes) increased to over \$150m.
- (e) Total assets increased to some \$170m.
- (f) Loans earning ongoing trailing commission totalled some \$90m.
- (g) Mortgage & equipment brokered finance lending totalled some \$30m.
- (h) Insurance broking income increased by 21% to \$2.3m.

4.4 **Directors**

The Directors of Westlawn are set out below:

- (a) Michael James Dougherty – Chairman

Mike Dougherty has been actively involved with the Westlawn Group since 1972 bringing a depth of experience in the finance and lending industry together with an excellent

knowledge of the requirements of businesses operating in northern New South Wales. He has been directly involved with operation, development and expansion of the finance, financial planning and insurance broking divisions.

He holds a current Australian financial services licence, is a director of the NSW Financiers Association and previously held senior executive positions with the Australian Business Chamber (Northern Rivers) and Port of Yamba Advisory Committee.

(b) Mark Charles Dougherty – Director

Mark Dougherty joined the Westlawn Group in 1996. He holds a Bachelor of Business in accounting and administration. Prior to joining Westlawn he gained extensive experience in the areas of accounting and finance and previously held positions with AGC Limited and Big Rivers Timbers Pty Ltd.

He has been involved with several community based organisations and currently holds the position of Chairman of St Mary's Parish Finance Council.

(c) James William Dougherty – Director

Jim Dougherty joined the Westlawn Group in 1993 following extensive experience gained in the spheres of public accounting and real estate where he managed the Grafton LJ Hooker Real Estate franchise for ten years. He is a Chartered Accountant, holds a Bachelor of Economics, a Diploma of Financial Management and is the managing director of Westlawn's parent company, Westlawn Holdings Pty Ltd.

He is also the Chairman of the board of directors of the Westlawn Property Trust.

(d) Geoffrey Dean Scofield - Director

Geoff Scofield joined Westlawn in 1994 as the inaugural manager of the Casino office, the first to be established outside Grafton. He continued in that position until December 2005 when he assumed the newly established role of Regional Manager for the northern area.

In December 2007, he was appointed General Manager– Finance and in July 2008 became a Director of Westlawn.

Geoff has been involved in the finance industry since 1982 and brings to the board extensive background in banking, credit provision/analysis, business development and senior management. Geoff holds a Certificate IV in Financial Services (Finance/Mortgage Broking).

He is currently a director of the Casino Returned Servicemen's Memorial Club, a committee member of the Casino Racing Club and a committee member of the Northern Rivers Racing Association. He is also a Justice of the Peace.

(e) Andrew Harry Hayes – Director

Andrew Hayes joined the Westlawn Group in 2007 following an extensive career in public accounting. Prior to joining Westlawn, he was a former partner of Hudson Shepherd & Partners which later merged with WHK Rutherfords. He has provided taxation and other advice to the Westlawn Group for over 15 years.

He is a Chartered Accountant, holds and a Bachelor of Business in Accounting and a Graduate Diploma in Financial Planning. He holds statutory registrations with the ATO as a Registered Tax Agent and is an ASIC Registered Company Auditor. He is also a Fellow of the Taxation Institute of Australia, a Senior Associate of the Financial Services Institute and a member of the Self-Managed Super Fund Professionals' Association.

Andrew was appointed a director of Westlawn in October 2010 and holds the position of Chief Financial Officer and Company Secretary. He is also a founding director of Westlawn Business Services Pty Ltd which continues to provide accounting and taxation services to the Westlawn Group.

(f) Geoffrey Richard Hodgkinson – Non-executive Director

Geoff Hodgkinson was appointed a director in 2001 and holds a Bachelor of Economics and is a fellow of CPA Australia and the Australian Institute of Company Directors. He brings to Westlawn a wealth of experience in the banking and finance industry in both Australia and overseas.

He held positions of Assistant Governor at the Reserve Bank of Australia and Managing Director – Banking at NM Rothschild & Sons (Australia) Limited.

4.5 **Substantial shareholders**

Entities associated with Mike Dougherty, Jim Dougherty and Mark Dougherty own all of the shares in Westlawn Holdings Pty Limited, which owns 100 per cent of Westlawn.

4.6 **Further information**

Further information about Westlawn can be found on Westlawn's website: www.westlawn.com.au

5 Profile of NSF

5.1 Disclaimer

- (a) The following information on NSF has been prepared by Westlawn using publicly available information, and has not been independently verified. Accordingly, Westlawn does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.
- (b) The information on NSF in this Bidder's Statement should not be considered comprehensive.
- (c) In addition, the Corporations Act requires NSF to provide a Target's Statement to NSF Shareholders in response to this Bidder's Statement, setting out certain material information concerning NSF.

5.2 Overview

North State Finance Limited was incorporated on 26 March 1990.

Through major offices in Coffs Harbour and Lismore and agents in Ballina, Tamworth and Newcastle, NSF offers:

- (a) leasing;
- (b) commercial hire purchase;
- (c) property finance;
- (d) insurance premium funding;
- (e) professional fee funding; and
- (f) personal finance services,

focusing on lending to the professional and small business sectors and loans up to \$250,000.

5.3 Growth

Growth has taken place every year since incorporation with the exception of 2000 and 2009 which NSF attributes to the introduction of GST and the global financial crisis, respectively. However, NSF has been profitable every financial year since incorporation and in 2010 made a profit after tax of \$835,745. Funding for growth has been obtained from share capital, at-call deposits, unsecured notes, debentures and bank loans.

5.4 Dividends

Dividends have been paid every year since 1991 and three dividends per year have been paid since 2003.

5.5 NSF Shareholders

NSF has 4,505,719 fully paid ordinary shares on issue, held by 115 shareholders.

Jayglen Pty Limited (**Jayglen**) is the holding company of NSF and, at the date of this Bidder's Statement, holds 51.29% of the shares on issue. Jayglen has 16 shareholders, including David Jeffery and Garth McGilvray who are directors of both NSF and Jayglen.

Jayglen has convened an extraordinary general meeting to be held on 14 January 2011, at which a resolution to wind-up Jayglen will be put to Jayglen members. As part of the winding-up, existing Jayglen shareholders will receive an *in-specie* distribution of NSF shares held by Jayglen. If the resolution to wind-up Jayglen is approved, it is anticipated that Jayglen will cease to be the holding company of NSF during the Offer Period. Shareholders in Jayglen who receive NSF Shares as part of the winding up of Jayglen will be eligible to accept the Offer for those NSF Shares.

5.6 Directors of NSF

The Directors of NSF are set out below:

(a) George Anthony (Tony) Lennon – Chairman

Tony Lennon was an inaugural director of NSF, appointed in 1990. He is a practising solicitor and retired as a partner of the law firm MBT Lawyers in 2005. He was previously a councillor of the NSW Law Society and is a life member of the Law Society.

Tony Lennon was formerly a director of Fitzroy Finance Group.

(b) Garth Alexander McGilvray - Deputy Chairman

Garth McGilvray was appointed as a director of NSF in 2000. He retired as a practising veterinary surgeon in 2006. He is currently the Chairman of Provet Limited and was formerly the President of the New South Wales Board of Veterinary Surgeons.

(c) Robert Charles Avery - Managing Director

Robert Avery was an inaugural director of NSF. He is a Fellow of the Australian Institute of Banking and Finance and a professional financier with 32 years experience in the finance industry. He is an expert in consumer credit and commercial transactions and a director of the Financiers' Association of Australia Limited.

(d) David George Jeffery

David Jeffery was the inaugural company secretary of NSF and was appointed as a director in 1991. He is a chartered accountant, registered tax agent and principal of the firm J.D. Matthews & Associates Coffs Harbour.

(e) Iain Boyd Couper

Iain Couper was appointed as a director of NSF in 2003. He is a self-employed property investor and developer.

5.7 Financial profile of NSF

Income statements

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
	\$	\$	\$	\$	\$
Finance revenue	3,667,336	3,793,346	3,970,038	3,736,427	3,504,628
Interest	135,205	70,762	20,921	19,283	16,576
Other	480,593	505,032	564,410	513,532	552,854
TOTAL REVENUE	4,283,134	4,369,140	4,555,369	4,269,242	4,074,058
EXPENSES	3,097,389	3,332,935	3,306,759	3,046,966	2,872,403
Operating profit before provisions	1,185,745	1,036,205	1,248,610	1,222,276	1,201,655
Building impairments	0	(41,705)	0	0	0
Bad debts and provision for impaired loans	(4,909)	(2,042)	(17,703)	0	0
Operating profit after provisions	1,180,836	992,458	1,230,907	1,222,276	1,201,655
Income tax	345,091	287,024	369,272	367,231	361,094
Profit attributable to members of NSF	835,745	705,434	861,635	855,045	840,561

Financial position

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
	\$	\$	\$	\$	\$
ASSETS					
Net finance receivables	33,564,538	32,281,717	36,588,159	37,079,453	34,062,494
Cash	3,449,830	2,903,496	324,171	1,021,701	609,189
Other assets	950,196	1,007,193	1,162,459	1,120,350	1,098,358
TOTAL ASSETS	37,964,564	36,192,406	38,074,789	39,221,504	35,770,041
LIABILITIES					
Trade and other payables	699,374	788,075	760,240	871,505	710,506
Loan deposits and borrowings	29,648,840	28,181,105	30,332,295	31,592,895	28,685,253
Other liabilities	321,493	227,874	203,694	335,468	248,096
TOTAL LIABILITIES	30,669,707	29,197,054	31,296,229	32,799,868	29,643,855
NET ASSETS	7,294,857	6,995,352	6,778,560	6,421,636	6,126,186
SHAREHOLDERS' EQUITY					
Contributed capital	5,106,396	4,973,130	4,841,619	4,649,331	4,521,790
Retained profits	2,188,461	2,022,222	1,936,941	1,772,305	1,604,396
SHAREHOLDER EQUITY	7,294,857	6,995,352	6,778,560	6,421,636	6,126,186

Key ratios

Key ratios (as at 30 June)	2010	2009
Basic earnings per share (cents)	18.7	15.9
Diluted earnings per share (cents)	18.7	15.9
Interest cover (number of times)	1.72	1.48
Total debt to total equity ratio	4.20	4.17
Total debt to total assets ratio	0.81	0.81

Important note on sources of information

Westlawn has relied on the summary financial information for NSF included in the NSF prospectus dated 23 November 2010 to prepare the financial information for NSF contained in this Bidder's Statement.

Westlawn does not, except as required by law, make any representations or warranty, express or implied, as to the accuracy or completeness of this information.

5.8 Further information

Further information about NSF can be found on NSF's website: www.nsf.com.au

6 Westlawn's intentions

6.1 Introduction and important note

- (a) This section sets out Westlawn's current intentions in relation to:
 - (i) the continuation of NSF's business;
 - (ii) any major changes to be made to NSF's business, including any redeployment of the fixed assets of NSF; and
 - (iii) the future employment of the present employees of NSF.
- (b) Westlawn's current intentions for NSF have been formed following a review of facts, information and circumstances about NSF that were either publicly available at the date of this Bidder's Statement or were brought to the attention of Westlawn during its due diligence investigations. As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.
- (c) Following the close of the Offer, it is Westlawn's intention to undertake a further detailed review of the operations, assets, structure and employees of NSF. The objective of the detailed review will be to evaluate the performance, prospects and strategies of the NSF business and its assets.
- (d) This review may result in the curtailment of some of NSF's existing projects and activities.
- (e) Only upon completion of the detailed review, and in light of all material facts and circumstances will Westlawn finally determine its intentions with respect to NSF and will take such action as it considers desirable to achieve optimum integration and synergies.

6.2 Intentions upon acquisition of 90 per cent or more of NSF Shares

This section sets out Westlawn's current intentions if it acquires 90 per cent or more of the NSF Shares and is entitled to proceed to compulsory acquisition of the outstanding NSF Shares.

Compulsory acquisition

If it becomes entitled to do so, Westlawn intends to compulsorily acquire any outstanding NSF Shares in accordance with section 661B Corporations Act.

Amend NSF constitution

Westlawn may amend the constitution of NSF to reflect its status as a wholly-owned subsidiary of Westlawn.

Directors

Westlawn intends to substitute all members of the boards of the NSF Group (other than Robert Avery and Tony Lennon) and of the board of any company on which NSF has nominee directors (if any) with Westlawn nominee directors.

Those nominees have not yet been identified by Westlawn. Profiles for each of the Directors of Westlawn are set out in section 4.3.

It is intended that Robert Avery will remain the managing director of NSF and will be appointed as a director of Westlawn. Westlawn also intends for Tony Lennon to remain a director of NSF and that David Jeffery remains as company secretary for NSF.

Operations

Following the end of the Offer Period, it is intended that Westlawn will adopt a “business as usual” approach. Westlawn intends to:

- (a) build on NSF’S prominence by keeping all existing NSF branch offices – however, offices in Coffs Harbour and Lismore may ultimately merge to realise the potential synergies of a larger and more robust organisation;
- (b) slowly re-brand NSF branches and products with Westlawn branding and names (which may include a transitional period where dual branding is used); and
- (c) rationalise certain head office activities.

Westlawn does not otherwise intend to redeploy any fixed assets of the NSF Group.

Employees

All directors of NSF (other than Robert Avery and Tony Lennon) will cease to hold these offices and will not be employed by the Merged Group, except for David Jeffery who will continue as company secretary for NSF. It is otherwise Westlawn’s current intention to continue the employment of all present employees of NSF.

Based on the information presently available, Westlawn aims to ensure stability and continuity of employment for NSF’s staff. The Merged Group’s business requirements may identify opportunities to better utilise these employees within the Merged Group, therefore Westlawn will consider the redeployment of these employees within other roles in the Merged Group. The review of NSF’s operations may also result in additional staff recruitment.

Financing

If a Special Cash Dividend is paid to NSF Shareholders, shortly after the end of the Offer Period, Westlawn intends to re-capitalise NSF through the allotment of additional shares in NSF to Westlawn. The subscription amount for these shares will be at least equal to the amount of the Special Cash Dividend that is paid to NSF shareholders. Westlawn may subscribe for North State Finance Notes or North State Finance Unsecured Deposit Notes offered under NSF’s prospectus dated 23 November 2010 as a short term means of providing funding for NSF prior to undertaking such re-capitalisation.

6.3 Intentions upon acquisition of between 50 per cent and 90 per cent of NSF’ Shares

This section sets out Westlawn current intentions if, by virtue of acceptance of the Offer, it were to gain effective control of NSF but was not entitled to proceed to compulsory acquisition of the outstanding NSF Shares and the 90 per cent minimum acceptance Defeating Condition was waived by Westlawn.

Compulsory acquisition

If Westlawn does not acquire a Relevant Interest in NSF Shares of at least 90 per cent under the Offer, and accordingly, does not become entitled to compulsorily acquire all remaining NSF Shares under section 661B Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under Part 6A.2 of the Corporations Act if it reaches this 90 per cent threshold in the future. Westlawn intends to exercise that power in respect of the NSF Shares if it becomes entitled to do so.

Directors

Depending on the level of ownership achieved, it is Westlawn’s intention to substitute some or all of the members of the boards of the NSF Group (and the board of any company on which NSF has nominee directors, if any), other than Robert Avery and Tony Lennon, with Westlawn

nominee directors. Westlawn also intends that David Jeffery remain as company secretary of NSF. Westlawn would ensure that there remains strong independent board representation on the boards of the NSF Group in those circumstances.

Follow-on bids

Westlawn reserves the right to commence additional takeover bids under Chapter 6 of the Corporations Act in relation to any remaining NSF Shares that it does not acquire under this Offer.

Intentions generally (including with respect to matters at 6.2 above)

If, following the close of the Offer, NSF becomes a controlled entity but not a wholly owned subsidiary of Westlawn, it is the present intention of Westlawn to procure that the new NSF Board implements the objectives and goals outlined in section 6.2 to the extent possible and appropriate.

Limitations on intentions

To the extent that NSF is not a wholly owned subsidiary of Westlawn and there are minority shareholders of NSF, Westlawn intends to ensure that the Westlawn nominees appointed to the board of NSF 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.

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.

6.4 Intentions upon acquisition of less than 50 per cent of NSF'S Shares

This section sets out Westlawn current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of less than 50 per cent of NSF Shares and the 90 per cent minimum acceptance Defeating Condition was waived by Westlawn.

Westlawn will endeavour to implement its intentions as it has outlined in section 6.3 to the extent to which it is able to do so, subject to the limitations identified in section 6.3.

7 Risks

Before deciding whether to accept the Offer, you should read this entire Bidder's Statement carefully.

NSF Shareholders should be aware of the following key risks relating to the Offer.

7.1 Change of control provisions

NSF may be party to agreements that contain change of control provisions that may be triggered as a result of Westlawn making the Offer or if Westlawn acquires a majority of the voting rights of NSF. The operation of these change of control provisions, if triggered, could have negative consequences including requiring NSF to dispose of assets or the counter-party terminating relevant agreements.

Westlawn are aware that NSF's Suncorp and NAB banking facilities contain change of control provisions. Westlawn has agreed that these provisions will not trigger a defeating condition of the Offer.

7.2 Assumed financial information for NSF

There is a risk that the publicly available financial information provided by NSF and utilised by Westlawn in formulating the Offer and preparing this Bidder's Statement is not materially correct.

7.3 Taxation risks

Westlawn cannot give advice on the tax consequences of the Offer, which will depend upon the specific circumstances of each NSF Shareholder.

7.4 Unknown risks

In respect of information relating to NSF presented in, or omitted from, this Bidder's Statement, including all financial information, Westlawn has relied on publicly available information. There is a risk that the publicly available information provided by NSF to ASIC and utilised by Westlawn in formulating the Offer and preparing this Bidder's Statement is not materially correct. In addition, there may be further risks to NSF Shareholders that Westlawn is unaware of.

8 Sources of Offer Price

8.1 Offer Price

The price for the acquisition of NSF Shares under the Offer is to be satisfied by the payment of cash. The price of the Offer is \$2.15 for every NSF Share (which may be reduced by the amount of any Special Cash Dividend referred to in section 8.3 below).

8.2 Cash payment

If all NSF Shareholders accept the Offer, the maximum cash consideration payable by Westlawn would be approximately \$9,687,296, if no Special Cash Dividend is paid by NSF.

8.3 Special Cash Dividend

If Westlawn acquires a Relevant Interest in at least 90 per cent of all NSF Shares and therefore becomes entitled to compulsorily acquire all of the NSF Shares under Division 1 of Part 6A.1 of the Corporations Act or if the Offer becomes unconditional, NSF has agreed that it will pay a fully franked special cash dividend of up to \$0.44 per share.

If the Special Cash Dividend is paid, the cash consideration payable by Westlawn under the Offer will be reduced by the amount of the Special Cash Dividend.

If a Special Cash Dividend of \$0.44 per share is paid by NSF, the maximum cash consideration payable by Westlawn would be approximately \$7,704,780.

8.4 Sources of cash consideration

The Offer Price will be paid from current cash reserves or cash equivalents held by Westlawn in existing bank accounts and term deposits with Australian banks. At the date of this Bidder's Statement, Westlawn holds approximately \$31 million in cash reserves or cash equivalents.

9 Tax considerations

9.1 Introduction

The following is a broad summary (only) of the potential Australian income tax consequences applicable to an NSF Shareholder who disposes of NSF Shares under the Offer. This summary is based on the law and practice in effect on the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every NSF Shareholder.

In particular the summary is only applicable to NSF Shareholders that are Australian residents for income tax purposes and hold their NSF Shares on capital account for income tax purposes. This summary does not apply to NSF Shareholders that hold their NSF Shares in the course of a business of trading or dealing in securities.

All NSF Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident NSF Shareholders should seek their own advice on the Australian and foreign taxation consequences of any sale of their NSF Shares.

9.2 Capital gains tax (CGT) consequences on the disposal of NSF Shares

Capital gain

An NSF Shareholder that accepts the Offer and whose NSF Shares are subsequently transferred to Westlawn, is taken to have disposed of their NSF Shares for Australian capital gains tax (**CGT**) purposes. Shareholders make a capital gain equal to the amount by which the capital proceeds (the Offer consideration) exceeds the cost base that the NSF Shareholder has for the NSF Shares. Regardless of the view expressed in Taxation Ruling TR 2010/4, as discussed below in respect of capital losses, the amount of any Special Cash Dividend paid will be excluded from the capital proceeds in calculating any capital gain under certain 'anti-overlap' tax provisions that prevent 'double taxation' of such dividend amounts as both assessable income and capital gains.

Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, the amount of this excess of capital proceeds over the cost base is included in the NSF Shareholder's taxable income.

Capital loss

An NSF Shareholder will make a capital loss if the reduced cost base of its NSF Shares exceeds the capital proceeds received on that disposal. For these purposes, the Commissioner of Taxation (**Commissioner**) may regard the Special Cash Dividend as a part of the capital proceeds derived from the disposal of the NSF Shares if the Commissioner considers the circumstances set out in TR 2010/4 apply to the payment of that dividend. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

Cost base of NSF Shares generally

The cost base of NSF Shares would generally be equal to the amount the relevant NSF Shareholder paid to acquire the NSF Shares which includes certain incidental costs (such as brokerage) of the acquisition.

CGT discount

Any NSF Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain provided that:

- (a) the NSF Shares were acquired at least 12 months before disposal to Westlawn;
- (b) the NSF Shareholder did not choose (where eligible) to index the cost base of their NSF Shares; and
- (c) the CGT discount is applied to the capital gain after any available capital losses are first offset against that capital gain.

The CGT discount allows an NSF Shareholder who is an individual or the trustee of a trust to discount the capital gain by 50 per cent and include 50 per cent of the capital gain in the taxable income of that individual or trust.

An NSF Shareholder that is a complying superannuation entity may discount the capital gain by 33 $\frac{1}{3}$ per cent and include 66 $\frac{2}{3}$ per cent of the capital gain in the taxable income of that complying superannuation entity.

The CGT discount is not available to an NSF Shareholder that is a company including a company to which the capital gain is distributed through a trust.

9.3 Income tax implications - dividend

The Special Cash Dividend, which may be paid to NSF Shareholders on Westlawn becoming entitled to compulsory acquire the remaining NSF Shares, will be included in the NSF Shareholders' assessable income in the income year in which it is derived. The NSF Shareholder should be entitled to the benefit of any franking credit attached to the Special Cash Dividend if the shareholder has held its NSF Shares (at risk) for at least 45 days prior to the record date for that dividend.

No portion of any cash amount paid by Westlawn will be treated as a dividend for tax purposes.

9.4 Obtain your own taxation advice

Do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, Westlawn does not accept any responsibility for tax implications for individual NSF Shareholders.

10 Additional information

10.1 Conditions of the Offer

In summary, the Offer is subject to:

- (a) 90 per cent minimum acceptance;
- (b) no Prescribed Occurrences occurring in respect of NSF;
- (c) no Material Adverse Changes occurring in respect of NSF;
- (d) the granting of any regulatory approval needed for the merger and no regulatory action being announced, commenced or threatened; and
- (e) any third party which could terminate or exercise certain rights under a material contract with NSF as a result of the merger, consenting to the merger or stating an intention not to exercise its rights in that regard.

This is only a summary of the key conditions. The conditions are set out in full in Schedule 2. Westlawn may choose to waive certain of the Defeating Conditions in accordance with the Offer Terms.

10.2 Capital structure of NSF

- (a) Westlawn's Offer is to acquire all of the issued NSF Shares.
- (b) At the date of this Bidder's Statement, there are 4,505,719 NSF Shares on issue.

10.3 Details of Westlawn's relevant interests in NSF Shares

At the date of this Bidder's Statement, Westlawn does not have a Relevant Interest in any NSF Shares.

10.4 Purchases of NSF Shares during the previous four months

Westlawn have not purchased or sold any NSF Shares during the four months before the date of the Offer.

10.5 Details of Westlawn's Directors' relevant interests in NSF Shares

At the date of this Bidder's Statement, no Director of Westlawn has a Relevant Interest in NSF Shares.

10.6 Inducing benefits given during previous four months

Except as set out in this Bidder's Statement, neither Westlawn nor any of its Associates has, during the period of four months before the date of the Offer, or in the period commencing on the date of this Bidder's Statement and ending on 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 NSF Shares,

which benefit was not offered to all NSF Shareholders under the Offer.

10.7 Pre Bid Agreement

On 10 January 2011, Westlawn and NSF entered into a Pre Bid Agreement in relation to the Offer (**Pre Bid Agreement**). The terms of the Pre Bid Agreement include:

- (a) the NSF Board must unanimously recommend that NSF Shareholders accept the Offer, in the absence of a Superior Proposal and subject to the Independent Expert forming the opinion in the Independent Expert's Report that the Offer is fair and reasonable;
- (b) until the end of the Offer Period, NSF must conduct its business in the ordinary course; and
- (c) if:
 - (i) Westlawn acquires a Relevant Interest in at least 90 percent of all NSF Shares and therefore becomes entitled to compulsorily acquire any outstanding NSF Shares; or
 - (ii) the Offer is declared unconditional by Westlawn,

NSF will declare the Special Cash Dividend, with that dividend to be paid to NSF Shareholders when Westlawn pays the consideration under the Offer to NSF Shareholders.

10.8 Miscellaneous matters

ASIC relief

- (a) ASIC has published various class order instruments providing for modifications and exemptions that apply generally to all persons, including Westlawn, about the operation of Chapter 6 of the Corporations Act. Westlawn may rely on this class order relief.
- (b) Westlawn has relied on the modification to section 636(3) Corporations Act in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bids' to include references to certain statements in documents lodged with ASIC and the ASX without obtaining the consent of the persons to whom those statements are attributed.
- (c) As required by Class Order 01/1543, Westlawn will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to NSF Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) NSF Shareholders should contact Westlawn's company secretary, Andrew Hayes, on (02) 6642 2022 between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Regulatory matters

Westlawn is not aware of any Regulatory Approval which is required for it to acquire control or ownership of NSF.

10.9 Consents

This Bidder's Statement includes statements which are made in, or based on statements which are made in, documents provided by NSF to ASIC. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

This Bidder's Statement also includes certain statements attributable to NSF and the NSF Directors which are not based on statements in documents provided to ASIC. NSF and the NSF

Directors have given and have not, before the lodgement of this Bidder's Statement with ASIC, withdrawn their written consent to the inclusion of statements attributable to them where those statements are not contained in documents provided by NSF to ASIC, in the form and context in which those statements appear.

McCullough Robertson has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as legal adviser to Westlawn in respect of the Offer in the form and context in which they are named. McCullough Robertson has not undertaken due diligence investigations on NSF in relation to the Offer nor undertaken verification of this Bidder's Statement.

McCullough Robertson, NSF and the NSF Directors:

- (a) do not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

10.10 **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 an NSF Shareholder whether or not to accept an Offer; and
- (b) known to Westlawn,

and has not previously been disclosed to NSF Shareholders.

11 Glossary

11.1 Definitions

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

ACCC means the Australian Competition and Consumer Commission.

Acceptance Form means the form of acceptance and transfer accompanying this Bidder's Statement.

Announcement Date means 10 January 2011, being the date of announcement of the Offer.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term by section 12 of the Corporations Act as if section 12 of the Corporations Act included a reference to this document.

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

Consolidated Group has the same meaning as in the Income Tax Assessment Act 1997 (Cth).

Competing Proposal means a transaction which, if completed, would mean a person other than Westlawn (and its Associates) would:

- (a) acquire a Relevant Interest in 20 percent or more of the NSF securities;
- (b) acquire control of NSF, within the meaning of section 50AA Corporations Act;
- (c) acquire all or a substantial part of the NSF business, assets or undertaking;
- (d) otherwise acquire or merge with NSF; or
- (e) enter into any agreement, arrangement or understanding requiring Westlawn to abandon, or otherwise fail to proceed with, the Offer, or otherwise having that effect.

Corporations Act means *Corporations Act 2001* (Cth).

Defeating Condition means each of the conditions of the Offer set out in Schedule 2.

Directors means the current directors of Westlawn.

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:

- (a) bill, bond, debenture, note or similar instrument;
- (b) acceptance, endorsement or discounting arrangement;
- (c) guarantee;
- (d) finance or capital lease;
- (e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or

(f) obligation to deliver goods or provide services paid for in advance by any financier.

Government Agency means:

- (a) a government or government department or other body;
- (b) a government, semi-governmental or judicial person; or
- (c) a person (whether autonomous or not) who is charged with the administration of a law.

GST has the meaning it has in the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Independent Expert means the independent expert retained by NSF to prepare the Independent Expert Report.

Independent Expert Report means a report prepared by the independent expert for expressing an opinion on whether the Offer is fair and reasonable and the reasons for forming that opinion.

Material Adverse Change means any matter, event or circumstance that, when taken as a whole or with other matters, events or circumstances is, or is likely to cause:

- (a) the value of the net assets of NSF or the NSF Group to be reduced by at least \$250,000 against what they would have been but for the matters, events or circumstances; and
- (b) the ongoing annual net profit after tax, in the financial year commencing on 1 July 2010, of NSF or the NSF Group to be reduced by at least \$100,000 against what it would have been but for the matters, events or circumstances,

but does not include any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Offer or the transactions contemplated by them.

Merged Group means the Westlawn Group (including the NSF Group) which will exist as a result of the takeover bid as constituted by the Offer, should the takeover proceed to its conclusion.

NSF means the target company, North State Finance Limited ACN 003 959 126.

NSF Board means the board of directors of NSF.

NSF Directors means the current directors of NSF.

NSF Group means NSF and each of its Subsidiaries.

NSF Shareholder means a registered holder of NSF Shares.

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

Offer or **Offers** means the offer by Westlawn on the Offer Terms to acquire NSF Shares referred to in section 2 of this Bidder's Statement.

Offer Period means the period commencing on 14 January 2011 and ending at 5.00pm (Sydney time) on 16 February 2011, or such later date to which the Offer is extended.

Offer Price means \$2.15 for every NSF Share (which may include a Special Cash Dividend of up to \$0.44).

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

Prescribed Occurrences means:

- (a) **(conversion)** NSF converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** NSF resolves to reduce its share capital in any way;
- (c) **(buy-back)** NSF:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(issuing shares or options)** a member of the NSF Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make an issue of shares or grant an option over its shares,in each case to a person outside the NSF Group;
- (e) **(convertible notes)** a member of the NSF Group issues, or agrees to issue, convertible notes.
- (f) **(disposals)** a member of the NSF Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;
- (g) **(charges)** a member of the NSF Group charges, or agrees to charge, the whole or a substantial part of its business or property;
- (h) **(winding up)** a member of the NSF Group resolves to be wound up;
- (i) **(insolvency matters)** one of the following happens:
 - (i) a liquidator or provisional liquidator of a member of the NSF Group is appointed;
 - (ii) a court makes an order for the winding up of a member of the NSF Group;
 - (iii) a member of the NSF Group executes a deed of company arrangement;
 - (iv) a receiver, or receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of a member of the NSF Group;
- (j) **(distribution)** NSF makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);
- (k) **(securities or other instruments)** a member of the NSF Group:
 - (i) issues securities or other instruments convertible into shares or debt securities; or
 - (ii) agrees to issue securities or other instruments convertible into shares or debt securities,

in each case to a person outside the NSF Group;

- (l) (**constitution**) a member of the NSF Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (m) (**acquisitions, disposals or tenders**) a member of the NSF Group:
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for,any material business, asset, interest in a joint venture, entity or undertaking;
- (n) (**encumbrances**) a member of the NSF Group creates any encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- (o) (**board**) any person is appointed to the NSF Board, other than those nominated by Westlawn;
- (p) (**employment arrangements**) a member of the NSF Group:
 - (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or
 - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind,other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
- (q) (**termination or retention payment**) a member of the NSF Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to Westlawn);
- (r) (**commitments and settlements**) a member of the NSF Group:
 - (i) enters into any contract or commitment involving revenue or expenditure by the NSF Group of more than \$100,000 over the term of the contract or commitment;
 - (ii) terminates or amends in a material manner any contract material to the conduct of the NSF Group's business or which involves revenue or expenditure of more than \$100,000 over the term of the contract;
 - (iii) waives any material third party default where the financial impact on the NSF Group will be in excess of \$100,000; or
 - (iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$100,000) less than the full compensation due to NSF or a Subsidiary of NSF;
- (s) (**capital expenditure**) a member of the NSF Group undertakes or agrees to undertake capital expenditure in excess of \$100,000 in aggregate;
- (t) (**financial indebtedness**) a member of the NSF Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation

takes) in excess of \$250,000 other than in the ordinary course of business in accordance with the NSF Group's documented lending policy;

- (u) **(accounting policy)** a member of the NSF Group changes any accounting policy applied by them to report their financial position except as required by any law or Regulatory Authority;
- (v) **(tax liability)** NSF or any other member of the NSF Group does anything that results in a taxable gain for the NSF Group by either causing a Subsidiary to cease being a member of the NSF Group or causing the NSF Group to cease being a Consolidated Group,

but a Prescribed Occurrence does not include:

- (w) the declaration and/or payment by NSF during the Offer Period of an interim dividend of up to \$0.05 per share;
- (x) the making or declaring of a Special Cash Dividend of up to \$0.44 per NSF Share if Westlawn becomes entitled to compulsorily acquire remaining NSF Shares or Westlawn declares the Offer unconditional; or
- (y) an event which has been approved by Westlawn in writing or which is done by NSF or a member of the NSF Group in the ordinary course of business.

Register Date means the date set by Westlawn under section 633(2) Corporations Act, being 11 January 2011.

Regulatory Approvals means all approvals or consents of a Regulatory Authority that are required by law, regulation or regulatory policy, as are necessary to permit:

- (a) the Offer to be lawfully made to and accepted by NSF Shareholders; and
- (b) the acquisition of the NSF Shares by Westlawn.

Regulatory Authority includes:

- (a) ASIC, ACCC, the Foreign Investment Review Board and the Australian Taxation Office;
- (b) a Government Agency;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

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

Relevant Interest has the meaning given to that term by section 9 Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from NSF 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 NSF or any of its Subsidiaries.

Special Cash Dividend means a fully franked dividend of up to \$0.44 per NSF Share.

Subsidiaries has the meaning given to that term by section 9 Corporations Act.

Superior Proposal means a publicly announced Competing Proposal that, taking into account all aspects of the Competing Proposal, is:

- (a) reasonably capable of being completed; and
- (b) more favourable to NSF Shareholders than the Offer.

Target's Statement means the target's statement, to be prepared by NSF in response to this Bidder's Statement.

Westlawn means the bidder, Westlawn Finance Limited ACN 096 725 218.

Westlawn Board means the board of Directors of Westlawn.

Westlawn Group means Westlawn and each of its Subsidiaries.

Westlawn Share means a fully paid ordinary share in the capital of Westlawn.

Westlawn Shareholder means a registered holder of Westlawn Shares.

11.2 **General Interpretation**

In this Bidder's Statement, unless the context otherwise requires:

- (a) headings are for convenience and do not affect the interpretation;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Bidder's Statement;
- (c) a reference to a section is a reference to a section of this Bidder's Statement;
- (d) a singular word includes the plural and vice versa;
- (e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity;
- (g) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- (h) a reference to '\$' or 'dollar' is to Australian currency;

12 Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors of Westlawn on 13 January 2011.

Signed by Mike Dougherty, Chairman of Westlawn, in accordance with section 351 Corporations Act.

A handwritten signature in black ink, consisting of a series of loops and a horizontal line extending to the right.

Mike Dougherty
Chairman
Westlawn Limited

Schedule 1

Terms of the Offer

1 Offer

- 1.1 Westlawn offers, to each holder of NSF Shares at 5.00pm (Sydney time) on the Register Date, to acquire all of your NSF Shares together with all the Rights attaching to them on the terms set out in this Schedule. This Offer extends to any person who is able during the Offer Period to give good title to NSF Shares and has not already accepted an Offer for those NSF Shares. This Offer extends to all NSF Shares that exist at the Register Date.
- 1.2 By accepting this Offer, you undertake to transfer to Westlawn not only the NSF Shares to which the Offer relates but also all the Rights attached to the NSF Shares (excluding the Special Cash Dividend and the interim dividend of up to \$0.05 per NSF Share payable on or around 24 January 2010).
- 1.3 This Offer is dated 14 January 2011.

2 Offer Price

- 2.1 Subject to clause 2.2 of this Schedule 1, the Offer Price is \$2.15 (which may include a Special Cash Dividend of up to \$0.44 per Share).

Special Cash Dividend

- 2.2 If Westlawn acquires a Relevant Interest in at least 90 percent of all NSF Shares and therefore becomes entitled to compulsorily acquire any outstanding NSF Shares under Division 1 of Part 6A.1 Corporations Act or if the Offer becomes unconditional, NSF has agreed that it will pay a Special Cash Dividend of up to \$0.44 to NSF Shareholders. If the Special Cash Dividend is paid, the Offer Price will be reduced by the amount of the Special Cash Dividend and NSF Shareholders who accept the Offer will also receive the Special Cash Dividend. If you accept the Offer before the Special Cash Dividend is paid, Westlawn will not register the transfer of your NSF Shares until after the Special Cash Dividend is paid.

If the Special Cash Dividend is not paid, the cash consideration in clause 2.1 will not be adjusted and no allowance will be made for the value of any franking credits that would otherwise attach to the Special Cash Dividend.

3 Offer Period

The Offer will remain open for acceptance during the period commencing on 14 January 2011, and ending at 5.00pm (Sydney time) on 16 February 2011, unless it is withdrawn or extended in accordance with the Corporations Act.

4 How to accept this Offer

All of your holding

- 4.1 This Offer is for all of your NSF Shares.

Completing the Acceptance Form

- 4.2 The Acceptance Form which accompanies this Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Offer for your NSF Shares.

- 4.3 To accept this Offer you must complete, sign and return the accompanying Acceptance Form in accordance with the instructions on it and send it by post so that it is received by Westlawn before the end of the Offer Period.

Mailing and delivery addresses

- 4.4 The mailing address for completed Acceptance Forms is:

Westlawn Finance Limited
North State Finance Share Offer
PO Box 78
Grafton, New South Wales 2460

- 4.5 Alternatively, Acceptance Forms can be delivered to:

Westlawn Finance Limited
North State Finance Share Offer
22 Queen Street
Grafton, New South Wales 2460

Power of attorney, deceased estate

- 4.6 When accepting this Offer, you should also forward for inspection

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

When acceptance is complete

- 4.7 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 4.4 above and the requirements of this clause have been met, provided that:

- (a) Westlawn may in its sole discretion waive any or all of those requirements at any time; and
- (b) where those requirements have been complied with for some but not all of your NSF Shares, Westlawn may, in its sole discretion, deem your acceptance of this Offer complete in respect of those NSF Shares for which the requirements have been complied with but not in respect of the remainder.

- 4.8 If your Acceptance Form is returned by post it will be taken as received before the end of the Offer Period if the envelope in which it is sent is postmarked before the end of the Offer Period.

5 Payment of consideration

When consideration is paid

- 5.1 Subject to clause 5.3 of this Schedule 1, you will be paid the consideration you are entitled to within one month of the later of:

- (a) the date you accept the Offer; and
- (b) the date the Offer becomes unconditional.

- 5.2 In any event, you will be paid within 21 days after the end of the Offer Period (assuming all Defeating Conditions of the Offer are satisfied or waived).

Where additional documents are required

- 5.3 Where the Acceptance Form requires additional documents to be given with your acceptance (such as a power of attorney):
- (a) if the documents are given with your acceptance, Westlawn will provide the consideration in accordance with clause 5.1 of this Schedule 1;
 - (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 Westlawn is given the documents, Westlawn will provide the consideration by the end of whichever period ends earlier:
 - (i) within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period;
 - (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 Westlawn is given the documents, Westlawn will provide the consideration by the end of whichever period ends earlier:
 - (i) one month after Westlawn is given the document; and
 - (ii) 21 days after the end of the Offer Period; or
 - (d) if the documents are given after the end of the Offer Period, Westlawn will provide the consideration within 21 days after the documents are given, but if at the time Westlawn is given the documents, the contract resulting from your acceptance of the Offer is still subject to one or more of the Defeating Conditions, Westlawn will provide the consideration within 21 days after that contract becomes unconditional.
- 5.4 If you do not give Westlawn the required additional documents within one month after the end of the Offer Period, Westlawn may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

Where Westlawn is entitled to any Rights

- 5.5 If Westlawn becomes entitled to any Rights on acceptance of this Offer, you must give Westlawn all documents that Westlawn needs to give Westlawn title to those Rights. If you do not give those documents to Westlawn, or if you have received the benefit of those Rights, Westlawn will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Westlawn) of those Rights.

Payment to be mailed by cheque

- 5.6 Payment of the cash amount to which you are entitled will be mailed by cheque (or otherwise as agreed by Westlawn) in Australian currency. Cheques will be sent to the address on the register copy that is supplied to Westlawn by NSF from time to time by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

Clearances for offshore residents

- 5.7 If you are resident in or of a place outside Australia, you will not be entitled to receive any consideration under this Offer until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the Banking (Foreign Exchange) Regulations or otherwise), or of the Australian Taxation Office, have been obtained.

6 Conditions of the Offer

Conditions

- 6.1 This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the Defeating Conditions.

Nature of conditions

- 6.2 Each of the Defeating Conditions set out in each paragraph and subparagraph of Schedule 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 will be for the benefit of Westlawn alone and may be relied upon only by Westlawn.

Conditions apply to multiple events

- 6.3 Where an event occurs that would mean at the time the event occurs a Defeating Condition would not be satisfied, each Defeating Condition affected by that event becomes two separate conditions on identical terms except that:
- (a) one of them relates solely to that event; and
 - (b) the other specifically excludes that event.

Westlawn may declare the Offer free under clause 6.5 from either of those conditions without declaring it free from the other and may do so at different times. This clause may apply any number of times to a Defeating Condition (including a condition arising from a previous operation of this clause).

Effect of breach or non-fulfilment

- 6.4 The breach or non-fulfilment of any of the Defeating Conditions does not prevent a contract arising to acquire your NSF Shares resulting from your acceptance of this Offer. If at the end of the Offer Period, in respect of any Defeating Condition:
- (a) Westlawn has not declared the Offer (and it has not become) free from that Defeating Condition; or
 - (b) that Defeating Condition has not been satisfied,

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

Westlawn may decide Offer is free from all or any of the Defeating Conditions

- 6.5 Westlawn may at any time at its sole discretion but in compliance with section 650F and section 630(1) Corporations Act, declare the Offer free from all or any of the Defeating Conditions by written notice to NSF not later than seven days before the end of the Offer Period.

Date for giving notice on status of Defeating Conditions

- 6.6 The date for giving a notice on the status of the Defeating Conditions as required by section 630(1) Corporations Act is the date seven days before the end of the Offer Period, subject to variation in accordance with section 630(2) Corporations Act in the event that the Offer Period is extended.

Effect of acceptance

- 6.7 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, unless:
- (a) by the end of the Offer Period, the Defeating Conditions have not all been satisfied or waived in which case, this Offer will automatically terminate; and
 - (b) the circumstances set out in section 650E Corporations Act apply.
- 6.8 By signing and returning the Acceptance Form, you will be deemed to have:
- (a) irrevocably accepted this Offer (and each variation of this Offer) in respect of all your NSF Shares despite any difference between that number and the number of NSF Shares shown in the Acceptance Form;
 - (b) irrevocably authorised Westlawn to alter the Acceptance Form on your behalf by:
 - (i) inserting correct details of your NSF Shares;
 - (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 NSF Shares to Westlawn;
 - (c) represented and warranted to Westlawn, as a condition of the contract resulting from your acceptance of the Offer, that at the time of acceptance and at the time of transfer to Westlawn:
 - (i) you have paid to NSF all amounts which are due for payment for your NSF Shares;
 - (ii) all of your NSF Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and
 - (iii) you have full power and capacity to sell and transfer those NSF Shares;
 - (d) granted to Westlawn and each of its directors power of attorney to execute any document or do any thing on your behalf necessary to cause NSF to issue a replacement share certificate for those NSF Shares;
 - (e) agreed to:
 - (i) do anything necessary to ratify any act taken or purported to be taken by Westlawn or any of its Directors in accordance with the power of attorney granted by clause 6.8(d); and
 - (ii) indemnify Westlawn and each of its Directors in respect of that act;
 - (f) from the time of acceptance until the Offer has become unconditional, until the earlier of the withdrawal of your acceptance under section 650E Corporations Act or the end of the Offer Period, irrevocably appointed Westlawn or any nominee of Westlawn as your attorney to exercise all your powers and rights attaching to your NSF Shares including (without limitation) to requisition, convene, attend and vote at all general meetings of NSF or appoint a proxy or proxies to attend and vote on your behalf at any such meeting, where the passing or defeat of any resolution before the meeting might adversely affect the likelihood of the Offer being successful and to do so in that way which would prevent that effect arising;

- (g) on this Offer or any takeover contract becoming unconditional, irrevocably appointed Westlawn or any nominee of Westlawn as your attorney to exercise all your powers and rights attaching to your NSF Shares including (without limitation):
 - (i) to requisition, convene, attend and vote at all general meetings of NSF or appoint a proxy or proxies to attend and vote on your behalf at any such meeting; and
 - (ii) sign all documents and resolutions relating to your NSF Shares, and generally to exercise all powers and rights which you may have as an NSF Shareholder and perform such actions as may be appropriate in order to vest good title in your NSF Shares in Westlawn;
- (h) agreed that in exercising the powers conferred by the power of attorney in clause 6.8(f), Westlawn is entitled to act in the interests of Westlawn; and
- (i) agreed not to attend or vote in person at any general meeting of NSF or to exercise or purport to exercise any of the powers conferred on Westlawn or its nominee in clause 6.8(f).

Withdrawal

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

Variation

- 6.10 Westlawn may vary this Offer in accordance with the Corporations Act.

7 Acceptances by transferees and nominees

Who may accept the Offer

- 7.1 During the Offer Period:
- (a) any person who is able to give good title to a parcel of NSF Shares may accept (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer has been made to that person; and
 - (b) any person who holds one or more distinct parcels of NSF Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate and distinct offer had been made in relation to:
 - (i) each of those distinct parcels; and
 - (ii) any parcel they hold in their own right.

Holding shares

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

Holding shares on trust or as a nominee

- 7.3 A person is taken to hold NSF Shares on trust for, as nominee for, or on account of, another person if that person:
- (a) is entitled to be registered as the holder of NSF Shares; and

- (b) holds the interest in the NSF Shares on trust for, as nominee for, or on account of, that other person.

Effective acceptance

- 7.4 An acceptance of an Offer under clause 7.1(b) is ineffective unless:
- (a) the person who holds on account of another person, gives that other person written notice stating that the NSF Shares consist of a separate parcel; and
 - (b) the acceptance specifies the number of NSF Shares in that parcel.

Notice of acceptance

- 7.5 A notice under clause 7.4(a) of these terms must be made in writing.
- 7.6 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.

8 Other matters

Notices and other communications

- 8.1 Subject to the Corporations Act, a notice or other communication given by Westlawn 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 NSF or the address shown in the Acceptance Form; and
 - (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.

Return of documents

- 8.2 If:
- (a) this Offer is withdrawn after your Acceptance Form has been sent to Westlawn, but before it has been received; or
 - (b) for any other reason Westlawn does not acquire the NSF Shares to which your Acceptance Form relates,
- Westlawn will, at its election, either
- (c) despatch at your risk your Acceptance Form together with all other documents forwarded by you; or
 - (d) destroy those documents.

9 Costs and expenses

All costs and expenses of the preparation, despatch and circulation of the Offers and all stamp duty payable for a transfer of NSF Shares for which Offers are accepted, will be paid by Westlawn.

Schedule 2

Conditions of the Offer

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

- 1 **(Minimum acceptance)** Before the end of the Offer Period, Westlawn has a Relevant Interest in at least 90 per cent (by number) of the NSF Shares.
- 2 **(all Regulatory Approvals and no regulatory action)** Before the end of the Offer Period:
 - (a) the Regulatory Approvals are:
 - (i) granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - (ii) remain in full force and effect; and
 - (iii) do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them; and
 - (b)
 - (i) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - (ii) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - (iii) no application is made to any Regulatory Authority (other than by Westlawn or any associate of Westlawn),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the NSF Shares by Westlawn, the rights of Westlawn in respect of NSF and the NSF Shares or the continued operation of the businesses of NSF or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).
- 3 **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, no Prescribed Occurrence occurs.
- 4 **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period, there has not occurred, been announced or become known to Westlawn any Material Adverse Change.
- 5 **(Third party consents)** If a member of the NSF Group is a party to, is bound by, or is subject to, an agreement, arrangement or understanding which as a result of the acquisition of the NSF Shares by Westlawn under the Offer, payment of the Special Cash Dividend or a change of control of NSF as a result of the Offer entitled another person (**Third Party**) to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse effect on the assets, liabilities, financial position or performance or the prospects of the NSF Group (taken as a whole), then before the end of the Offer Period, the Third Party:
 - (a) does not exercise, propose to exercise, or state an intention or claim a right to exercise, those rights; and
 - (b) gives its consent or waiver to the relevant event.

Corporate directory

Company

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